3 Stocks to Buy on a Weakening Loonie

Description

The loonie has been retreating of late, and if you're looking to hedge your portfolio from further weakness relative to the greenback, here are three stocks to consider.

But a word of warning: currency speculation is just that — speculation.

So, if you're looking to make a quick buck off a quick currency move, you should probably just buy the U.S. dollar itself, rather than the following U.S.-exposed Canadian stocks, which should be seen as a currency hedge for those who are overexposed to the Canadian dollar.

Without further ado, here are the stocks.

Boyd Group Income Fund

As the largest collision repair chain in North America, **Boyd Group Income Fund** (TSX:BYD.UN) has a tonne of exposure to the U.S. market through its Gerber and Glass America trade names. With such massive exposure down south comes a tonne of U.S. dollars that continue to flow into the business.

Boyd currently pays a $0.045 monthly cash distribution and has enjoyed an average of 13% in distribution hikes over the past seven years. Should the loonie continue giving ground to the U.S. dollar, shareholders could be in for a much more generous dividend hike without stunting the firm's incredible M&A streak.

Boyd's yield is a negligible 0.3% at the time of writing thanks to excessive amounts of share price appreciation. Despite being called an income fund, the real "main attraction" to the name is the potential for beefy capital gains.

Canadian National Railway

CN Rail (TSX:CNR)(NYSE:CNI), North America's most efficient railway, ships a tonne of freight across

Canada and the U.S. thanks to its dominant rail network, which spans all three major continental coasts. Plenty of sales are in U.S. dollars, and with the fading loonie, the U.S. dollars that CN Rail collects are worth that much more.

Regardless of the direction of the USD/CAD rate, CN Rail is a heck of a business that'll thrive through the recent economic slowdown and come out of the gate roaring, as it has done so many times in the past. At the time of writing, the stock trades at 13.3 times EV/EBITDA — a low price to pay for currency hedgers on a budget!

Algonquin Power & Utilities

Algonquin Power & Utilities (TSX:AQN)(NYSE:AQN) owns some enviable U.S. renewable and regulated assets in its portfolio. Through subsidiary Liberty Utilities, Algonquin owns gas, electric, and water utilities, all of which form a foundation that's tough to shake, even in times of economic warfare.

In addition to a solid base, you're also getting a sizeable dividend yield of 4.33%, double-digit dividend-growth potential, and a market-beating amount of capital gains.

As the company continues to expand its U.S. footprint while benefiting from being on the right side of a secular uptrend in the renewables space, I see Algonquin as one of the best low-beta plays for currency hedgers who aren't afraid to pay a bit of a premium.

Algonquin stock has appreciated a considerable amount over the past few months, though, so it may make more sense to wait for a pullback to around $14 and change.

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