# Crescent Point Energy Corp.: Why the Weak Canadian Dollar May Save This 6% Dividend

## Description

Even after **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) slashed its payout by 57% in August, doubts remain about the sustainability of its dividend. According to one prominent portfolio manager, the company needs oil prices of roughly US$55 to maintain the payout over the long term. Crescent Point seems to agree, at least judging by its investor presentation.



But there's one factor in particular that should help Crescent Point maintain its dividend: the low Canadian dollar.

**How a low Canadian dollar helps Crescent Point**

A weak loonie benefits all Canadian exporters. This should make perfect sense, since revenues are generated in a relatively strong foreign currency, while expenses are incurred in a weak local currency.

Crescent Point is a perfect example, with over 90% of its production coming from Canada. Granted, the company does hedge much of its currency exposure, and it has some U.S. dollar-denominated debt. But in the long run, a weak loonie should make the company more competitive versus its American rivals.

**Why the Canadian dollar should remain weak**

Over the past 12 months, the Canadian dollar has declined by 13% relative to the greenback. But unless oil prices recover, which would be a good outcome for Crescent Point anyways, then there is plenty more downside for the loonie.

Let's start with the obvious reason: interest rates. The Bank of Canada has lowered its benchmark rate twice already this year in the face of its weak economy. Meanwhile, it's only a matter of time before the Federal Reserve raises rates in the United States. That should put downward pressure on the Canadian dollar.

With such a weak loonie, you would expect other Canadian exporters (i.e. those outside the energy sector) to thrive. This would lead to heightened exports, helping to stem the decline in the Canadian dollar.

But so far, at least, that is simply not happening, particularly not in Ontario’s manufacturing sector. There are a few reasons for this. These companies are hurt by high wages and high energy costs. Car-parts manufacturers are hurt by Detroit’s decline. And other currencies are weak as well, including Mexico’s, which hurts Canada’s competitiveness.

So, you very well may see the Canadian dollar sink below US$0.70. And if you do, then Crescent Point’s dividend should be safe even if oil prices stay below US$50.

**Should you buy Crescent Point?**

Even though its dividend appears secure, at least for the time being, I would pass on Crescent Point. While its 6% yield may appear attractive, this dividend probably will not be raised for a long time. That means there’s relatively little upside for the stock. You can find better alternatives elsewhere.

**CATEGORY**

1. Energy Stocks
2. Investing

**TICKERS GLOBAL**

1. NYSE:VRN (Veren)
2. TSX:VRN (Veren Inc.)



**Category**

1. Energy Stocks
2. Investing

**Date**
2025/09/08
**Date Created**
2015/10/17
**Author**
bensinclair