3 Inflation-Resistant TSX Stocks to Buy Right Now

Description

It is very likely that a recession is around the corner. Meanwhile, inflation is moving higher and has touched 40-year highs south of the border. It is unlikely that central banks will be able to pull off a balancing act.

The Bank of Canada will either have to raise interest rates to combat inflation, but this will hasten a recession. If regulators want to keep a recession at bay, interest rates will have to be low, which will lead to more inflation.

Basically, all this means stocks are in for a volatile time. So, it would be smart to look at stocks that are inflation-resistant in the current environment.

Metro

Metro (TSX:MRU) is a top grocery and pharma retailer in Canada. This means it operates in one of the few sectors that can pass on inflationary costs to its customers. People will continue to buy groceries and medicines irrespective of a recession or higher prices.

In fact, as inflation goes up, it is likely that people will cut down on eating out and buy more from grocers. So, higher inflation could actually translate into more customers for grocers like Metro.

The ongoing year hasn't been the kindest to stock market investors. The TSX has dropped almost 13.7% this year, but Metro stock is up 4.7% year to date.

The stock is trading at $70.18 and while the average target price for the stock is $73.9, which doesn't leave a lot of room for upside, analyst views might change after the company's Q2 earnings. The stock also has a forward dividend yield of 1.57%.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is one of the largest midstream companies in Canada. It transports oil and natural gas across North America. The company is not a producer of these commodities but a transporter, making it relatively immune to fluctuations in energy prices.

The stock is trading at $54, and the average analyst price target for it is $60, which is a potential upside of almost 11%. The cherry on the cake with Enbridge is that it has a forward dividend yield of 6.54%.

The company has increased its dividends every year at an average annual rate of 10% for the last 27 years. It has been through multiple hostile environments and has survived them all. There is no reason to believe that it won't make it through this one.

When you add in the potential upside, you could be looking at gains of almost 18%. That's not bad for an inflationary year at all.

Toronto-Dominion Bank

Bank stocks tend to do well in inflationary environments, but this holds true to a certain extent. If inflation rises to a level where people can't afford stuff, bank stocks get impacted. **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) could be a contrarian bet in this environment. TD Bank is one of the top six banks in Canada, and it has been a solid performer over the years.

In 2022, TD stock has fallen over 20% and is in the bear market territory. It is available at a solid discount, and this could be a perfect time to buy shares of the TSX giant.

It closed trading at $78.89 last week, and the average analyst target for the stock is $93.23, which is a potential upside of over 18%.

TD Bank also has a forward dividend yield of 4.51%, making it a great buy for income-seeking investors.

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