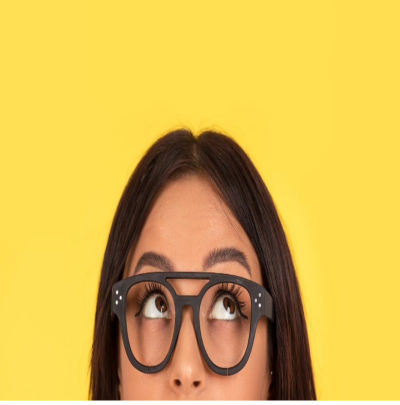

Interest Rates Could Rise: 3 TSX Stocks to Consider

Description

The Bank of Canada is likely to start raising its benchmark rates to combat the impact of the inflationary environment. Economists have said that the 4.8% inflation reading in December 2021 is something to be afraid of. The Bank of Canada has yet to make an announcement about the specifics, but an interest rate hike is coming soon.

The stock market could see a dip if a recession results from rising interest rates. The Tax-Free Savings Account (TFSA) is a flexible investment vehicle suitable for various financial goals. Today, I will discuss three **TSX** stocks you could invest in and hold in a TFSA to mitigate the impact of rising interest rates and get you superior returns to beat the broader market.

Toronto-Dominion Bank

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is a $194.21 billion market capitalization bank that could be an ideal investment to take advantage of rising inflation rates. TD Bank boasts solid domestic banking operations and decent exposure to the housing market. Higher interest rates could significantly improve its profit margins.

Additionally, TD Bank's U.S. exposure could provide a further boost to the company's revenues. It boasts one of the largest retail banking operations south of the border, generating around a third of its overall revenues from its business in the United States. The bank has started to penetrate more lucrative markets in the U.S., and that could see more significant growth in the coming years. At writing, TD Bank stock trades for $106.59 per share and boasts a 3.34% dividend yield.

Royal Bank of Canada

Royal Bank of Canada (TSX:RY)(NYSE:RY) is Canada's largest bank by market cap. It boasts a $201.62 billion market capitalization, and it has a reputation for being one of the top dividend stocks in Canada. The bank has paid its shareholders their dividends each year since it was founded in 1869.

While the bank hasn't raised its payouts for most of that time, a 150-year track record of dividend payments is impressive. The bank boasts solid results year after year, and it is one of the most reliable financial institutions in the country. At writing, RBC stock trades for $141.46 per share, and it boasts a 3.39% dividend yield.

Canadian Imperial Bank of Commerce

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) is the smallest of the Big Six Canadian Banks, but it is a strong financial institution. Boasting a market capitalization of $72.49 billion, CIBC might not be the biggest among its peers, but it offers the best yield. CIBC stock trades for $160.78 per share at writing, and it boasts a juicy 4.01% dividend yield.

CIBC stock is near its all-time high valuation on the stock market at its current levels, but it has more room to grow. It boasts the largest exposure to the domestic housing market among its peers. The recent surge in the housing market can combine with the impending interest rate hike to send its share prices soaring further.

Foolish takeaway

The Bank of Canada has targeted bringing the inflation rates down to 2%. It is a big undertaking, and it is possible. However, it may be a while until BoC reaches that target. It might be a good idea to allocate some of the contribution room in your TFSA to these top bank stocks to protect your investment capital.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

TICKERS GLOBAL

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2. NYSE:RY (Royal Bank of Canada)
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4. TSX:CM (Canadian Imperial Bank of Commerce)
5. TSX:RY (Royal Bank of Canada)
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