



Loonie Hits 4-Year High: 2 Stocks That Could Benefit

Description

The Canadian currency keeps [powering higher](#) in recent days. On May 6, 2021, the loonie sparkled the brightest with its 0.95% gain — the highest one-day gain since September 2017. A significant factor for the increase was the oil price rally. As one of the world's major copper producers, the country also benefits from copper prices surging to record peak.

Despite the 207,000 lost jobs in April 2021, the Canadian dollar held near its strongest level in three-and-a-half years to extend the win streak to six straight weeks. The Bank of Canada's announcement that it would begin hiking interest rates and slow down bond purchases likewise gave the loonie more strength.

Canadian companies with high imports or purchase assets abroad are the outright beneficiaries of a strong loonie. The top names that come to mind are **Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)) and **Metro** (TSX:MRU). Besides the opportunity to take advantage of the local currency's power, the stocks offer would-be investors [capital protection](#). They are a pair of defensive assets.

Capital-rich global asset manager

Brookfield Asset Management is a capital-rich diversified asset management company with its \$72.17 billion market capitalization. It invests directly in infrastructure, real estate, renewable power, and private equity. The exchange rate or currency factor is crucial when investments or acquisitions are in foreign countries.

Brookfield Property Partners, Brookfield Infrastructure Partners, Brookfield Renewable Partners, and **Brookfield Business Partners** are the firm's listed affiliates. The access to large-scale capital enables BAM to invest in sizeable, premier assets and businesses across geographies. Only a few asset managers can match this capability.

On April 1, 2021, BAM and Brookfield Property Partners jointly announced an important milestone. The former will acquire 100% of the latter's units. Nick Goodman, BAM's CFO, said, "We are pleased to have reached an agreement with the independent directors of Brookfield Property on a transaction we

believe is appealing to its unitholders in many aspects.”

The deal presents BAM with greater optionality to manage its portfolio of high-quality real estate assets. If you were to invest today, the share price is below \$50. At \$46.44, the dividend yield is a modest 1.12%.

Extraordinary resilience

Metro is among Canada’s top grocers that operate in Ontario and Quebec. The \$14.14 billion retailer, franchisor, distributor, and manufacturer has about 950 food stores and some 650 drug stores. While the domestic market is the primary source of revenues, the goods it sells aren’t 100% from the home country.

The company imports several brand names from foreign countries like the U.S. and sells them locally. Metro can purchase more goods from abroad if the loonie continues its advance. While the consumer-defensive stock is up by only 1.73% year to date, its total return in the past 32.7 years is 20,596.81% (17.71% CAGR). At \$57.52 per share, the dividend offer is 1.74%.

Metro reported impressive results in the most recent quarter. For Q2 fiscal 2021 (quarter ended March 13, 2021), sales growth from Q2 fiscal 2020 was 5.1%. Metro’s net earnings went up by 6.8% versus the same period last year. Its president and CEO Eric La Flèche said the strong sales and earnings growth reflect Metro’s extraordinary resilience.

Bottom line

You can choose the global asset management firm or the top grocer to fortify your stock portfolio. Either way, a strong loonie augurs well for both companies.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

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2. TSX:BN (Brookfield)
3. TSX:MRU (Metro Inc.)

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