Investing in Inflation: Stocks to Buy Right Now for Q2 2022

Description

The stock markets have been picking up meaningful traction over the past week, with five out of the last six sessions in the green. The one session of the six was pretty much in the grey, making the recent week-long rally a very sharp ricochet right off the market bottom. The S&P 500 and Nasdaq 100 seemed to have regained their footing, despite the ongoing crisis in the Ukraine. With Omicron cases continuing to fall (watch out for a "stealthy Omicron" variant), sights are set on the great reopening and easing of global supply chain constraints, all while central banks around the world look to get serious in the fight against inflation.

Currently, the U.S. Fed seems more hawkish than the Bank of Canada (BoC), with the ultimate goal of eliminating this terrible bout of inflation. With the TSX Index surging to new highs, the BoC should be more aggressive with its rate-hike schedule. Canadians have had to endure higher prices in recent quarters, and it's becoming a bit out of hand, with the price of necessities surging to absurd levels. Indeed, the BoC needs to hike faster, perhaps faster than the Fed, given how incredibly strong the energy and financial sectors have been this past year.

Rate hikes and inflation: Which is the lesser beast?

It's a balancing act that ought to be tilted towards more rate hikes, rather than just living with what's proven to be some pretty persistent inflation. I've said it before, and I'll say it again: it's hard to put the genie that is inflation back in the bottle once it's let loose.

Half-measure rate hikes may not be enough to get inflation to normalized levels. While there is some risk that a rate hike could spark a recession, I find a recession in Canada to be far less likely, given recent crises have produced profound tailwinds in sectors, like the commodity space, where the TSX is heavy in. Given this, the BoC should go full hawk, perhaps with a surprise 0.5-bps hike come to its next meeting. Otherwise, inflation could linger and hurt the wallets of Canadians for a while longer.

CP Rail: A top stock to buy right now

Betting on commodity producers themselves would be wise, but given they're more at risk for a blow-off top, I view **CP Rail** (TSX:CP)(NYSE:CP) as a more prudent play.

The stock is hovering around new highs, with billionaire investor Bill Ackman back aboard with a sizeable stake. Indeed, CP has been eventful, with Kansas City Southern in the bag. As commodity shipments across borders look to surge over the next few years, I view CP as a magnificent holding. While commodity prices could stay elevated, they're due for a pullback, and the rails, movers of such commodities, will be less sensitive to such moves.

At the end of the day, CP is a wonderful company that ought to be worth at least 28 times earnings in my books. Although I'd prefer a dip, I think a big breakout is likelier, as CP stock surges past the $102-per-share level.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CP (Canadian Pacific Railway)
2. TSX:CP (Canadian Pacific Railway)

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
2025/08/22
Date Created
2022/03/23
Author
joefrenette