



Protect Against Inflation With 2 Top TSX Stocks

Description

Many market experts predict that inflation levels may finally be peaking, or showing signs of peaking, in the coming months. For those concerned about the global central bank tightening that's underway, this is a great thing.

That said, there's the potential that inflation could remain stubbornly high for some time. For many companies, this is a big negative, as inflation can eat into margins and profitability. Thus, it's likely we'll see earnings come down in the next few quarters, if this is indeed the case.

Accordingly, many investors may be keen on stocks that provide some sort of inflation protection. While most companies aren't immune to the current macro environment, here are two stocks that I think fit the bill quite nicely right now.

Canadian Apartment REIT

Real estate investment trusts (REITs) are one of the best places to hide for investors looking to hedge against inflation. Rising housing costs continue to be among the key drivers of inflation in Canada and abroad. Thus, as asset prices surge over time in periods like these, REITs can be a great way to play this trend.

In Canada, one of the top REITs I like with the ability to increase rents to adjust for inflation is **Canadian Apartment REIT** ([TSX:CAR.UN](#)). In terms of quality, this remains among my top picks in the space.

The quality of this REIT can be seen as reflected in the trust's relatively low [dividend](#) yield. Units [yield only 3.4%](#), which is actually below where high-grade government debt trades. Thus, there's certainly tremendous investor interest in this REIT, as a stable long-term holding.

Institutional investors tend to focus on CAP REIT and its high-quality peers for a reason. This apartment REIT is more flexible in being able to increase rents on an annual basis. Relative to commercial or industrial REITs, this is a big benefit. In times like these, those looking for income

growth and stability may want to consider this top real estate option as a way to beat inflation.

Suncor

Another excellent hedge to rising inflation is the energy sector. Rising fuel costs are another key input to the consumer price index numbers we've seen surge of late. Thus, the key beneficiaries of this move have been mainly oil producers such as **Suncor** ([TSX:SU](#)). In Canada, Suncor remains one of my top picks, among the leaders in market share as well as total return upside over the long term.

Known mainly as an oil sands play, Suncor has begun to branch out. The company is increasingly focused on diversifying and decarbonizing its business. Thus, for investors with ESG (environmental, social, and governance) concerns, this may eventually be a stock worth considering.

The energy crisis globally is re-shaping the discussion of fossil fuels. I'm the first to argue that we need to focus on a greener long-term future. But right now, energy security (or the lack thereof) has been a leading contributor to geopolitical turmoil in Europe. To avoid such problems at home, Suncor's business will become increasingly valuable over time.

So long as we need fuel for our cars and have demand for plastics and other petroleum-based chemicals and byproducts, Suncor will continue to pump out profits for investors. At a valuation of less than [nine times earnings](#), this is a cheap stock that's worth buying right now.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)
2. TSX:SU (Suncor Energy Inc.)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. chrismacdonald
2. kduncombe

Category

1. Investing

Date

2025/07/19

Date Created

2022/11/20

Author

chrismacdonald

default watermark

default watermark