



Why Canadian Tire Corporation Limited and Toronto-Dominion Bank Are Loving Low Oil Prices

Description

It now looks like we're entering a new era for oil prices. And within Canada, there are some big winners and losers. The losers are fairly obvious: energy producers and their investors. But there are also some significant winners.

For example, anyone who drives a car benefits from lower gas prices. Exporters benefit from a declining Canadian dollar. Provinces like Ontario and Quebec (which rely more on exports than energy), benefit as well.

So with that in mind, where should you direct your investment dollars? Below are two companies that could benefit greatly from reduced oil prices.

1. Canadian Tire

Canadian Tire Corporation Limited ([TSX: CTC.A](#)) should be licking its chops at the prospect of lower oil prices. This is mainly because low oil prices benefit its customers.

Think about it – the company sells mainly to working class people, who can spend a big chunk of their paycheck on gasoline. So lower gas prices should put some extra money in their pockets just in time for Christmas.

Even better, a large share of Tire's revenue comes from auto service. And if Canadians can afford to drive more, then perhaps they'll need more maintenance work.

Finally, Canadian Tire operates 300 gas stations, which should also benefit from lower oil prices. This is because when oil prices plummet, gas prices fall too, but more slowly. So during the process, gas stations can make extra margin on sales.

There is one area of concern here. Tire is an importer; many of the products you see on its shelf come from other countries. So a weaker loonie doesn't help here. But Tire has a comprehensive hedging program, so the company may not be hurt as much as its competitors are.

2. Toronto-Dominion Bank

This may not be as obvious, but **Toronto-Dominion Bank** ([TSX: TD](#))([NYSE: TD](#)) benefits too. Allow me to explain.

First of all, the bank has limited exposure to Canada's energy companies. To illustrate, only 2% of corporate loans are made to the energy sector. Secondly, the bank doesn't do much Capital Markets business. So it doesn't rely on energy companies for investment banking revenue. Likewise, falling stock prices have minimal impact.

Also, like Canadian Tire, TD's customers benefit greatly from lower gas prices. In Canada, TD is heavily concentrated in Ontario, so its customers benefit from lower gas prices and a lower loonie. TD also has a big United States presence on the East Coast, and those people are loving low gas prices too.

So expect TD to continue performing great numbers. After all, its main customers should have no problem paying back their loans, and may even want some new ones.

CATEGORY

1. Bank Stocks
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TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:CTC.A (Canadian Tire Corporation, Limited)
3. TSX:TD (The Toronto-Dominion Bank)

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Date

2025/07/23

Date Created

2014/12/01

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