



How the Surging Loonie Can Make You Rich

Description

Last week, the Bank of Canada raised interest rates for the second time this year. While the hike wasn't completely unexpected, it did have a number of side-effects for the market, most notably the loonie.

To put it another way, the interest rate isn't the only thing going up.

While analysts and investors alike seem absorbed with the impact that higher interest rates are going to have on the economy, the loonie has been gaining in strength over the past few weeks, finally pushing past the US\$0.82 level and staying there. Interest rates make borrowing more expensive for consumers, but they also attract other investment opportunities.

This presents a unique opportunity for businesses that buy products abroad or provide a service that is priced in a foreign currency, such as the greenback. For investors, knowing which of businesses stand to gain from the surging loonie could provide an avenue for significant gains.

One such company worth considering is **Dollarama Inc.** ([TSX:DOL](#)). Dollarama is the largest dollar store operator in the country. The vast majority of products sold in Dollarama's network of over 1,000 stores are imported from foreign markets.

Dollarama's products are sold across a range of prices that slide up to a maximum \$4 per item. The surging loonie effectively affords Dollarama the ability to either seek out higher-quality products for the same price or buy more of the existing products at the same price.

This added buying power, when coupled with Dollarama's stellar performance over the past quarters, makes the stock a strong option for investors looking for a retail stock.

Another option for investors to take a closer look at is **Air Canada** ([TSX:AC](#))([TSX:AC.B](#)). Air Canada is the largest airline in Canada. In recent years, it has become one of the most awarded and preferred airlines in the world. The airline industry as a whole is enjoying one of the best growth cycles ever, and Air Canada has posted record-breaking quarters several times over the past two years.

The rising loonie will benefit Air Canada on multiple fronts. Canadians contemplating travel abroad will be more enticed to do so knowing that the loonie has a more favourable exchange rate. Turning to the operations side, aircraft leases, maintenance costs, airport fees, and even the prices for new aircraft, which are typically priced in U.S. dollars, are all going to become more affordable thanks to the loonie's upward flight.

Alimentation Couche Tard Inc. (TSX:ATD.B) is another great pick that is set to capitalize on the loonie's movement. Couche Tard is one of the largest convenience store and gas station operators in the world, with locations predominately across Canada and the U.S. Couche Tard recently completed the acquisition of U.S.-based CST brands, which bolstered the company's presence in the U.S. with 2,000 additional locations.

The opportunity for investors lies in the fact that Couche Tard has an aggressive appetite towards expansion and hasn't been coy about further expansion into the U.S. as well as in Asia. With a soaring loonie, those acquisitions will cost less for the company, translating into less debt and more growth potential over the long term.

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2. TSX:DOL (Dollarama Inc.)

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