Inflation Is Here to Stay: 3 Top TSX Stocks to Buy to Beat it

Description

Rising inflation is rearing its ugly head once again. Commodity prices have zoomed after Russia-Ukraine tensions reached new highs in the last few weeks. So, while we see inflation at almost 40-year highs, a new demand-supply imbalance could fuel it further.

According to a *CNBC* report, U.S. Treasury Secretary Janet Yellen thinks the current situation in Ukraine is aggravating inflation. As a result, we could see another year of uncomfortable levels of inflation.

In the U.S., inflation reached 7.9% in February, its highest level since 1981. The reading surpassed 5% in Canada, reaching its 30-year high levels.

In simple terms, if a car today costs $50,000 in Canada, it will cost you $52,500 next year. If you are sitting on cash of $50,000 today, it will be worth $47,500 next year. So, inflation is going to eat away your savings. And with such record inflation, your savings will erode at an even faster pace.

But there are ways you can protect your savings from rising prices. Stocks are some of the best alternatives that can outperform in inflationary environments.

Here are three such TSX stocks to consider in the current situation.

Suncor Energy

Note that not all stocks are resistant to inflation. Companies that can pass on the higher cost burden on to their customers are more capable of growing their earnings. So, they outperform broader markets. Energy is one of those sectors.

Canada's largest oil sands player **Suncor Energy** (TSX:SU)(NYSE:SU) looks poised to grow in the current situation. Its integrated operations support earnings amid volatile crude oil prices. Notably, its downstream operations will likely contribute higher this year amid re-openings. In addition, it pays a stable dividend yield of 4.2% — higher than TSX stocks at large.

As crude oil prices have risen sharply this year, energy companies have seen a significant boost in their free cash flows. Thus, even if markets have fallen on higher commodities prices, energy stocks have ticked up significantly. SU stock is up 25% this year. It could keep beating markets, as its earnings expand on higher oil prices.

Canadian Utilities

As Russia-Ukraine tensions turned into war since late February, defensive names like **Canadian Utilities** (TSX:CU) have seen a notable up move. Utility stocks play well during broad market uncertainties due to their slow-moving stocks and regular dividends.

CU stock currently offers a stable yield of 5%. Although it is a recession or a war-like situation, utilities earn stable cash flows that facilitate stable dividends. So, even if stocks like CU underperform growth stocks, they offer a better risk-reward proposition for long-term investors.

B2Gold

Another effective inflation hedge is gold. The yellow metal and inflation are directly correlated. Historical trends show that the value of gold increases as the cost of living rises.

Betting on gold or gold miner stocks could be a smart move to beat inflation. I like Canadian miner **B2Gold** (TSX:BTO)(NYSE:BTG) because of its strong earnings growth and undervalued stock. Another advantage of holding gold miner stocks over a gold ETF is that many pay stable dividends as well.

B2Gold stock has been up 30% since January this year. As gold prices move higher amid rising inflation, miners like B2Gold will likely see earnings growth, ultimately fueling the stocks higher.

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