



3 Stocks Profiting From a Weak Loonie

Description

Here we go again!

The Canadian dollar is pulling back again after weeks of strength relative to the greenback. As U.S. Fed chair Jerome Powell continues cutting rates with a somewhat hawkish tone, the loonie may have trouble gaining further ground on the U.S. dollar.

And if the [sluggish](#) Canadian economy continues, the Bank of Canada may have no choice but to join the Fed with “insurance” rate cuts that could send the loonie right back to 52-week lows.

While news of a weaker loonie and its bleak outlook may be bad news for Canadians, it’s good news for a handful of Canadian companies.

Here are three that’ll get a nice windfall as the Canadian dollar continues to retreat relative to the greenback:

Fortis

Fortis ([TSX:FTS](#))([NYSE:FTS](#)) isn’t just the best [bond alternative](#) on the TSX. It’s a reliable dividend-growth utility that also has a great deal of exposure in the U.S. market.

Recent acquisitions, including UNS Energy and ITC Holdings, have given Fortis a dominant position in the Arizona and Michigan markets.

Both deals came at a hefty cost (US\$4.5 billion and US\$11.3 billion, respectively), but for premium exposure to premium markets comes a premium price tag.

As the Canadian dollar loses ground to the U.S. dollar, Fortis’s U.S. businesses will be that much more profitable.

Boyd Group Income Fund (TSX:BYD.UN)

Boyd Group is a North American auto repair shop with a considerable amount of exposure in the U.S. market.

The more attractive U.S. market has allowed Boyd to outperform most other **TSX**-traded stocks, and as the U.S. dollar strengthens versus the Canadian dollar, Boyd's numbers will be boosted by a reasonable amount.

Even without favourable currency moves, Boyd is a solid bet that'll continue to pay dividends for decades to come. While further U.S.-based acquisitions may come with a higher price of admission, lower interest rates will make it easier for growth-by-acquisition firms like Boyd to continue rolling along.

Alimentation Couche-Tard (TSX:ATD.B)

Similar to the previous two names on this list, Couche-Tard has a considerable amount of exposure to the U.S. market through its widely-dispersed convenience stores.

The firm also reports earnings in U.S. dollars, so as it gains ground against the Canadian dollar, a weaker loonie bodes well for the company's profits.

Despite the loonie's rise in the second quarter, Couche-Tard has still managed to offset the weakness with its comps-driving initiatives.

As the tides turn and currency moves become favourable, I expect Couche-Tard stock's recent strength will continue on into the latter part of the year.

The stock is hot, but it's still attractively valued, and the weaker loonie with lower interest rates will give the company a nice boost at a time when it's firing on all cylinders.

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