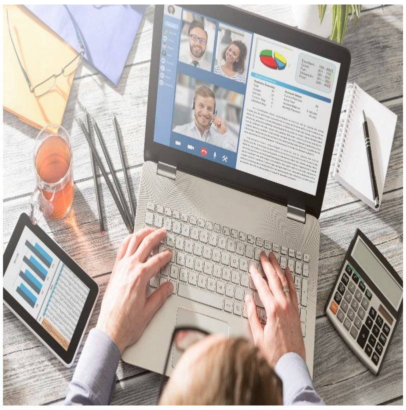

2 Stocks to Buy as the Loonie Strengthens Versus the U.S. Dollar

Description

The loonie has been on a tear lately, now flirting with US$0.77 amid the U.S. election. The greenback continues to weaken versus to loonie amid the unprecedented magnitude of U.S. stimulus. With a potentially generous U.S. stimulus package on the way, the loonie may be ready to move higher, possibly testing the US$0.80 level at some point over the next year.

Unfortunately, many Canadians won't be allowed to travel for pleasure to the U.S. to take advantage of the weaker U.S. dollar, as the coronavirus pandemic is likely to plague most of 2021. However, Canadian investors can prepare their portfolio to profit from a continuously strengthening loonie with certain **TSX** stocks.

This piece will have a look at two of my favourite ways to play a stronger loonie. And if you're not one to speculate on currency fluctuations, you'd be comforted to know that both names would have been buys regardless, as their businesses look in robust shape heading into 2021. Moreover, the valuations on the two names, I believe, make them ripe for picking up today.

Without further ado, let's have a brief look at each name that'll be major beneficiaries of a stronger loonie versus the U.S. dollar:

Dollarama

Dollarama (TSX:DOL) recently suffered a vicious correction, but the stock has already begun to bounce back after the fast and furious flop, with shares jumping 5.5% on Thursday. The massive growth-driven rally was sparked by the U.S. election that saw the much-feared Blue Wave fail to materialize. Although a Joe Biden presidency wasn't ideal for growth stocks, the split senate is likely to prevent a vicious growth-to-value rotation that would see names like DOL take an uppercut to the chin.

As the Canadian dollar continues to pick up ground over the greenback, Dollarama will have greater purchasing power, as it typically imports a big chunk of its goods from the U.S. and China. The Canadian dollar has been pulling back sharply versus the yuan in recent months, but with signs of a potential turnaround in trend in November, Dollarama has a lot to gain as it looks to cheer on the loonie.

Moreover, Dollarama is a recession- and pandemic-resilient essential retailer that's well-equipped to make it through another potential wave of lockdowns, making DOL a compelling buy for many reasons.

Canadian Tire

Canadian Tire (TSX:CTC.A) is another retailer that's demonstrated tremendous resilience amid this crisis. Its e-commerce business did some heavier lifting amid shutdowns, and many Canadians treated the flagship store as a one-stop-shop to get all their discretionaries and necessities. The store's warehouse-style layout and those wide aisles that allowed for social distancing looked to have helped the firm versus the likes of most other brick-and-mortar retailers.

With a strong liquidity position, Canadian Tire is ready for another round in the ring with Mr. Market. The strengthening of the Canadian dollar versus the greenback is another tailwind for Canadian Tire that could allow the iconic retailer to offset those horrific pandemic headwinds.

Like Dollarama, Canadian Tire imports various goods from around the world. A stronger Canadian dollar grants the Tire more purchasing power, and if you think the loonie could bounce past US$0.80, Canadian Tire will receive an unforeseen boost that could allow for modest dividend hikes amid this pandemic.

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1. Coronavirus
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TICKERS GLOBAL

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

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