



## A Top Stock to Buy as the Loonie Tumbles Further

### Description

Predictions for where the loonie is headed relative to the greenback have been downright horrific of late. Several pundits are calling for a further plunge in the loonie to the US\$0.71, with some of the more pessimistic folks predicting the loonie will touchdown with US\$0.64. Yikes!

With the loonie struggling to stay above US\$0.75, and with interest rates on this side of the border potentially on halt through 2020 thanks to the sluggish Canadian economy, which Stephen Poloz doesn't think is on the brink of recession, there's a realistic possibility that the loonie could continue its tumble as we head into the latter part of the year.

GDP contracted 0.1% in January, and with most pundits in agreement that Canada's finished with its tightening cycle, it looks like rate cuts are going to be the next course of action.

As Canadians, the last thing we want to see is our currency losing value relative to the greenback, and while it may seem like a lose-lose scenario, there is a way to [profit](#) off the further weakening of the loonie without needing to convert all your liquidity into U.S. dollars.

So, if you buy all the bearish loonie predictions, you may want to consider **Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)), a dividend-growth king that'll benefit from the continued depreciation of the loonie relative to the greenback.

CN Rail stock has staged a heck of a [comeback](#) in recent weeks. Shares, which are usually a gauge of the North American economy, will stand to prop up should the loonie continue to retreat relative to the greenback, as a significant chunk of the company's sales is reported in U.S. dollars.

In the past, management noted that every US\$0.01 change in the loonie would impact CN Rail's bottom line by approximately \$30 million. Should the loonie retreat by another US\$0.10 or more as the most bearish predictions predict, CN Rail could see its net income get a \$300 million boost.

Despite CN Rail's questionable valuation at this juncture, I believe the stock is a must-buy if you think the loonie is heading south for the rest of the year.

The stock looks technically sound with its recent breakout past all-time highs, and although 20.5 times trailing earnings is too costly for many value-conscious investors, the premium multiple is probably worth the price of admission if you're looking for a high-quality hedge against the tumbling loonie.

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