3 Stocks to Buy Now if You Believe the Canadian Dollar Is Heading Lower

Description

Weak inflation, a drop in retail sales, and an inverted yield curve have market watchers worried about the Canadian economy and the Canadian dollar.

That got me thinking about stocks that would benefit should the Canadian dollar weakens.

Here are some sectors and stocks that stand to benefit:

Metals and mining

Many mining companies that have assets in Canada will benefit from a falling Canadian dollar, as costs are in Canadian dollars while revenues are in U.S. dollars.

Mining and metals giant **Teck Resources Ltd.** (TSX: TECK)(NYSEL:TECK) is one such company.

With a significant number of its assets located in Canada (Canadian dollar denominated costs), the company stands to benefit as production from its Canadian based production of coal, copper and zinc, represent a significant portion of its revenues in the latest quarter.

Teck's rating has recently been upgraded back to investment grade as the company has cleaned up its balance sheet and appears well positioned going forward.

Industrial

Industrial companies with a big portion of US dollar denominated revenues, combined with Canadian dollar denominated expenses will see benefits from the weakening Canadian dollar.

Many industrial companies have a large part of their revenues that come from outside Canada. These companies will not only benefit from the conversion of their revenues to Canadian dollars, but also because they will eventually see increased demand because their products and services will be cheaper for customers outside of Canada.

Martinrae International Inc. (TSX: MRE), an auto parts supplier, is one such industrial company.

Martinrea stock currently trades at just under $12.00 at writing as the company continues to post impressive results, the latest of which was 2018 results which posted an earnings increase of 16.5% as margin improvements took hold.

This solid $1 billion auto-parts supplier trades below book value, despite a strong track record of growth, balance sheet strength, and strong returns, making it a solid bargain to consider adding to your portfolio.

This stock has remained very attractively valued despite the company achieving growth rates of well above the industry and continued solid margin improvements.

CAE Inc. (TSX: CAE) also generates a big portion of its revenues from outside of Canada.

In the nine months ended December 31, 2018, CAE reported just over $2.2 billion in revenues, with 39% of that revenue generated in the U.S. and 28% generated from Europe. Canada represented only 7% of revenue.

The stock has a year-to-date return of 18% and has shot up from below $15 three years ago, as the company has become a global leader in simulation-based technology and training services.

Final thoughts

The benefits of a weaker Canadian dollar will be felt by many companies such as those discussed in this article.

If you are among those investors who believe that the Canadian dollar will weaken, building a position in one or more of these stocks would be something worth considering.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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2. NYSE:TECK (Teck Resources Limited)
3. TSX:CAE (CAE Inc.)
4. TSX:MRE (Martinrea International Inc.)
5. TSX:TECK.B (Teck Resources Limited)

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