



## Why 2018 May Bring a Much Higher Canadian Dollar

### Description

In the wake of an explosion of virtual currencies, the relationship between the Canadian and American dollars has never been so important. As has traditionally been the case, both Canada and the United States have had lower inflation and a lower amount of depreciation for each [currency](#) on an annual basis.

In developing economies such as China and India, where inflation is much higher, the net effect will be that fewer Canadian or U.S. dollars will be needed to purchase each unit of foreign currency in one year's time. Essentially, the low inflation rate will act as a tailwind to Canadians, while a high inflation rate acts as a headwind.

For Canadians, the strength of the domestic currency has coincided with the strength of the oil markets.

As oil is priced and sold in U.S. dollars, the Canadian currency received for every barrel that is sold is worth significantly more once it makes its way into company coffers. As oil appreciates, the result will be a substantial amount of foreign investment in the country. This was the case several years ago. Given the current circumstances in the oil market and in Saudi Arabia, there is potential for investors to see the price per barrel of oil reach US\$65-70 over the next year.

Although capacity remains high, the sector has now experienced three years of falling prices, in which time, very few new projects were undertaken (due to lower prices), and now many of the older projects are now coming to an end. As some of the ongoing production will gradually fall offline in all parts of the world, the price of oil will be primed for a jump, and along with it, it will push the Canadian dollar higher.

Investors wanting to capitalize on this need to ask themselves, "Where do I invest?"

At the present time, one of the best names to buy may just be **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)), which is a vertically integrated oil company that has [weathered the storm](#) much better than most. At a price of \$43.50, the dividend yield is a solid 3%, as the company has continued to increase the dividend during good and the bad times in the sector.

For those seeking something with a higher yield and a higher risk/reward profile, shares of **Exxon Mobil Corporation**

([NYSE:XOM](#)), priced in U.S. dollars, may be the name that investors are looking for. Although this name trades at a higher price-to-earnings multiple than Canadian-based Suncor, Canadian investors buying U.S.-listed companies may be in for a treat when the Canadian dollar climbs at a faster rate than its U.S. counterpart.

## CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

## TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. NYSE:XOM (Exxon Mobil Corporation)
3. TSX:SU (Suncor Energy Inc.)

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