



The Canadian Dollar Is Getting Stronger: Avoid Home Bias?

Description

The U.S. greenback is the global standard but is experiencing weakness in 2021. On the other hand, the Canadian dollar has strengthened across the board, aided by higher crude oil prices and better-than-expected February jobs report. Currency experts can't tell how long the loonie will hold at higher levels. But in the meantime, it gives the Canadian dollar more buying power internationally.

With the local currency climbing to a three-year high, should Canadian investors discard their home bias tendencies? Home bias is when individual or institutional investors invest more in [domestic equities](#) and hold little or no foreign equities. International diversification could be an option to reduce home-market risk.

While a globally-diversified portfolio is sound, fees and taxes are financial considerations for Canadians. Even if you intend to hold U.S. stocks, for example, in a Tax-Free Savings Account (TFSA), you still pay a meaningful tax cost. The 15% withholding tax on the foreign dividend isn't recoverable.

An [alternative tactic](#) when the loonie is strong is to invest in companies with strong international sales or presence. **Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)) and **Ballard Power Systems** ([TSX:BLDP](#))([NASDAQ:BLDP](#)) are cross-listed in the U.S. stock exchanges and sell their respective products globally.

Critical role in food production

Nutrien, a \$41.55 billion company from Saskatoon, Canada, produces and distributes over 25 million tons of nitrogen, phosphate, and potash products for agricultural, industrial, and feed customers. It has over 2,000 retail locations in seven countries that provide a wide range of products and services.

Growers worldwide receive complete agriculture solutions, including nutrients, crop protection products, seed, service, and digital tools. Nutrien is the world's largest potash producer.

The six lower-cost mines in Saskatchewan can produce over 20 million tons of potash. Management is

confident the company can meet the world's long-term potash needs owing to its decades of high-quality reserves and multi-year expansions.

Canadians who invested in the fertilizer stock a year ago despite the coronavirus outbreak are up 97% today. As of March 12, 2021, the share price is \$72.92, or a year-to-date gain of 19%. For would-be investors, Nutrien also pays a decent 3.21% dividend.

Out to make fuel-cell history

A world leader in the development, manufacture, sale, and servicing of clean energy hydrogen fuel cells should be on your buy list. Ballard Power Systems aims to develop and improve technology to make a real difference. The \$9.76 billion company from Burnaby, Canada, delivers fuel cell power for a sustainable Earth.

Ballard's approach is two-pronged. Its Power Product segment focuses on meeting customers' power needs. The high value, high reliability, high quality, and clean energy power products reduce customer costs and risks.

The company's customized, high-value, bundled Technology Solutions enable customers to solve technical and business challenges. It simultaneously accelerates fuel cell programs. Aside from Canada, Ballard is present in China, Europe, and the United States.

The markets for Ballard's products include automotive, transit bus, truck, rail, and other critical infrastructure. Ballard's current share price is \$32.87, or 203% higher than it was a year ago. Had you invested \$20,000 on March 12, 2020, your money would be worth \$60,645.76 today.

Knowledgeable investing

Investor home bias remains strong in the investment world. Canadians are more comfortable investing in familiar local companies than in international corporations. Besides, if the **TSX** does well, expect allocations in domestic stocks to increase.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:BLDP (Ballard Power Systems Inc.)
2. NYSE:NTR (Nutrien)
3. TSX:BLDP (Ballard Power Systems Inc.)
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Date

2025/07/22

Date Created

2021/03/15

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