Inflation Soars to 7.7%: 1 Dividend Stock to Buy Now

Description

Inflation numbers came in hotter than expected at an unprecedented 7.7%, marking another new high not seen in decades. Undoubtedly, many Canadians are feeling on edge over the recent price increases. Food and gas prices have taken off, and the Bank of Canada (BoC) — Canada's central bank — seems to be not only behind the curve but asleep at the wheel, having fallen behind the U.S. Federal Reserve. Indeed, the BoC could follow the Fed next month with a triple (75 bps) rate hike. But I'd argue that a full (150 bps) hike or more is in order, given the Fed is likeliest to deliver yet another triple hike in July.

It's a bad situation to be in for Canadians, many of whom already struggle with high costs of living. Indeed, inflation probably wouldn't be flirting with 8% had the BoC dealt with the problem last year, rather than letting inflation run free. Undoubtedly, it can be hard to put inflation away once it's let out. That's why many folks refer to inflation as a genie. It can stay dormant in a bottle for many decades. But once it's unleashed, it can take a considerable amount of effort and pain to put it back in again.

The Bank of Canada fails to control inflation

Unfortunately, the BoC can't go back in time and hike rates. However, Canadian investors can brace themselves for this high-inflation world. At this juncture, rate hikes, not expensive affordability plans, are key to getting rid of inflation. And I think investors should get ready for a combination of higher rates, elevated inflation, and meagre economic growth. Though a recession is not the likeliest scenario over the next year, I think one should not be surprised if it happens over the next two years.

Arguably, inflation is a far worse poison than an economic slowdown or even a full-blown recession. In this piece, we'll have a closer look at two inflation-fighting TSX stocks I'd buy right now.

Pricing power and high dividends could be key to sailing through these dreaded stagflationary waters. So, without further ado, consider the following.

Enbridge: A top dividend stock to beat inflation

Enbridge (TSX:ENB)(NYSE:ENB) is a pipeline company that yields a very bountiful 6.45% at writing. After slipping nearly 2% over the past week, the dividend yield has swollen at a quick rate. Though Enbridge could face pressures, as industry tailwinds gradually begin to cool, I'd argue that those without any midstream exposure should look to the name to make it through this inflationary world.

Energy could remain elevated longer, and it's plays like Enbridge that may be the new telecoms of the rising-rate world. Sure, higher rates aren't a positive for a capital-intensive firm like Enbridge. However, given the magnitude of tailwinds facing the energy sector's back, and the demand for domestic energy, Enbridge seems too cheap at 18.5 times trailing earnings, given the cash flow surge that may be in its near future.

Bottom line

Indeed, high energy prices are a major contributor to 7.7% inflation. Enbridge's dividend is almost large enough to help investors offset the impact. Add the potential for capital appreciation into the equation, and Enbridge stock is one of my favourite inflation fighters for 2022 and beyond.

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