3 Stocks to Hold With a Weak Canadian Dollar

Description

The Canadian dollar has struggled since the U.S. dollar began to strengthen significantly in late 2016 and early 2017. Canada's dollar continued to weaken throughout 2018 as the economy sputtered in comparison to booming activity south of the border. The dollar rallied with the TSX at the very beginning of 2019, but appears to have restarted its downward trajectory.

Late last week the Canadian yield curve inverted, which sent the dollar to a two-week low. Canadians retail sales also came in weaker, driving anxiety about the state of the economy. The TSX had already looked overvalued heading into the spring.

Today we are going to look at three companies that benefit from a low Canadian dollar. However, those looking to buy may want to wait on the sidelines, as risk is bound to return to North American markets after this yield curve inversion for the U.S. and Canada.

AirBoss of America (TSX:BOS)

AirBoss of America is an Ontario-based manufacturer of rubber-based products for the resource, military, automotive, and industrial markets. Shares of AirBoss have dropped 4.6% in 2019 as of close on March 22. The stock is down nearly 34% from the prior year.

What makes AirBoss attractive under a weak Canadian dollar? Well, most of its sales are in U.S. dollars. For the full-year 2018, AirBoss reported that consolidated net sales increased 9.2% from 2017 to $316,603. The board of directors approved a quarterly dividend of $0.07 per share. This represents a solid 3.4% yield.

CCL Industries (TSX:CCL.B)

CCL Industries is a Toronto-based manufacturer and seller of packaging and packaging-related products. Shares have climbed 5.8% in 2019 so far. The stock is down 16.5% year over year.

CCL Industries posts most of its sales in non-Canadian denominated currency. In 2018 CCL reported that sales increased 8% from the prior year, while also posting 4.8% organic growth. Free cash flow from operations rose $4.2 million from the prior year to $442.5 million. Foreign currency translation had a positive impact of $0.02 on earnings per Class B share in 2018.

CCL Industries also announced a 31% increase to its dividend to $0.17 per class B share, which represents a modest 1% yield.

Stella-Jones (TSX:SJ)

Stella-Jones is a Quebec-based company that sells lumber and wood products. Its stock has increased 7.9% in 2019 so far. Shares are still down 4.9% from the prior year.

Stella-Jones manufacturers railway ties and utility poles, most of which are shipped for sale south of the border. Sales climbed 12.6% from the prior year in 2018 to $2.12 billion, which was largely due to sales price increases and higher demand. The company has also been a beneficiary of US tax reform, though the 2017 windfall resulted in lower year-over-year net income.

Stella-Jones increased its quarterly dividend by 16.7% to $0.14 per share. This represents a modest 1.1% yield. The company forecasts higher year-over-year sales for 2019 based on market conditions and stable currencies.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CCL.B (CCL Industries)
2. TSX:SJ (Stella-Jones Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date
2025/08/13
Date Created
2019/03/25
Author
aocallaghan