TFSA Investors: 2 Stocks to Protect Your Wealth From Sky-High Inflation

Description

TFSA (Tax-Free Savings Account) investors are between a rock and a hard place going into the second half of 2022. The stock markets have been incredibly turbulent, and inflation continues to rise, even as markets continue to sag lower. Bonds have been pulling back, and alternative asset classes, including Bitcoin, have been retreating rapidly. Indeed, this bear market has left few places for investors to hide, and it's unfortunate for beginner TFSA investors.

The Canadian inflation number came in at 7.7%. That's higher than expected and causing considerable stress to many Canadians. With a sleepy Bank of Canada (BoC) that needs to hike rates rather than talk about hiking rates, it seems as though inflation could linger for at least another 18 months.

In this piece, we'll have a closer look at two Canadian stocks that can help you protect your wealth from the horrific impact of inflation, which may yet to have peaked. Though no stock will be immune from market fluctuations, I'd argue that it's better to get into a dividend stock that can help you stay ahead of that "inflation tax," rather than doing nothing and letting your cash act like a sitting duck for inflation to knock down.

I think we're in a "bad news is good news" type of environment. The sooner the BoC commits to raising rates, even triggering a recession, to fight off inflation, the sooner the TSX Index and the central bank's credibility can be restored.

Consider **Loblaw** (TSX:L) and **Canadian Tire** (TSX:CTC.A), two intriguing retail plays that are cheap and well run enough to make it through another second half of inflationary pressures.

Loblaw

Loblaw isn't just another Canadian grocer; it's a company that's been thriving amid recent inflationary storm clouds. Indeed, when Canadian consumers tighten their wallets in response to price increases, discretionary businesses are among the first to be cut.

When it comes to groceries and other necessities, consumers can't really cut on costs. If they do, it'll see them move towards lower-cost, private-label goods like President's Choice. Indeed, private-label merchandise can really save consumers money. Further, it can enhance a firm's margins.

Looking ahead, expect Loblaw to continue performing well as inflation-hit consumers move from pricey grocers to Loblaw's stores (like Superstore), which offers some of the best deals out there today. At 18.9 times trailing earnings, the 1.5% yielder is incredibly cheap for those looking to beat inflation.

Canadian Tire

Canadian Tire may be a discretionary firm that could take a hit, as consumer spending slows in the face of a downturn. However, the stock already seems priced as though a recession is coming. A recession seems pretty likely for the states. That said, in Canada, where the Bank of Canada would rather let inflation run free, a recession is less likely. Further, Canada also has a heavy energy exposure, which could keep the economy buoyed for quite some time.

In any case, Canadian Tire is a well-run play that's trading at 8.6 times trailing earnings, with a 4% dividend yield. That's cheap, and TFSA investors would be wise to stash it in their portfolios for the long haul.

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1. Investing

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1. TSX:CTC.A (Canadian Tire Corporation, Limited)
2. TSX:L (Loblaw Companies Limited)

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