

2 Stocks to Buy on a Lower Loonie: Suncor Energy Inc. and Potash Corp./Saskatchewan Inc.

Description

The Canadian dollar has hit a six-month low against the U.S. dollar and currency analysts and experts all expect the loonie to fall further... much further.

There are several factors that back this theory, besides the argument that the fall in the loonie is primarily a U.S. dollar story. Although that is a huge part of the equation, given the slew of positive data emerging from our neighbours south of the border, there are a number of other issues backing the "falling loonie" theory.

One of the biggest reasons is the man behind the plan: Bank of Canada Governor Stephen Poloz. Over the past few months, if you read between the lines (and sometimes literally read the lines itself), he has made it pretty clear that he is in favour of a falling loonie to help boost exports. It seems unlikely he will intervene until he sees solid signs the economy has truly strengthened. Thus, it's safe to say the loonie will continue its lower streak until early-mid 2015.

Given this situation, how should investors play the stock market in order to benefit from this? Below are two companies that will accelerate your portfolio:

Suncor Energy Inc.

Although the energy sector has had a relatively weak summer, many of these companies are likely to post strong earnings given the lower loonie. **Suncor Energy Inc.** (TSX: SU)(NYSE: SU) has huge oil reserves at its oil sands operations of about 6.9 billion barrels (not to mention another 23.5 billion barrels of contingent resources) and the company is also pushing about 70,000 barrels per day using the Gulf Coast pipeline operated by **TransCanada Corporation**. A weak loonie makes exporting oil cheaper, thus increasing demand. Although oil prices are getting beaten, the declining loonie will help cushion this.

And if you're still in doubt, maybe one of the world's greatest investors could help ease your worried mind. The legendary Warren Buffett increased his stake in Suncor via his company **Berkshire Hathaway Inc.** (NYSE: BRK.A) by 27% in the second quarter of this year. So there!

Potash Corp./Saskatchewan Inc.

Yes, commodity prices are battered and bruised. But it looks like potash prices have bottomed out and are set to head up higher in the next three years. Global demand for the commodity is increasing and **Potash Corp./Saskatchewan Inc.** (TSX: POT)(NYSE: POT) is almost set to meet those demands since its decade-long expansion program is now almost complete. This also translates to drastically lower capital spending rates, which means a bigger portion of cash flow that could possibly result in higher dividends.

Demand on the continent by year-end is also expected at 10 million tonnes, almost 8% higher than

previous estimates. And you already know what that means given cheaper exports.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

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2. TSX:SU (Suncor Energy Inc.)

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Author

sandram

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