



## A Low Loonie Can Be a Good Thing for Some Companies

### Description

The loonie has already started off in 2016 by continuing the bad run that it had in 2015.

The loonie finally dipped below US\$0.71, triggering a flurry of buying and selling from currency pundits. In fact, the loonie has shed nearly a quarter of its value since 2012, an alarming rate that can be quantified to about a penny or more each month since then.

The unfortunate part is that this seems destined to be our new reality for the time being. The good news is that there are some parts of the economy that will actually rejoice in this new low-flying loonie.

### Why did the loonie drop?

A good portion of the sliding loonie is due to oil prices. Canada is one of the largest exporters of crude in the world, and with crude prices in the midst of their own epic descent, revenues have shrunk and profits have for the most part disappeared, leading to the weak economy we have now.

During the 90s and into the early 2000s, the Canadian economy was widely seen as the manufacturer to the U.S. During the Harper years, Canada was touted as the next “energy superpower” and effectively became the commodity producer for the U.S. economy. We are now seeing another shift and Canada is back being a manufacturer.

Just like any good investor will tell you, the Canadian economy could have benefited from diversifying more of its own portfolio. Our overreliance on commodities did make us that energy superpower and provide a boom to the economy, but the epic drop in oil prices over the past two years has seen much of that boom eroded.

### Who wins from the drop?

Canadian manufacturing is the big winner from the current drop, just like it was when the last time the loonie was flying this low (and even lower) in the late 90s to early 2000s.

**Exco Technologies Ltd.** ([TSX:XTC](#)) is one such company that will benefit. Exco is a manufacturer of

dies, moulds, and components for the die-cast, automotive, and extrusion industries. The company recently reported results for fiscal 2015, touting it as the best year ever. Both consolidated sales and income were up considerably and have averaged growth rates of 25% and 32%, respectively, over the past five years.

In terms of the weak loonie, Exco is well situated to weather the current currency storm. Just about all of its costs are recorded in Canadian dollars, whereas most of the company's revenues are recorded in U.S. dollars.

Further to this, the company has plants in Canada and Mexico, where labour is considerably more inexpensive. High-end tooling is still done in Canada will likely see a huge benefit to the currency slump.

Exco is currently trading at \$15.79 and is up over the past 12-months by over 32%.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:XTC (Exco Technologies Limited)

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