5 More Ways to Profit From a Weakening Canadian Dollar

Description

As we discussed last week, the weakening Canadian dollar is beneficial to certain industries and companies. Well, the Canadian dollar continues to weaken, and with this, let's take a look at more companies that are poised to benefit in 2014 should this trend continue.

Last week, the Canadian dollar was trading at $0.90 U.S. It closed at $89.64 U.S. yesterday and at the time of writing this piece, it has drifted even lower.

Metals and mining

Many mining companies that have assets in Canada will benefit from this trend, as costs are in Canadian dollars while revenues are in U.S. dollars. **Teck Resources** (TSX: TCK.B)(NYSE:TCK) is one such company. With a significant number of its assets located in Canada, the company stands to benefit as production from its Canadian-based production of coal, copper and zinc, which represented 68% of its revenues in the latest quarter.

Hudbay Minerals (TSX:HBM)(NYSE:HBM) will likewise benefit from the weakening Canadian dollar. With the majority of its production coming from the company's Flin Flon and Snow Lake operations, both located in Manitoba, HudBay is poised to benefit from the combination of Canadian dollar-based costs combined with U.S. dollar-based revenues.

Precious metals

North American Palladium (TSX:PDL) operates its Lac des Isles mine in Ontario, and is one of two primary palladium producers in the world. It is a small company, with a market cap of $130 million, but is well positioned to benefit from U.S. dollar-denominated revenues combined with Canadian dollar-denominated costs. In addition, the total cost per tonne produced is on the decline, and there is further room for production growth stemming from development and exploration upside.

Agnico-Eagle (TSX:AEM) also stands to benefit, albeit to a lesser extent due to the fact that it reports in U.S. dollars, and has a lower exposure to Canadian dollar costs and a more diversified production base.

Lastly, **Detour Gold** (TSX:DSG), with a market cap of $935 million, also stands to benefit big. While it reports in U.S. dollars, its flagship asset is the Detour Lake Mine located in Northeastern Ontario, and makes up 100% of the company's production. As icing on the cake, the company recently announced that it expects lower than expected costs in 2014. The stock has increased over 50% year to date.

Foolish bottom line

The downward trend in the Canadian dollar will definitely benefit many of the mining/metals companies. While the price of the underlying commodities is certainly a big part of the investment decision, and the direction of these commodities is unclear, we can at least find comfort in the fact that this foreign exchange dynamic will give these companies a nice boost.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:AEM (Agnico Eagle Mines Limited)
2. TSX:HBM (Hudbay Minerals Inc.)
3. TSX:TECK.B (Teck Resources Limited)

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Date
2025/07/02
Date Created
2014/01/29
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