



2 Canadian Growth Stocks to Own as the Loonie Tumbles

Description

Many Canadians have reaped the rewards from the recent rally in the loonie over the past few months, whether it's taking a trip south of the border, buying U.S. stocks, or benefiting from Canadian stocks that have enjoyed tailwinds from the stronger loonie.

Many thought that the loonie would hit US\$0.85, but that's probably not in the cards, at least for the near term, as the loonie is picking up negative momentum relative to the greenback as it dips back into US\$0.70 territory. Several pundits are now calling for the loonie to continue to fall from here, so which Canadian businesses are going to benefit from such a trend?

Here are two growth plays that'll benefit from a lower loonie:

Canadian National Railway Company ([TSX:CNR](#))([NYSE:CNI](#))

CN Rail isn't a pure growth play, but I believe it's one of the strongest dividend-growth plays in North America, and a lower loonie is good news for this rail as it keeps on chugging.

The company recently delivered a mediocre quarter, which resulted in a slight pullback, which I think is a [terrific entry point](#) for investors looking for a terrific long-term play with strong short- to medium-term tailwinds behind it.

The strengthening of the Canadian dollar over the past few months may have had something to do with the results that the general public deemed as underwhelming. A huge chunk of CN Rail's revenues are reported in U.S. dollars, with ~17% of revenues tied to U.S. domestic traffic in 2016.

Management also stated that each US\$0.01 change in the loonie would affect the company's net income by ~\$30 million. The loonie surged ~US\$0.09 from trough to peak over the last few months, so, as you could imagine, CN Rail took a slight hit on the chin for the third quarter.

Algonquin Power & Utilities Corp. ([TSX:AQN](#))([NYSE:AQN](#))

Algonquin isn't your typical slow-growth utility, it's a utility company on steroids, and management is

putting its foot on the growth pedal.

The company is a regulated utility with a large chunk of its assets located in the U.S. Although Algonquin reports in Canadian dollars, the translation from U.S. dollars to Canadian dollars will be a nice tailwind as the loonie continues to pullback relative to the U.S. dollar.

With Algonquin, investors can truly enjoy the best of both worlds: a [bountiful dividend](#) (which currently yields 4.22%) and capital gains (shares doubled over the past five years).

Shares of AQN are quite expensive at a 34.59 price-to-earnings multiple; however, the premium multiple is probably well worth the price of admission considering management is expecting annual dividend growth of at least 10% over the next few years. Also, if you're bearish on the loonie, Algonquin's numbers will benefit from this over the near term.

Bottom line

Although the loonie's drop may be discouraging for many Canadians, there are ways to profit from such a downtrend. Buy shares of companies that will benefit from a lower loonie and prepare yourself for the next slide.

Stay smart. Stay hungry. Stay Foolish.

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