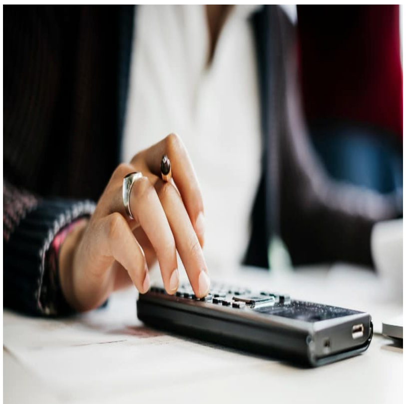

1 Canadian Stock to Buy if You Fear Stagflation

Description

The odds of stagflation seem to be increasing by the day, with the Ukraine-Russia crisis and the ongoing COVID pandemic, which could severely exacerbate the levels of inflation we've witnessed. Indeed, rate hikes from central banks such as the Bank of Canada (BoC) or the U.S. Federal Reserve still seem on the table in spite of recent geopolitical turmoil. Undoubtedly, such rate hikes could curb economic growth, with some fearing that we could dip into a recession. Indeed, the flattening U.S. yield curve does not look pretty right now.

If it inverts (there's a high chance it will at some point over the coming months), the timer is on for a potential economic recession. Arguably, uncertainties are greater today than they were around two years ago, when COVID slammed the markets, sending them into a violent tailspin. Today, the latest COVID variant of concern, Omicron, seems to be dwindling. But could it be that a new variant is waiting just around the corner? It's hard to tell. Regardless, investors have the right to be adopting more of a risk-off mindset, but should not look to panic-sell at this juncture after an already brutal correction to kick off the year.

Stagflation: A growing possibility

Now, stagflation is hard to call. It comprises of high, persistent levels of inflation (it looks like we're getting that) and weak economic growth. With fears of a coming recession, it seems like the 1970s style of stagflation could be making its return to broader stock markets.

With the Fed and BoC likely to play it by ear, striking to find a balance between controlling inflation while keeping employment and the economy on stable footing, it's unlikely that Canada or the U.S. will be propelled into a violent economic downturn. While the yield curve may be pointing to such, I don't think investors should bet on a recession. That said, there's always a chance that the Ukraine-Russia crisis could worsen, dragging down the global economy into some contraction in global economic growth. So, in short, stagflation is a possibility but the likeliest outcome.

For investors looking to brace themselves for a potential high-inflation, low-growth environment, there are plenty of intriguing options out there. Most notably, top-notch grocer **Loblaw** (TSX:L) seems poised to continue outperforming, even as the economy stumbles, with inflation running rampant.

Loblaw

Loblaw has done a great job of dodging and weaving past inflation over the past few years. The firm has found a way to thrive in an industry with razor-thin margins. Indeed, the consumer staple is well geared to do well as the economy takes another hit. Recession or not, groceries are a necessity, and Loblaw is arguably one of the best value-conscious choices for Canadians. The company can absorb some of the blow from inflation while stealthy passing some cost increases back to consumers. Further, Loblaw has done a great job of improving operational efficiencies. Such improvements could last well after these tough times subside.

While L stock is at new highs at nearly $115 per share, the stock is still hardly pricey, at just 21 times trailing earnings. For a high-quality staple that's doing a lot of things right, Loblaw is a great place to build wealth in an inflationary environment that could see growth slip.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:L (Loblaw Companies Limited)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. joefrenette
2. kduncombe

Category

1. Investing

Date
2025/07/23
Date Created
2022/03/12
Author

joefrenette