2 TSX Stocks to Buy as Interest Rates Rise

Description

The Bank of Canada (BoC) and the U.S. Federal Reserve have introduced several interest rate hikes this year to bring the inflationary environment under control. The start of the month saw the BoC increase benchmark interest rates to 1.5%. Unfortunately, it could take many more incremental increases to significantly impact inflation rates.

Many Canadian investors are worried about where their investment capital could provide them with the best returns between higher interest rates and rampant inflation. Today, I will discuss two Canadian stocks that could stand to benefit as interest rates continue to rise in the coming months.

A banking giant

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is a $101.90 billion market capitalization giant in the Canadian banking industry. It is the third-largest Canadian financial institution by market capitalization and deposits and one of the Big Six Canadian banks.

Financial institutions have historically enjoyed better profit margins when interest rates rise, and Scotiabank boasts the diversification necessary to capitalize on the trend.

It has recently made substantial inroads into the international market, allowing it to generate a growing share of its revenue from sources outside Canada. Scotiabank stock trades for $84.61 per share at writing, and it boasts a juicy 4.87% dividend yield. It is a Canadian Dividend Aristocrat with an 11-year dividend-growth streak.

Additionally, it has paid its shareholders their dividends for almost 190 years without missing a beat. It could be a reliable investment for dividend investors during these challenging times.

An insurance company

Manulife Financial (TSX:MFC)(NYSE:MFC) is a $45.29 billion market capitalization giant in the

Canadian insurance industry. The Toronto-based multinational insurance and financial services provider generates revenue through its operations in Canada, Asia, and the United States. It is one of the Big Three life insurance companies in Canada.

Insurance companies receive recurring revenues, only suffering losses when covering claims. If you have ever filed a claim with an insurance company, you might know how reluctant they are to deliver those settlements.

Manulife Financial's performance has been stellar for the last several quarters. Boasting $1 trillion in assets under management, Manulife Financial is well positioned to weather harsh economic environments.

Manulife stock trades for $23.61 per share at writing, and it boasts a 5.59% dividend yield. It is a Canadian Dividend Aristocrat with a seven-year dividend-growth streak. It could be a viable investment to consider if you want to add income-generating assets to your portfolio.

Foolish takeaway

Increasing interest rates is a necessary measure to cool down inflation. Unfortunately, it also diminishes borrowing power for consumers and businesses, slowing down economic growth. The bear market conditions will likely continue as the inflationary environment persists.

Investing in companies that stand to benefit from higher interest rates could provide you with significant returns during these turbulent times.

Scotiabank stock and Manulife Financial stock are Canadian Dividend Aristocrats with a reputation of delivering dividend hikes for several years.

Investing in shares of these two companies could provide you with significant returns through capital gains and shareholder dividends. These two companies could warrant a place in your investment portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:MFC (Manulife Financial Corporation)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:MFC (Manulife Financial Corporation)

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Author
adamothman