Canadian Dollar Rally: 2 TSX Stocks That'll Benefit From a Stronger Loonie

Description

Don't look now, but the loonie is finally starting to gain traction versus the greenback, with the Canadian dollar now flirting with US$0.74 thanks in part to stabilizing oil prices. Over the coming weeks and months, the price of oil could be in a spot to creep back up to pre-pandemic levels a lot sooner than most initially thought, as the economy reopens in phases.

If you're bullish on the loonie versus the U.S. dollar but are reluctant to make the swap at your local bank, you may want to consider picking up the following **TSX**-traded stocks that will benefit from a stronger Canadian dollar.

While it's a good idea to hedge your portfolio against big forex moves, it's not wise to be a currency speculator by purchasing shares of businesses you wouldn't otherwise own. As such, this piece will only look into the stocks of solid companies that are also a decent value at this juncture.

Dollarama: A discounted discount retailer that views a strong Canadian dollar as a tailwind

Dollarama (TSX:DOL) is precisely the type of business you'd want to own shares of as we're propelled into a recession. The defensive growth stock will help meet the demand for discount goods, including bare necessities, snacks, among other items, when times get that much tougher over the next few months.

While Dollarama has faced pressure amid coronavirus-induced lockdowns (a chunk of Dollarama's stores are located within shopping malls), the discount retailer is in a spot to see its sales surging back once Canadians feel safer to venture outside.

Given the demand for Dollarama's goods tend to increase during times of economic hardship, I wouldn't at all be surprised if post-pandemic sales exceed numbers posted in 2019.

Not only is Dollarama a terrific recession-resilient business at a decent valuation, but it's also in a spot to treat the stronger Canadian dollar as a major tailwind. The company has been taking a hit as the loonie weakened relative to the greenback over the past year.

As the tides finally turn, the currency-induced margin pressures will turn into tailwinds, at a time when sales could surge through the roof.

Whether you're looking to play a stronger loonie or not, Dollarama is a buy here and now.

Canadian Tire: A battered big-box retailer due for a bounce

Sticking with the retail theme, consider shares of **Canadian Tire** (TSX:CTC.A), an iconic Canadian company that's also in a position to see its comps rebound quickly as the economy reopens. I've been pounding the table on the name after the exaggerated implosion in shares of the coronavirus crash.

The stock has now bounced back over 60% from its March lows and is no longer the steal it used to be. However, if you're in the belief that a US$0.80 Canadian dollar is in the cards, CTC.A may be worthy of your investment dollars, even after its massive multi-month run.

A majority of the firm's merchandise is imported from overseas, so a stronger Canadian dollar grants the brick-and-mortar retailer greater purchasing power. As Canadians head back to Canadian Tire stores while the loonie continues strengthening, Canadian Tire could see the tides turn in seemingly an instant.

At the time of writing, shares of Canadian Tire trade at 1.76 times book and 0.51 times sales.

CATEGORY

1. Coronavirus
2. Dividend Stocks

TICKERS GLOBAL

1. TSX:CTC.A (Canadian Tire Corporation, Limited)
2. TSX:DOL (Dollarama Inc.)

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joefrenette