3 Easy Ways to Profit as the Canadian Dollar Plunges Below US$0.70

Description

The loonie's moves relative to the greenback have been pretty discouraging of late. As the U.S. dollar continues to flex its muscles, there are reasons to believe that the CAD/USD exchange rate is about to become even less favourable over the coming months.

One of the biggest loonie bears out there, David Wolf, a portfolio manager at Fidelity Investments and ex-advisor to Bank of Canada governor, believes that the loonie could be headed to its record low of US$0.62. Wolf, who sat down in an interview conducted by *BNN Bloomberg*, is also in the belief that the Canadian economy is *already* in a recession and that the loonie in the US$0.60 levels isn't as far-fetched as it sounds on the surface. Yikes!

At the time of writing, the loonie is hovering just below the US$0.75 mark, so if Wolf's forecast ends up being correct, the Canadian dollar could stand to lose a whopping US$0.13. For any Canadian, these projections are startling, but fortunately, there are ways to hedge yourself from a further weakening of the loonie relative to the greenback, and in this piece, I'm going to share three simple ways to profit.

Buy Canadian stocks that conduct a tonne of business in the U.S.

If you're in the belief that the Canadian dollar is about to go into a tailspin, you're going to want to own businesses like **Boyd Group Income Fund** (TSX:BYD.UN), which has a huge amount of its operations in the U.S. market. Around 90% of sales are derived from south of the border, so the firm is going to be collecting a tonne of U.S. dollars, which will boost the bottom line as the greenback continues to appreciate relative to the loonie.

Furthermore, Boyd isn't just a fantastic way to play a falling Canadian dollar; it's also a wonderful business that you'd want to own even if the loonie were to appreciate versus the U.S. dollar. The auto repair company commands significant EPS growth through its proven growth-by-acquisition strategy.

The North American auto repair industry remains extremely fragmented, with most of Boyd's competitors (or takeover candidates) run by smaller mom-and-pop shops, the growth ceiling remains ridiculously high, and it'll remain high over the foreseeable future.

Given Boyd's management team has a proven track record for driving ample synergies while posting high-double-digit ROE numbers on a consistent basis. It does all this without raising tonnes of debt, so Boyd is truly a wonderful business you'd want to own, regardless of which direction you think the loonie is headed.

If you're of the belief the loonie is going to fall on its face, however, Boyd stock becomes that much more attractive. Today, it's a terrific growth stock in every sense of the word, but with a falling loonie, it's a growth stock on steroids.

Buy U.S. stocks at today's seemingly "ugly" exchange rate

If you're at all enticed by any opportunities you see south of the border, you should make the swap at today's unfavourable exchange rate if you believe that things could get uglier for the loonie. I know swapping your Canadian dollars for U.S. dollars at US$0.74-0.75 stings the pocketbook initially, but you'll profit big time if you think the loonie will shed another dime.

Swap your USD-hedged foreign funds and ETFs for their non-hedged counterparts

For those who own USD-hedged mutual funds, index funds, ETFs, and all the sort, it's time to ditch them for the non-hedged variety. Not only do currency-hedged products cost more in the form of higher fees, but they won't allow you to profit from a further strengthening of the U.S. dollar against the Canadian dollar.

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