



## Beginner Investors: Here's the Best Way to Fight Inflation

### Description

Inflation is here, and it's not going away any time soon, even as the U.S. Federal Reserve hits the rate hike button for the first time in a long time! Undoubtedly, the high rate of inflation isn't looking as transitory as the Fed suggested back in the second half of 2020 and early 2021. We'll all have to deal with it, and while it will eventually peak, investors must be prepared for the perfect storm of inflationary headwinds. Indeed, the crisis going on in Ukraine is not helping inflation cool off. It could propel CPI numbers to the next level, and it may take another two years or more to bring inflation back to the levels that most Canadians are accustomed to.

If you've never lived through inflationary times, you're not alone. Many beginner investors have probably never experienced the type of stagflationary environment investors struggled through in the 1970s. Rate hikes were something to be feared. And ultimately, a recession is what put an end to the horrid inflation. Is a recession coming just two years after the COVID one? Or could it be the Fed can stomp out inflation without sparking an economic downturn, effectively reversing the progress made in the past year and a half?

### Inflation isn't backing down

It's hard to say. But with the odds of a recession creeping higher, I don't think investors should hit the panic button just yet. Janet Yellen, former Fed chair and current U.S. Treasury Secretary does not see a recession. She's a very smart woman, and it can pay dividends to listen to her. That said, recessions, by nature, are tough to predict. They tend to catch everybody off guard. In any case, I do not think the more hawkish Fed will spark a recession to combat inflation. If anything, they'll do their best to walk the tightrope, with maybe the slightest tilt toward keeping the economy from hurting again.

What does the slightly dovish tilt mean for investors? Fed Chairman Powell may be the most hawkish he's ever been, but I think he's a tad more dovish than the market is currently pricing in. The man doesn't have to choose between keeping unemployment low and taming inflation. He'll try his best to curb inflation without hurting the stock market and employment rates. For investors, this means inflation could be lingering around for a while longer, as the Fed doesn't seem inclined to pull the plug

on the economic recovery from the COVID recession just yet.

For beginners, that means it's time to take inflation seriously. Cash, bonds, and other risk-free assets are not the places to be. It's nice to hope for inflation to fall back toward that 2% target. But the odds of such over the medium term seem incredibly low.

## Cheap companies with pricing power: inflation fighting 101

What's the best inflation-fighter? It's good, old-fashioned equities, especially the [cheap](#) ones with considerable pricing power. While gold and **Bitcoin** may be intriguing diversifiers, I think that firms like **Alimentation Couche-Tard** ([TSX:ATD](#)) are good enough to get through another year of inflation above the 5% mark. The convenience retailer is a growth and value play rolled into one.

Further, it has a bit more flexibility to raise prices, given it sells convenience in addition to merchandise like food and fuel. Indeed, convenience is in high demand these days, and I do think that c-store shoppers are less sensitive to price increases since they're looking to save themselves time. Time is money. In fact, time may be worth more than money these days. With such high EPS growth potential and a 15.5 times trailing earnings multiple, ATD could be key to not only staying ahead of inflation, but it could also be key to serious outperformance in a [turbulent](#) year for markets. Couche-Tard is a buy.

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**Author**

joefrenette

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