2 Stocks to Buy if the Loonie Keeps Getting Stronger

Description

The better-than-expected March 2021 jobs report helps the Canadian dollar gain ground against other currencies. After adding 303,100 new jobs to the economy last month, the unemployment rate went down to 7.5% from 8.2% in February 2021.

If the loonie keeps getting stronger, expect the price of imports to fall. Low-cost imports, in particular, will dramatically drop. Import-heavy Canadian companies can purchase raw materials from abroad at cheaper prices and enjoy larger profit margins.

The downside is that travel restrictions due to the pandemic are still in place. If things are normal, a strong local currency boosts tourism and the airline industry. Canadian exports become expensive abroad, which is another disadvantage.

Nevertheless, companies like **Stella-Jones** (TSX:SJ) and **Canada Goose** (TSX:GOOS)(NYSE:GOOS) should benefit from a strengthening local currency. Both companies import raw materials or components to complete their end-products. Hence, the two stocks are among the great buys today.

A slam dunk

Stella-Jones is a $3.33 billion company from Saint-Laurent, Canada. It engages in the production and sale of pressure-treated wood products domestically and the United States. The company imports various raw materials or products from Belgium, China, and South Korea.

It's not easy to pass up on this industrial stock because its total return in the last 20 years is 10,738.33% (26.37% CAGR). The year-to-date gain is 10.48%, while the share price is $50.95. If you scoop Stella-Jones shares today, the dividend yield is 1.41%. Prospective investors should know that 2020 was a record year, notwithstanding the pandemic.

Last year, Stella-Jones posted a sales growth for the 20th consecutive year. The sterling record is proof the business is resilient. Sales in 2020 grew by $2.6 billion versus 2019. Meanwhile, EBITDA increased to a record $385 million. The solid sales in residential lumber, utility poles, and railway ties resulted in $178 cash from operations.

Made in Canada

The shares of Canada Goose are up by a resounding 40.6% year-to-date. Had you invested $20,000 on December 31, 2020, your money would be worth $28,118.39 today. Market analysts see a potential 27.8% appreciation to $68 within a year or so.

This $5.78 billion premier winter clothing manufacturer from Toronto, Canada, takes pride in its “Made in Canada” products. Canada Goose sells jackets, parkas, vests, hats, gloves, and other apparel, whether direct to customers or wholesale. The company used imported components only to manufacture its high-quality Canadian products.

For the first time during the pandemic, Canada Goose’s increased to $474 million in Q3 fiscal 2021 (quarter ended December 27, 2020) from $452.1 million in Q3 fiscal 2020. Moreover, revenues in global e-commerce and direct-to-customer in China increased by 39.3% and 41.7%, respectively.

According to Canada Goose President and CEO Dani Reiss, Q3 fiscal 2021 was its biggest quarter. He said, “The global strength of our brand and digital business has returned Canada Goose to growth.” However, management held providing an outlook for fiscal 2021 due to the ongoing COVID-19 disruptions and uncertainties.

Upside momentum

Foreign currency experts believe the loonie’s upside momentum will sustain this year. According to Bloomberg data, Canada ranks in the top five of the 20 nations whose economy will rebound in 2021. Stella-Jones and Canada Goose are likely to gain more traction with the strong local currency.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:GOOS (Canada Goose)
2. TSX:GOOS (Canada Goose)
3. TSX:SJ (Stella-Jones Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/06/28
Date Created
2021/04/15
Author
cliew