Buy Canada! 2 Dividend Stocks to Offset Inflation

Description

Inflation "swindles almost everybody," said Warren Buffett at **Berkshire Hathaway's** latest annual shareholders' meeting. Undoubtedly, inflation has weighed heavily on the bank accounts of many around the world. Savers have been swindled the most, as Canada's inflation flirts with 7%.

Stock investors have had to deal with intense volatility, and many are in the hole if they did any buying over the past year. Further, many corporations are struggling with inflation's impact. It's proven tough to pass costs onto the consumer for the firms without pricing power.

These days, high-quality firms that can move through inflation without suffering from considerable sales losses are the places to be if you want to make it out of these inflationary years ahead.

In the United States, a lack of value has been a major concern. It took a promise of higher rates from the U.S. Federal Reserve to drag markets lower. Here in Canada, though, there's still plenty of value. With high commodity prices, arguably, there has never been a better time to buy Canada.

Indeed, many banks on the Street see today as a great moment to go after the many grossly undervalued Canadian stocks that have just recently begun to wake up. It's these Canadian stocks that could be key to not only reducing inflation's effect on your wealth but to building real wealth and outpacing many investors who may be overweight U.S. stocks.

Side by side, Canada comes out on top in terms of tailwinds and value. As such, Canadian investors should look to buy Canadian this May.

In this piece, we'll have a closer look at **IA Financial** (TSX:IAG) and **TD Bank** (TSX:TD)(NYSE:TD), two great dividend stocks that are both cheap and bountiful in the face of inflation and rate hikes.

IA Financial

IA Financial is a high-quality insurance company that doesn't get as much respect as its bigger brothers. Though the dividend isn't massive by any stretch of the imagination, it is arguably one of the most secure of the insurers these days. In a worst-case scenario, we could see the U.S. economy fall into a recession. With commodities propelling the Canadian economy, I'd argue that a recession is far less likely on this side of the border, especially if the Bank of Canada (BoC) can raise rates and stomp out inflation without sending us back into an economic downturn.

Indeed, a commodity-heavy economy looks to be finally paying off in 2022! IA is more of a domestic insurer and wealth manager, but it has some of the best managers out there. Just look at the performance versus its peers since the Great Financial Crisis.

The stock trades at 8.7 times earnings alongside a 3.72% dividend yield. That's a cheap way to get passive income, if you ask me!

TD Bank

TD Bank is a great Canadian bank that recently fell into a correction. The stock is down around 14% from its peak to around $92 and change per share.

Though the bull rally ended violently, with a correction, I think the stock has a fresh slate to rally higher, even if the economy experiences a bit of turbulence. TD trades at 11.6 times trailing earnings alongside a 3.84% dividend yield. I think today's prices represent an incredible entry point for those who are looking to rotate back into the value trade without having to pay up to do so!

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1. Dividend Stocks
2. Investing

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