

# Take Advantage of High Interest Rates

Central banks in Canada and the U.S. have raised interest rates very aggressively over the last year to fight soaring inflation, putting a significant amount of strain on borrowers. But high interest rates have a silver lining: they give savers and savvy investors a great opportunity to boost their return potential.

Here are six ways you can take advantage of high interest rates:



- 1. Bank stocks.** Banks usually generate more profit as the spread increases between the interest they pay to lenders and the interest they charge borrowers. When market rates are low, there's less ability to widen spreads.
- 2. Energy stocks.** Inflation lifts the price of most products, including energy. While other factors (like supply and demand) also influence energy prices, oil and gas prices are being well supported during this period of high inflation, so energy stocks might be worth a look.
- 3. "Price-maker" stocks.** Some companies can pass along the higher cost of production to consumers without any meaningful reduction in sales and profitability. Many such companies (e.g., grocers, drugstores) are in the consumer staples sector.
- 4. Floating rate securities.** As the name implies, the yield on these securities rises or declines according to general changes in interest rates.
- 5. Real return bonds.** Issued by the government, these bonds are pegged to the Consumer Price Index (CPI), which tracks the inflation rate of key goods and services. They pay interest based on the CPI, so real return bonds may help protect investors against inflation.
- 6. Savings products.** Guaranteed investment certificates, high-interest savings accounts and money market funds can help savers earn more income. Since the income they generate is linked to the central bank policy rate, savers benefit when interest rates are high.

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