Growth at a Reasonable Price: 1 Top Stock to Buy Now

Description

Investor mindset went from "growth at any price" to value and "growth at a reasonable price," and all it took was a rate hike and promises of more to come from a hawkish U.S. Federal Reserve. With white-hot CPI numbers coming in at 8.5% in the United States, many investors fear that double-digit territory could be next.

Indeed, nobody wants hyperinflation, but until inflation can show some signs of pulling back, investors should strive to be proactive in their investing approach. Undoubtedly, having around four years' worth of price increases in just one year is horrific. For many young consumers, many of whom have never had to tackle such high levels of inflation, it's really difficult to tell the difference between a great deal and a piece of merchandise that's overpriced, especially in the grocery aisle!

Many have come to terms with massive price increases, but a considerable many are trying their best to resist the high prices via coupon clipping or going to extra mile to avoid that dreaded sticker shock we've all shared over the past year and a half. Inflation is a pest, and it's not so easy to eradicate it.

Rate hikes incoming, but don't expect inflation to disappear overnight

While the Bank of Canada and Fed are on the right track, with nine or 10 rate hikes that could be up ahead, investors should not expect inflation to cool off anytime soon, especially if they're feeling the pinch at the grocery store and have way too much cash sitting vulnerably on the sidelines without a job to do.

As you've probably heard endlessly over the past year, higher rates mean higher-growth stocks are worth less than they would have been in a low-rate world. The same story is unfolding, as the American 10-year note marches to and possibly above 3% — a level that's just up ahead.

Does that mean growth is toxic? The unprofitable ones priced at over 20 times sales may still be. But the ones that are profitable, with a means to become even more profitable? They're intriguing. And the ones with valuations on the lower side of the spectrum? I view them as bargains.

Consider the following bargains for investors who subscribe to the “growth at a reasonable price” philosophy in this rising-rate environment.

Restaurant Brands International

Restaurant Brands International (TSX:QSR)(NYSE:QSR) is an easy TSX stock to forget about. It’s a fast-food firm behind Tim Hortons, Burger King, Popeyes Chicken, and Firehouse Subs. The company has not done well in the past five years, trailing almost every quick-service restaurant peer.

The firm’s struggles struck even before the pandemic arrived. Indeed, the company may not have been managed great. Regardless, the stock is dirt cheap, and the brands have staying power that will outlast this pandemic. With a plan to improve on the technological front, I think it will be hard to stop the value stock, even as we head into an economic slowdown or recession.

Remember, fast-food firms do decent during times of recession. And as consumers look to avoid inflation wherever possible, perhaps more will grab a burger at their local low-cost Burger King than that fancy dine-in meal. Indeed, fast-food deals are hard to beat, and for those looking to tighten their budget, few eateries offer better deals than the top fast-food firms. QSR stock is a buy in my books, as the perfect storm of inflation and rate hikes approaches.

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1. Investing

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