



## Worried About a Decline in the Canadian Dollar? Buy This Top TSX Stock

### Description

The Canadian dollar has been on the ropes of late. Recent commentary from the U.S. Federal Reserve suggests a more hawkish tone. That's great for the U.S. dollar, but perhaps not so good for the Canadian dollar.

Accordingly, investors may need to once again factor in currency risk into their calculations. Canadian investors may want to ramp up exposure to companies with greater leverage to U.S. dollar-denominated revenue and earnings. Accordingly, **Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)) is a [great choice](#) in this environment.

Here's more on why Algonquin could be a great pick for Canadian investors today.

## U.S. Federal Reserve notice sending shockwaves across currency markets

The Canadian dollar fell to a seven-week low on the back of a stern shift in guidance by the U.S. Federal Reserve. The loonie touched its weakest level since May after it fell by 0.4% from 1.2346 to 1.2326 to the greenback.

On the contrary, the U.S. dollar jumped to its highest level in more than two months against a basket of various other major currencies. This is a result of the U.S. Federal Reserve announcing that it will potentially hike interest rates sooner than expected. Additionally, the Fed may also end emergency bond-buying sooner than the market expects.

What does this mean for Canada, and the Canadian dollar?

Well, the Canadian dollar is priced in terms of the U.S. dollar. Accordingly, shifts in U.S. dollar strength tend to outweigh any bullishness or bearishness investors have with respect to Canada. Given the size and importance of the U.S. economy, more weight is given to various monetary policy shifts south of the border.

Accordingly, companies with earnings denominated in Canadian dollars will be worth that much less to U.S. investors. However, companies with significant operations south of the border could see strength from international investment flows.

## Why Algonquin stands to benefit

Algonquin earns the vast majority of its revenue and earnings in U.S. dollars. Furthermore, the company pays out its dividend in U.S. dollars. This is a key piece investors in AQN ought to note.

Because the company's dividend is denominated in U.S. dollars, Canadian investors get a dividend boost when the U.S. dollar strengthens. With the Canadian dividend tax credit program in place, as well as Algonquin's dual listing, this can be a major boost for income investors considering international exposure.

Indeed, Algonquin's current dividend yield of 4.5% could be increased substantially, should currency-related trends continue. For Canadian investors, this is a very sneaky way to hedge currency risk within one's portfolio.

Indeed, many Canadian investors hold too much exposure to the Canadian dollar. For those who find themselves in this boat, Algonquin is a great option for diversification today.

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1. NYSE:AQN (Algonquin Power & Utilities Corp.)
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