



The Feds' 0.75% Hike Is Likely as Jobless Rate Falls to Record Low

Description

Statistics Canada reported that the 39,800 additions to tight labour in May 2022 beat consensus estimates by 12,000 new jobs. The results drove down the country's unemployment rate to a new record low of 5.1%. Moreover, the hourly wage rate also increased 3.9% from a year ago.

According to some analysts, the imbalance between demand and supply in the jobs market prompts the Bank of Canada to implement a tighter monetary policy. The Feds have a justifiable reason to proceed with a 75-basis-point increase in its key interest rate hikes.

While declining or low unemployment signals an improving economy, runaway inflation remains the worry of stock investors. The call of the times is to invest in [resilient companies](#) that can serve as hedges or buffers against rising prices of goods and services.

Volatile stock prices

The erratic behaviour of the **TSX** is the result of fears about the uptick in inflation. Stock prices could stay volatile if the rate keeps rising. Fortunately, some sectors may absorb the impact better than others. Currently, only four of the 11 primary sectors are in positive territory.

Energy (+69.47%) is the top-performing sector followed by materials (+7.03%), utilities (+2.73%), and consumer staples (+1.33%). All of them outperform the broader market (-4.47%) year to date. However, the standout choices today are **Canadian Utilities** ([TSX:CU](#)) and **Empire Company** ([TSX:EMP.A](#)).

Dividend King

Canadian Utilities is the TSX's lone Dividend King. The utility stock earned the status for increasing its dividend for 50 consecutive years. At \$39.65 per share, current investors enjoy a 10.69% year-to-date gain on top of the hefty 4.48% dividend yield. The total return in 39.75 years is 10,100.14% (12.34% CAGR).

In Q1 2022, the \$1 billion company reported adjusted earnings of \$219 million, which represents a 14.7% increase from Q1 2021. Management also spent \$263 million in capital projects during the quarter, where 83% went to regulated utilities. The balance of 17% was invested in energy infrastructure.

Canadian Utilities recently announced a 15-year power-purchase agreement with **Microsoft**. It will purchase all renewable energy generated by **ATCO's** (its parent company) Deerfoot solar project in Calgary, Alberta. Once the 37 MW project becomes operational, it will be one of the largest solar installations in Western Canada.

Highest EPS in memory

Empire pays a modest 1.47% dividend, but the payouts should be safe and rock steady. The consumer-defensive stock trades at \$40.88 per share and is up 6.84% year to date. Besides owning Sobeys Inc. in its food retailing business, this \$10.73 billion company has a 41.5% equity interest in **Crombie REIT**.

Management has yet to report its earnings results for Q4 fiscal 2022 on June 22, 2022. However, in Q3 fiscal 2022 (quarter ended January 29, 2022), sales and net earnings increased 4.8% and 15.4% versus Q3 fiscal 2021. Empire's free cash flow for the quarter increased 75% year over year to \$551 million.

Michael Medline, Empire's president and CEO, said, "Our team delivered another outstanding quarter, including the highest EPS in memory, with strong increases in sales, EBITDA margin and free cash flow."

Low volatility

Canadian Utilities and Empire may be considered as low-volatility stocks. The respective businesses should prove resilient against the current inflationary environment.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CU (Canadian Utilities Limited)
2. TSX:EMP.A (Empire Company Limited)

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. cliew
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date

2025/06/28

Date Created

2022/06/14

Author

cliew

default watermark

default watermark