



1 of the Best TSX Stock Picks to Stay Ahead of Inflation

Description

There are many great TSX stock picks to choose from after a rough past month and a half, but only the best of the best are worthy of your portfolio, as we move deeper into another inflation-filled year. Indeed, the Bank of Canada did nothing to fight inflation in January. It was supposed to hike rates, but instead, its inactivity put the central bank at risk of falling behind the curve, shaving a bit off the loonie in the process. With rampant price increases hurting savers and conservative investors, it's time for investors to take adapt to the new reality over the medium term, rather than hoping that the central banks have their back.

Believe it or not, central banks can make mistakes, and it's my personal belief that the lack of rate hikes in January could pave the way for continued inflation that could last through 2022. While inflation could be tamed in early 2023, it seems unlikely that the 1.5-2% inflation rate we've all grown accustomed to in recent years is most likely out of the question.

Indeed, inflationary forces can be [unforgiving](#). But there's no need to panic. With the Bank of Canada expecting high levels of inflation for the next year or two, it's about time that investors ask themselves if they're ready for continued price increases. While the rate of increase of inflation could taper off and begin to peak, the insidious effect of 4-5% inflation should not go discounted by Canadians with a bit too much cash sitting on the sidelines.

Can you stomach another two years of inflation at these levels?

If not, it may make sense to check out some of the more promising TSX stock picks out there that can help you build purchasing power. Undoubtedly, market volatility is the price of admission. But there are securities out there that can hold their own, even if the choppiness we've experienced thus far in 2022 is to become the new normal, given the profound number of question marks these days, ranging from rate-hike schedules to COVID and its continued impact on global supply chains and the Canadian economy.

Without further ado, consider rate-hike beneficiary **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)).

My top inflation-fighting TSX stock pick: Bank of Montreal

The Big Six have had quite a run of late. In due time, a pullback will strike, but over the next five years, I think most big banks are cheap here. Bank of Montreal, I believe, is the cheapest relative to its growth rate. Its O&G loan exposure, commercial banking business, recent pick-up of Bank of the West and robust U.S. presence could allow the bank to take off once rate hikes begin to happen on both sides of the border.

Now, the Bank of Canada has stood pat on rate hikes, because it doesn't want to spark a recession. Indeed, following the Fed may be prudent. At this juncture, the Fed is attempting to balance employment with inflation. It's a challenging task, and despite recent hawkishness, I believe they'll act more dovish than the Street is expecting, given chairman Powell's history of tilting towards the dovish side.

Indeed, I think the slight dovish tilt will allow for rate hikes that don't crumble the economy. What does that mean for the banks? Strong economic growth and rate hikes could be the perfect mix that could take the financials to new heights. And at this juncture, it's tough to do better than BMO. It delivered a whopping 25% dividend hike for a reason; it's well positioned to thrive in this climate.

Could more sizeable dividend hikes come in 2022 and 2023?

They could. I'd argue that over the next 10 years that BMO is likely to raise the bar on its payout at a quicker rate than some of its peers in the Big Six basket. With momentum in passive investment products, the prospect of higher rates and commercial loan growth, it's hard not to love BMO here. The recent acquisition is a wild card, but under the leadership of BMO, I think the deal could pay [dividends](#) for many years to come. It's these dividends that could help you stay ahead of inflation, no matter how persistent it could be.

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