3 ETFs to Beat Inflation in 2022

Description

Did you notice the hidden tax you paid this year? In recent months, the cost of everything you need, from food to housing, has gone through the roof. Meanwhile, your wealth isn't keeping pace with this rising cost of living. Inflation is an invisible tax on your prosperity.

Now, the official inflation rate is 4.8%, but you could argue that the real rate is much higher. Consider whether your grocery bill, fuel costs, and rent have soared by more than 4.8%, and you can see why this is a problem.

With that in mind, investors need to shield their assets from this inflationary wave. Here are the top three exchange-traded funds (ETFs) that could help.

Top ETF for energy

Oil is a crucial part of the cost of living. Your transport and fuel costs rise when crude oil is expensive. But there are also several hidden effects. For example, rising transport costs are reflected in your grocery and furniture bills. The cost to heat your home is also somewhat related to crude and natural gas prices. In other words, energy is core inflation.

iShares S&P/TSX Capped Energy Index ETF (TSX:XEG) is a convenient way to bet on this sector. The fund holds some of the largest oil and gas producers in Canada. Top holdings include **Suncor** and **Canadian Natural Resources**. Year to date, the ETF is up 19%, which far outpaces even the most pessimistic inflation forecast.

If you're looking to *benefit from inflation*, this top ETF is an ideal pick!

Top ETF for interest rates

Interest rates are the primary tool for controlling inflation. Raising the cost of borrowing reduces demand and encourages people to save more. Over time, academics suggest, this should reduce inflation.

Central bankers across the world have already started raising rates. In the U.K., rates were raised in January. The U.S. Federal Reserve is expected to hike in March. Similarly, the Bank of Canada has also made it clear that rates are going up.

Rising rates benefit lenders. Banks and financial institutions can extract higher rates for lending money. That's why the **iShares S&P/TSX Capped Financials Index ETF** (TSX:XFN) is a top ETF pick. XFN's largest holdings include all the big banks. However, there's also some exposure to other parts of the financial sector, such as **Intact Financial** and **Brookfield Asset Management**.

If you're worried about rising interest rates, this ETF should certainly be on your radar.

Top ETF for gold

The final ETF on this list isn't a good fit for everyone. **iShares Gold Bullion ETF** (TSX:CGL) is considered an inflation-hedge, because it tracks the market price of gold. However, the price of gold is flat over the past one year. The CGL ETF has delivered -4.6% over the past 12 months. So, the correlation between the yellow metal and the cost of living isn't perfect.

However, over the long-term experts argue that gold should preserve or retain its value better than most other assets. That makes it a good fit for ultra-conservative investors trying to safeguard their wealth. If you're feeling particularly pessimistic, this ETF could be worth looking into.

CATEGORY

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2. TSX:XEG (iShares S&P/TSX Capped Energy Index ETF)
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Date
2025/06/28
Date Created
2022/02/10
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