



1 Canadian Stock to Help Win the Fight Against Inflation

Description

Canadian stocks have really done a great job of holding their own over the past several months. With the S&P 500 attempting to bounce back from a nasty correction and the Nasdaq 100 ricocheting off a move into a bear market (that's a 20% drop), the TSX Index finds itself at a fresh, new all-time high. Indeed, it looks like the broader Canadian stock market is not looking back this time around, moving higher under its own power. Thanks to commodity price moves and anticipation of much higher interest rates to combat problematic levels of inflation, the TSX is now miles ahead of the U.S. indices that it typically trails.

Undoubtedly, energy and financials exposure is finally starting to pay off for the [value-heavy](#) index. In this piece, we'll look at two best-in-breed Canadian stocks that I'd buy, as the Bank of Canada (BoC) and the U.S. Fed fall a bit behind the curve with their rate hikes. Indeed, the BoC made the right move by hiking rates around a month ago, but was it too little, too late? The latest round of hot [inflation](#) numbers certainly seems to suggest such. Should CPI surpass the 6% mark, Canadians could see a price spiral get out of hand.

Undoubtedly, it's not a good situation to be in. In this piece, we'll have a look at ways within the equity markets that can help investors fight off inflation for another year and a half.

Inflation could stick around for a much longer time

Indeed, inflation is terrible news for investors, but it's even worse news for savers and those who hold long-duration bond funds. Have we reached an era where over prudence is actually risky from an opportunity cost standpoint? I think that could be the case, especially if inflation has yet to peak and continues for yet another year.

Consider firms that can dodge and weave through inflation, passing higher prices onto customers without having to suffer from a significant loss of sales.

MTY Food Group

MTY Food Group ([TSX:MTY](#)) is a Canadian owner of various casual dining locations, a vast majority of which are in food courts. Indeed, the great reopening is still in full swing. As COVID cases tumble into the summer, I expect Canadians will continue flooding back into malls, and you can bet they'll be hungry during their shopping sessions. MTY owns some powerful brands, and folks don't typically think twice about prices at the food court. Prices are already quite modest, especially compared to the shopping bills they've already racked up!

I think MTY is a bargain at just 15.7 times trailing earnings after its latest slide. Of course, a COVID resurgence could propel the stock backward, but in terms of combatting inflation, I'm a huge fan of the stock. The 2.8% dividend yield and capital upside make the \$1.32 billion firm worth stashing in your portfolio's core.

The bottom line on inflation and TSX stocks

Stocks are a great way to combat inflation or, at the very least, reduce the impact on your purchasing power. MTY stock is a bargain, with an extraordinary dividend and potential reopening upside. Between that stock and cash, MTY looks like the better bet any day of the week.

Stay on your toes in the fight against inflation and keep tuned in here at The Motley Fool for tips on how to stay ahead on your wealth-creation journey!

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