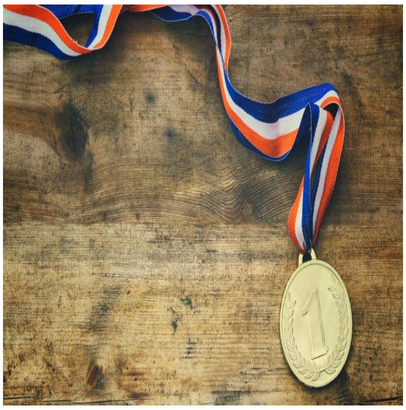

The Best TSX Stocks to Buy Amid Inflation

Description

The first half of 2022 has been a disaster for many beginner investors. However, for disciplined long-term investors, who've been in the game for quite a while, the first half of the year should be treated as a window of opportunity. Undoubtedly, savvy investors, including the Oracle of Omaha (Warren Buffett), have been busy picking up stocks this year. Buffett, who's been relatively quiet amid the COVID pandemic is finally deploying capital. Though it's hard to tell whether the stock market will sink even lower into bear market territory (the S&P 500 is staging a comeback from its 20% flop from peak to trough), it's important to weigh downside and upside risks.

Remember, the stock market can recover without giving you the opportunity to put all of your excess cash to work. Indeed, missing out on upside can hurt — perhaps not as much as suffering from quick losses, but for younger investors, missing out on generational market dips can take a jolt out of one's long-term wealth-creation prospects.

Inflation and weaker growth? It's a scary time for investors

It's a scary time to be a buyer of any securities these days. However, it's times like these when it's best to be a buyer. Like it or not, inflation is still sticking around, and any cash held in a savings account — including those high-interest TFSAs — will take a hit. Inflation is a tax that hurts everybody. And unless you're willing to stomach a 5-7% punch at the hands of inflation, I'd argue that the recent selloff in markets presents a compelling opportunity to better insulate one's wealth against inflationary pressures.

In this piece, we'll have a closer look at one intriguing TSX stock that I believe can help investors dodge and weave past inflation in the second half of 2022.

Alimentation Couche-Tard

Alimentation Couche-Tard (TSX:ATD) is a global convenience store firm whose shares are flirting with all-time highs again. Amid inflation, consumers have begun tightening the belt. Even though we're not technically in a recession yet, it seems like it's unavoidable, with central banks ready to lift rates.

Various firms have begun to halt hiring in moves that have recession written all over it. With a potential slowdown in consumer spending as a result of inflation and stagnant growth (stagflation on the way?), investors must look to the firms with pricing power.

Further, investors must also factor in the potential effect of a slowdown in economic growth. The double hit to the chin of inflation and weak economic growth could weigh heavily on the consumer. That means less spending on “wants” and more on necessities. Couche-Tard sells essential necessities and should be insulated against a coming slowdown in consumer spending.

Arguably, the spending slowdown is already here, as consumers cope with higher prices across the board. Though some may avoid the pricier chips at the local Couche or opt to shop in bulk at a larger grocer, I’d argue that Couche’s fresh food options and strong private-label brands — which offer added savings — can help Couche-Tard thrive amid inflation and a potential downturn.

As an M&A all-star, expect Couche-Tard to take advantage of opportunities as they come along. Not all firms have the purchasing power of a Couche-Tard, and it’s these rivals that could feel the pain of inflation and weaker growth. As their valuations drop accordingly, one has to expect Couche will feel the need to step in with a takeover offer. That’s the beauty of having the financial flexibility that Couche possesses.

CATEGORY

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