



Bearish on the Loonie? Buy These 3 Stocks

Description

Although the loonie has rallied sharply from lows of under US\$0.70 set back in January, it still hasn't been a good long-term ride for Canada's currency, at least when measured against U.S. dollars.

Five years ago, Canuck bucks were sitting close to par versus our largest trading partner. A series of bearish events pushed the value of the currency down, including the decline in gold, an even worse fall in oil and natural gas, as well as weak Canadian economic numbers. The United States looks poised to hike interest rates. Nobody thinks something similar is about to happen in Canada.

The newest economic risk that could hurt Canada is the housing market. British Columbia has already tried to cool its hot market by slapping a 15% tax on any property purchased by non-Canadians. The federal government followed that up by strengthening mortgage rules, making it harder for the average person to afford a house.

These changes could spell bad news for Canada's real estate market, which would then translate into even weaker economic numbers. Canada's economy is just too dependent on real estate; such a move would have an immediate effect.

If you're bearish on Canada, there are a few simple moves you can make today, including switching out of names that are Canadian-centric and into companies with more U.S. exposure. Here are three examples.

Slate Retail

As a value investor, I continue to like **Slate Retail REIT** (TSX:SRT.UN) for one simple reason: it's cheaper than many of its peers. Shares trade at approximately 15% under net asset value, even though Slate has been able to acquire properties for higher cap rates than competitors here in Canada.

Slate focuses on grocery-anchored property in so-called secondary markets—places like Atlanta, Charlotte, and Detroit. This strategy has a few advantages. Many of its larger competitors avoid these markets, and ownership is incredibly fragmented. That's good news on the acquisition front, and occupancy stands at 94.4%. It turns out stores want to be in smaller markets, too.

Slate pays investors a dividend of US\$0.06489 per share monthly, which is then converted to Canadian dollars. This works out to a yield of 7.6% with a payout ratio of approximately 70% of projected 2017 adjusted funds from operations.

Slate is a great place to hide if you're bearish on Canada.

Toronto-Dominion Bank

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) has been expanding in the United States for years now and is the most American-focused of Canada's Big Five banks.

TD's U.S. assets include \$292 billion in deposits, \$179 billion in total loans, and more than 1,300 branches compared to only 1,165 locations here in Canada. Approximately \$3 billion in total annual earnings come from the U.S. operations versus \$6 billion here at home.

TD also has potential to expand in the United States. Its locations are clustered along the Atlantic coast with no presence anywhere more west than South Carolina. It already knows the U.S. landscape well, and there are always smaller banks to acquire.

Bombardier

The list of **Bombardier, Inc.'s** ([TSX:BBD.B](#)) problems is long, especially when talking about the firm's troubled CSeries program.

But things are looking up for the company. It recently got a cash infusion from the Quebec government. CSeries deliveries have begun, which should improve cash flow. And it has gotten a couple of very big orders thus far in 2016 with more possibly coming.

Bombardier's products are priced in U.S. dollars, while much of the production is done in Canada. If our currency heads lower but the prices for orders remain the same, it translates into good news for the company's bottom line.

If anyone needs good news right now, it's Bombardier.

The bottom line

Investors bearish on Canada can easily protect their portfolio by making a few smart moves today and loading up on companies such as Slate Retail REIT, TD Bank, and Bombardier, which all have significant U.S. exposure. It's that simple.

CATEGORY

1. Bank Stocks
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TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:BBD.B (Bombardier)
3. TSX:SGR.UN (Slate Retail REIT)
4. TSX:TD (The Toronto-Dominion Bank)

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Date

2025/07/05

Date Created

2016/10/11

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