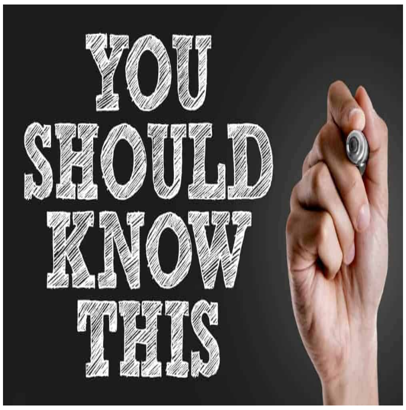

Canadian Dollar: Do THIS if the Loonie Keeps Plummeting!

Description

Ever since the start of the COVID-19 market crash, the Canadian dollar has been trading below its previous range. Going for US$0.72 as of this writing, it's well below its pre-crash level of US$0.75. In the past few weeks, the loonie has recovered some of its value, rising from a March low of US$0.69. However, it's still comparatively cheap by historical standards.

A weak Canadian dollar is actually good for Canada's economy in many ways. It's bad news for travellers and those buying goods from the U.S., but it's fantastic for Canadian exports. It's also a big benefit to many Canadian stocks. Canadian companies that make most or all of their money in the U.S. earn higher profits when the Canadian dollar is weak. Accordingly, investors could take the following course of action to profit off a weak Canadian dollar.

Buy stocks that make money from the U.S.

Most people know that Canadian exporters make more sales when the Canadian dollar is weak. What many don't know is that it's not only exporters that make money off a low Canadian dollar. *Any* Canadian company with a U.S. presence will make more money when the loonie is weak — whether that's due to exports or a physical presence in the U.S.

TD Bank, for example, doesn't export anything. However, because it earns interest revenue in U.S. dollars, that translates into higher Canadian dollar revenue. This, in turn, can translate into higher Canadian dollar profits.

One example of such a company

One company that stands to benefit from a weak loonie is **Canadian National Railway** (TSX:CNR)(NYSE:CNI). As a railroad whose reach spans all across North America, it earns a good portion of its money in U.S. dollars.

In the first quarter, CN saw its revenue jump 29%, despite February's rail blockades and March's

COVID-19 lockdowns. This was partially due to the fact that the Canadian dollar was weak in that period. In Q1, CN earned $1.34 for every U.S. dollar it brought in. That helped support the company's profitability.

While the exchange rate was similar in Q1 2019, the company's profits would have been lower in Q1 2020 if the Canadian dollar had strengthened. If the Canadian dollar weakens further in Q2, then CN will see its reported CAD profits increase *directly* because of the exchange rate.

Foolish takeaway

A weak Canadian dollar is bad news for consumers. For investors, however, it can be an opportunity. Not only does it mean higher profits for Canadian companies that earn money in the U.S., but it can also increase your Canadian dollar returns on U.S. stocks. As we saw with CN Railway, Canadian companies that do business in the U.S. materially benefit from a weak Canadian dollar. If you own shares in such companies, the phenomenon could result in higher returns.

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