Loonie Tumbles: 3 Stocks That Can Make You Rich Right Now

Description

The loonie hit 14-month lows last week thanks to rising cross-border trade tensions and weak oil prices. As if President Trump's slapping of duties on imported softwood lumber after accusing Canada of unfair dairy tariffs weren't enough, his firm stance on terminating or renegotiating NAFTA is keeping investors on tenterhooks. Industry experts are also worried that a proposed sharp corporate tax-rate cut south of the border could see investments flowing out of Canada.

While there are too many factors at play to assess where things are going, the Canadian dollar is taking an immediate hit. Fortunately, there are ways for you to profit from a weak loonie if you own stocks such as **Agrium Inc.** (TSX:AGU)(NYSE:AGU), **Fortis Inc.** (TSX:FTS)(NYSE:FTS), and **Algonquin Power & Utilities Corp.** (TSX:AQN)(NYSE:AQN).

Before I tell you how, let me warn you that buying stocks purely on currency speculation could backfire, which is why I've picked three stocks that are also fundamentally strong enough to belong in your portfolio. A weak loonie offers yet another reason to pile on these stocks, so here you go.

Operations in Canada, earnings in the U.S.

Agrium has its operations in Canada, but it reports earnings in U.S. dollars, as its fertilizer products and most retail products (seeds, crop protection) are priced in U.S. dollars. So, costs, when converted to U.S. dollars, convert into higher margins for the company.

Note that Agrium will report its first-quarter numbers in a couple of days, and expectations have risen after **Potash Corporation of Saskatchewan Inc.** (TSX:POT)(NYSE:POT) crushed estimates and bumped up its full-year earnings guidance some days ago. Agrium is among the most diversified agricultural companies and has raised its dividend substantially in recent years. The stock currently trades at a price-to-cash flow ratio of only about eight and yields 3.7%, so it's a good time to enter this stock.

Earnings in the U.S., reporting in loonie

As one of North America's largest electric and gas utilities which has a significant portion of its earnings, cash flows, and assets denominated in the U.S. dollar, Fortis benefits directly when the Canadian dollar weakens against the greenback. The company estimates that a 5% increase in the USD-CAD exchange rate will increase its earnings by roughly $0.07 per share. You can guess why the loonie's current downward journey is great news for Fortis.

Fortis is an exceptional stock that belongs in every long-term investor's portfolio, thanks to its strong track record of cash flows and 43 years of consecutive dividend increases. With the company targeting annual dividend growth of 6% through 2021, and the stock yielding 3.6% and trading at only seven times cash flows, a weak loonie is the perfect excuse to buy Fortis.

Psst … the company will report its quarterly earnings this week.

Hefty dividends denominated in U.S. dollar

Like Fortis, Algonquin is also a regulated utility with a substantial asset base in the U.S., but it reports numbers in Canadian dollars. But there's a bigger advantage of owning Algonquin stock during the loonie's weak days — the company pays its dividends in U.S. dollars. So, the company makes more money, and you pocket more dividends when the loonie weakens.

Mind you, Algonquin's dividends are nothing to sneeze at. The company is targeting 12-14% growth in funds from operations per share in the next three years and 10% annual growth in dividends for the next five years. Combine that with current dividend yield of 4.8% and a weak loonie, and Algonquin looks like a compelling story to own right now.

Algonquin's quarterly numbers are coming up mid-May.

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2. NYSE:FTS (Fortis Inc.)
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