



Canadian Dollar Hits 2-Year High: 2 Stocks That Will Benefit

Description

The Canadian dollar saw its biggest advance on November 9, 2020 and posted a two-year high against the U.S. dollar. Joe Biden's [victory](#) and the successful data from a large-scale clinical trial of a COVID-19 vaccine were the driving forces. Even risky assets soared, pushing safe-haven currencies such as the Swiss franc and Japanese yen to the sidelines.

On the same day, oil prices jumped nearly 10% to boost the loonie further. Oil is Canada's largest export. Saudi Arabia also announced that OPEC+ is open to adjusting the oil output deal to balance the market.

Generally, a strong local currency makes a country [more prosperous](#). If the Canadian dollar can maintain its strength, the buying power of businesses and consumers will increase. Companies like **Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)) and **Stella-Jones** ([TSX:SJ](#)) that import parts or raw materials from abroad could benefit from a strong loonie.

Portfolio stabilizer

Canada National Railway is an importer of railway, locomotive, automotive, and other parts. However, this large-cap industrial stock is a rock-solid investment choice whether the Canadian dollar is strong or weak. The \$101.53 billion company is the operator of Canada's largest railway and North America's freight backbone.

Today, CNR's portfolio of goods is extensive. It serves exporters, importers, retailers, farmers, and manufacturers. Goods can be from chemicals and petroleum, coal, fertilizers, metals and minerals, automotive and forest products, grain, and so much more.

CNR is among the better-performing stocks in 2020, with its 23.41% year-to-date gain. Dividends investors must know the stock is a dividend aristocrat for having raised dividends for 23 years in a row. The yield is a modest 1.62% but should be safe as the payout ratio is less than 50%. If you need a portfolio stabilizer, this Class I railroad leader in North America is your best option.

Sustainable profitability

Stella-Jones is equally attractive as CNR because of its resiliency in the pandemic. Current investors enjoy a 17.39% gain thus far in 2020 and partaking of the 1.41% dividend. This \$2.94 billion company is a producer and seller of treated wood products in Canada and the U.S. It imports various products from Asia and Europe.

Rail operators buy railway ties and timbers from Stella-Jones, while it supplies utility poles to electrical utilities and telecommunication companies. Retailers also purchase residential lumber and accessories for outdoor applications from the company.

In Q3 2020, Stella-Jones reported sterling financial results. Demand was strong across most of the company's product categories, not to mention the phenomenal rise in market lumber prices. Its top and bottom lines grew by 17.59% and 46.30% compared with Q3 2019.

Overall, for the nine months, net income is \$176 million or 30.37% higher than the same period last year. According to Stella-Jones President and CEO Éric Vachon, the company is well positioned to drive shareholders' growth, given its ample financial flexibility and sustainable profitability.

Winners when CAD is strong

Despite the recent gains and the rebounding oil prices, the loonie remains under pressure. Some currency traders say the upside move was too fast. Nonetheless, remember that when the Canadian dollar is strong, importers are among the biggest winners.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. TSX:CNR (Canadian National Railway Company)
3. TSX:SJ (Stella-Jones Inc.)

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