



Betting on a US\$0.80 Loonie? 2 TSX Stocks to Bet On

Description

The loonie is roaring back. Soon enough, it may be flirt with US\$0.80 should the Bank of Canada decide to “divorce” the U.S. Federal Reserve with respect to the trajectory of interest rates.

Indeed, we’ve reached an unforeseen turning point with a more dovish Jerome Powell, his “wait and see” approach, and a Bank of Canada whose hands appear to be tied with regard to rate cuts moving forward.

Should inflationary pressures north of the border continue, the odds of a rate cut are diminishing, but that bodes well for the ailing loonie that has caused many Canadians to postpone their trip to the states to avoid the unfavourable currency swap.

So, are we witnessing the return of the loonie? Nobody knows for sure, but the recent two-cent pop is encouraging and should the right cards be dealt, an US\$0.80 (or higher) may finally be on the horizon.

If you’re a loonie bull and want a way to profit from **TSX**-traded securities, look to the following two domestic names:

Canadian Tire

The Canadian icon just isn’t as powerful as it used to be. **Canadian Tire** ([TSX:CTC.A](#)) stock lost its competitive edge thanks to the continued rise of its digital (and physical) counterparts in Canada’s retail scene.

While brick-and-mortar retail does stink through the eyes of investors, it’s hard to pass on Canadian Tire’s attractive dividend, which currently yields just shy of 3%. As Canadian Tire is a domestic play on brick-and-mortar retail, Canadian Tire gets a nice boost when the loonie strengthens relative to the greenback and other currencies.

Should a US\$0.80 loonie be on the horizon, Canadian Tire will have more purchasing power and could enjoy a nice profitability boost at a time where it needs it most. At the time of writing, the stock trades at

11.2 times forward earnings, which appears fair given the competitive pressures the name will be up against over the coming years.

Air Canada

An even better bet, I believe, is **Air Canada** ([TSX:AC](#))(TSX:AC.B), a thriving airline that'll profit as Canadians resume their postponed travel plans because of the stronger loonie. Air Canada has been on a heck of a run in recent years, but it still looks undervalued, especially when you consider the fundamental improvements made behind the scenes.

The higher loonie serves as a nice tailwind for Air Canada, while management makes the right investments to ensure the firm will be more economical come the next recession. Similar to Canadian Tire, Air Canada trades at 11.2 times next year's expected earnings. The only difference is that Air Canada is headed much higher, and Canadian Tire may tread water for longer as it battles with fiercer competition.

If you're looking to profit from the Canadian dollar, Air Canada is one of the best bets right now.

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Author

joefrenette

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