



The Canadian Dollar Is Weak: Buy These 2 Export-Heavy Stocks

Description

A week ago, the Canadian dollar fell to a near six-week low against the generally stronger U.S. dollar. The 4% decline in oil prices and rising COVID-19 cases weighed on [Investor sentiment](#). On September 28, 2020, the loonie edged higher owing to the rally in oil prices.

Canada exports several commodities, but its currency is sensitive to the global flow of trade and capital. Among the country's top exports are oil and mineral fuels, vehicles and auto parts, gems and precious metals, and dairy products. The Canadian dollar is under pressure because of the country's current account deficit.

If the loonie can't receive [support](#) and fall again for consecutive weeks, two export-heavy stocks should benefit. Investors can take positions in these companies going forward.

Auto-parts giant

Magna International ([TSX:MG](#))([NYSE:MGA](#)), the Canadian auto-parts giant, has several growth opportunities. The \$18.26 billion company is one of the top three automotive suppliers globally. Apart from parts supply, Magna's Steyr division engineers and assembles complete vehicles for global automakers.

The Aurora-based company manufactures chassis and vehicle bodies for all kinds of cars. Its powertrain division offers hybrid transmissions and products for all-electric vehicles (EVs). In 2019, 2% of light vehicles sold were EVs. Magna forecasts growth of 15% by 2030, or 15 million EVs annually.

Automotive companies, including Magna, suffered heavily from the COVID-induced global downturn in auto sales. The auto industry is suspect at this time, although sales should be pick up as economies gradually recover,

At \$61.06 per share, Magna pays a respectable 3.53% dividend. In the last ten years, the total return is 273.44%. Analysts forecast a 39% price appreciation to \$85 in the next 12 months.

Cheese producer

Saputo ([TSX:SAP](#)) is a \$13.7 billion company based in Montreal, Canada. It has been operating for 66 years and producing a wide array of high-quality dairy products. Among Saputo's top export products are cheese, fluid milk, extended shelf-life milk and cream products, cultured products, and dairy ingredients.

The company is one of the top 10 dairy processors in the world. Saputo products are sold internationally in several countries under market-leading brands and private label brands. It's a known cheese producer and manufacturer in the U.S., the U.K., Australia, and Argentina.

In Q1 of the fiscal year 2021 (quarter ended June 30, 2020), Saputo reported a 7.6% drop in revenue versus the same period in the prior year. Net earnings, however, rose by 16.9% to \$141.9 million.

It's worth noting that this consumer-defensive stock has a total return of 894.23% over the last 20 years. The board of directors recently approved a 2.9% increase in dividends. The current yield is 2.07% for would-be investors, while the payout ratio is a low 45.64%.

Weaker CAD

For the first half of 2020, Canada's total exports reached \$181.7 billion. However, the loonie has been depreciating versus the U.S. dollar by an average of -3.8% since 2015. If the local currency is weak, exports paid in greenbacks are relatively less expensive for foreign buyers.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:MG (Magna International Inc.)
3. TSX:SAP (Saputo Inc.)

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