3 Stocks to Buy as the Canadian Dollar Drops

Description

The Canadian dollar has settled below the $0.80 mark since mid-October and may continue to experience downward pressure as the U.S. Federal Reserve looks ready to hike rates in December. The Bank of Canada has turned a dovish corner after its October 25th decision to hold the benchmark rate at 1%. With record-high Canadian household debt and the uncertain situation with NAFTA, the Canadian central bank is erring on the side of caution.

Let's take a look at three stocks that could turn bullish if the Canadian dollar settles lower, as we come to the end of the calendar year.

Canadian Pacific Railway Limited (TSX:CP)(NYSE:CP) is a Canadian freight company that provides transportation, logistics solutions, and supply chain expertise in North America. Shares of CP Rail have climbed 15% in 2017. The company released its third-quarter results on October 17. Revenue rose 3% to $1.55 billion and operating income increased 5% to $690 million.

In a late September article, I focused on the trajectory of Canadian rail stocks and listed CP Rail and others as an "enticing buy." CP Rail stock plunged from over $210 at the time of the July 12th Bank of Canada rate hike to below $190 in late August. Although the central bank elected to raise rates again on September 6, Governor Stephen Poloz struck a cautious tone. That message, coupled with positive earnings projections, catapulted CP Rail stock back above $200 by late September.

The stock offers a dividend of $0.56 per share with a 1% dividend yield.

Stella-Jones Inc. (TSX:SJ) is a Quebec-based company that manufacturers and treats wood products. Shares of Stella-Jones have climbed 13.8% in 2017 as of close on November 13 and 18% year over year. Many of the products that Stella-Jones manufacturers, including utility poles and railway ties, are exported to the United States.

Stella-Jones released its third-quarter results on November 3. Sales increased 1% to $517.6 million compared to $512.6 million in the third quarter of 2016. Railway tie sales represented $160.8 million, and utility pole sales were reported at $172.5 million — a 7.8% increase from last year. A lower Canadian dollar should help boost sales heading into the fourth quarter.

The stock offers a modest dividend of $0.11 per share, representing a 0.9% dividend yield.

CCL Industries Inc. (TSX:CCL.B) is a Toronto-based specialty packaging company that provides packaging products to a broad range of industries. Shares of CCL Industries have increased 11.8% in 2017 and 29% year over year. The company has over 100 manufacturing facilities across North America, Europe, Asia, and other continents. Many of its profits are generated by leveraging a lower loonie relative to importers.

CCL Industries released its third-quarter results on November 8. Sales jumped 10.8% with 4.6% organic sales growth. Net earnings climbed to $106.9 million in comparison to $86.2 million in the third quarter of 2016.

The stock provides a dividend of $0.12 per share with a 0.8% dividend yield.

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4. TSX:SJ (Stella-Jones Inc.)

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