2 High-Yield Dividend Stocks to Cope With Another Year of Inflation

Description

Inflation has been anything but "transitory," with concerns that long-lasting inflation could bring forth far more rate hikes going into 2023. We all want inflation to go away, but it could take a lot of pain to bring back the good, old days of 2% (or less) inflation. Undoubtedly, good news has become bad news. Mr. Market seems to have fallen into some sort of depressive state, punishing stocks ahead of what many are sure will be a recession year.

High-yield dividend stocks have been one of the few ways to cope with the days of high inflation. Still, the yields on some of the biggest cash cows have been unable to surpass that of inflation in Canada. Further, capital losses endured by such plays this year have pretty much sent total returns in the gutter. It's a bad spot to be in as an investor, with the walls seemingly closing in on our portfolios.

Despite the pressure on most asset classes, it's worth remembering that truly bad years (like 2022) will not last forever. Better years will be ahead, whether we're talking 2023 or beyond. That's why investors should look to dividend stocks, not just as a means to minimize the effects of inflation, but to come out ahead in the long run.

At this juncture, I'm a fan of **SmartCentres REIT** (TSX:SRU.UN) and **Metro** (TSX:MRU).

SmartCentres REIT

SmartCentres REIT is a retail real estate investment trust (REIT) that sports a 6.7% yield at writing. At 4.29 times trailing price to earnings (P/E), Smart is one of the cheapest ways to dodge past the days of 7% inflation. It has not been an easy ride for investors, though. Shares are down more than 17% from two-year highs over recession concerns and the impact of rising interest rates.

Indeed, Smart has demonstrated time and time again that it's a resilient retail REIT with some of the most durable (and liquid) retailers that are likely to keep on paying rent when times get tough. Smart's tenant mix is so impressive that I view the retailer REIT as more durable than the likes of certain residential REITs.

At the end of the day, Smart is a cash cow, and its payout seems safe enough to reach out for with both hands!

Metro

Metro may not have a huge yield (currently at 1.51%), but its dividend-growth prospects seem sizeable, even as the economic tides go out in 2023. The Quebec-based grocer has been performing well, holding its own amid inflation's surge. At writing, shares are flirting with new highs of around $73 per share.

At 20.2 times trailing P/E, Metro stock is on the pricier side of the historical range. It's pricier for a reason, though, with sales likely to continue to stay robust as we feel the pains of recession. Unlike other grocers, Metro doesn't seem to be thinking about maximizing profits and passing on higher costs to its customers.

Chief Executive Officer Eric La Flèche noted that his firm has been "absorbing some of those costs" that have "gone up significantly."

Despite taking the hit on the chin for its customers, the firm clocked in 9% growth in sales for the third quarter. That's nothing short of remarkable. As the company wins over loyal customers with its modest prices while continuing to rake in impressive levels of profit, the stock seems likely to hold up firmly.

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