Beat Inflation by Buying These 2 Gems Right Now

Description

Inflation-led recessions are cyclical events in the market. These are bound to occur from time to time, as stimulus is unwound after periods of excess. That said, while many may not have been surprised to see some level of inflation, it's the breadth and severity of rising prices that has many concerned.

As prices continue to rise, profit margins for most companies take a hit. Depending on the industry (which is an important factor to consider), valuations can also take a hit. That's because capital invested in stocks has real alternatives in lower-risk assets such as bonds.

That said, or long-term investors looking for equities to pick in this inflationary environment, there are some options to consider. Here are two companies I think are relatively inflation-resistant concerned investors should consider.

Agnico Eagle (AEM)

Gold is one of the best hedges to inflation out there. A commodity which has stood the test of time, an ounce of gold today has about the same buying power as an ounce of gold did 100 years ago. That's impressive, considering the dollar has depreciated around 99% over the same century.

Thus, while cash may be king in the very short term, those looking to park cash for any extended period of time often turn to gold. The oldest inflation hedge out there, this is an asset class that's both timeless and valuable in periods of uncertainty.

For investors looking to maximize exposure to the price of gold, investing in gold miners such as **Agnico Eagle** (TSX:AEM) is the way to go. That's because such companies provide operating leverage relative to the price of gold. With debt denominated in dollars and revenue flowing in based on the price of gold, as gold rises in value, the value of the company rises disproportionately.

This is why so many long-term investors prefer owning the higher-risk but higher-quality gold miners over the precious metal itself.

In this space, Agnico Eagle is among the top-tier producers, with among the best balance sheets in the sector. This continues to be a long-term holding of mine for this reason.

Enbridge (ENB)

Like gold, commodities is another area of the economy that tends to be negatively correlated to inflation. That's because as the dollar loses value, it requires more such dollars to buy one unit of a given commodity. Indeed, in may respects, gold can be viewed as a commodity of sorts.

Energy is one such commodity that has soared alongside inflation (the two are closely tied together). And while pipeline operator **Enbridge** (TSX:ENB) doesn't have extreme exposure to oil prices, the company does benefit in times of supply-demand dislocation, such as now.

The value of the company's pipeline networks have increased, as energy security has increased in importance. Given the current geopolitical climate, companies like Enbridge have shown their value to investors. Over the long term, I expect the company to continue to produce excellent return for shareholders.

That said, the key reason I hold this stock is the company's dividend yield of 6.3%. I view ENB stock as more of a bond proxy, with a yield that should increase over time. Additionally, as the market values these shares more, as they should be valued (in my opinion anyway) capital appreciation upside is certainly in the cards over the long term.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:AEM (Agnico Eagle Mines Limited)
2. TSX:AEM (Agnico Eagle Mines Limited)
3. TSX:ENB (Enbridge Inc.)

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1. Investing

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