2 Passive-Income Stocks to Buy as the Canadian Dollar Nosedives

Description

The Canadian dollar can't seem to pick up any traction versus the U.S. dollar. If you buy the bearish loonie predictions of pundits like Fidelity Investments's David Wolf, who thinks the loonie could flirt with its record low of around US$0.62, then it may be time to hedge your portfolio against a continued weakening of the Canadian dollar by picking up some TSX-traded companies that have a large presence in the U.S.

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For those seeking income, here are two Canadian companies you may want to consider owning if you're feeling sick to your stomach about the possibility of a US$0.60-something loonie.

Fortis (TSX:FTS)(NYSE:FTS)

Fortis is one of the largest electric and gas utilities in North America. With a big presence south of the border and a big chunk of cash flows coming in as greenbacks, Fortis will be one of the winners should the loonie continue to weaken relative to the U.S. dollar.

Even if the loonie strengthens, Fortis is still a fantastic "forever" holding because of its highly predictable regulated operating cash flow streams, and the above-average growth you're getting from the firm and its stellar management team.

The 3.6% dividend yield doesn't seem like much, but when you consider the 45 consecutive dividend increases, long-term investors can expect the yield based on their invested principal to grow by leaps and bounds over the years (or decades) that they hold the stock.

With a mid-single-digit dividend growth expected over the foreseeable future, Fortis is a windfall investment that every investor should have in their TFSA's core. The fact that Fortis has a huge U.S. presence is just a huge bonus in times when the loonie weakens by so much such that media outlets jokingly refer to the currency as "the Northern Peso" or the petrodollar.

Algonquin Power & Utilities (TSX:AQN)(NYSE:AQN)

Sticking with the U.S. utility theme, we've got Algonquin with its higher 4.84% dividend yield. Like Fortis, Algonquin's owns a tonne of assets in the U.S., allowing the firm to get a nice earnings boost when it reports in Canadian dollars.

The renewable energy powerhouse has a pipeline full of growth projects and a rock-solid portfolio of water assets that are about as stable a business that anyone could ask for. Algonquin truly is the perfect blend of ambitious growth and stability, and if you're bearish on the loonie, the stock is a must-buy today, as shares continue to break out.

At the time of writing, Algonquin trades at 18.5 times next year's expected earnings and just 1.9 times book. That's a bargain as far as I'm concerned, given the company's double-digit growth potential and the uniqueness of the firm's drool-worthy U.S.-based water assets.

Foolish takeaway

Nobody knows where the loonie is headed next with great certainty — not even the most seasoned forex traders. Currency speculation has its pitfalls, but if you score a high-quality dividend-paying stock that you'd own regardless, you can hedge yourself from a weakening loonie while continuing to cut the checks that firms like Fortis and Algonquin will send your way.

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