TSX Canada Investors: The Best Federal Bond Index ETF

Description

When buying equities in the stock market, smart investors also need to understand how to properly weight their portfolios between bonds and equities. The recommended proportions of stocks to bonds depends on the number of years until retirement and your personal risk profile. The **Toronto Stock Exchange** offers Canadian savers easy ways to diversify their retirement portfolios between stocks and bonds.

The **BMO Long Federal Bond Index ETF** (TSX:ZFL) is an active exchange-traded fund that follows the returns of the **FTSE TMX Canada Long Term Federal Bond Index** by investing in assets with maturities greater than 10 years.

Every bond in this portfolio boasts an AAA credit rating. Moreover, ETF managers rebalance the fund daily by relative market capitalization weights.

The BMO Bond Index ETF is eligible for the following tax-preferred accounts: Registered Retirement Savings Plan (RRSP), Registered Retirement Income Fund (RRIF), Registered Education Savings Plan (RESP), and Deferred Profit Sharing Plan (DPSP), and Tax-Free Savings Account (TFSA)

Bond ETFs are great for self-managed portfolios

This ETF fund is perfect for Canadians who want to build and manage their retirement portfolios themselves. Professional financial managers make detailed decisions about which bonds to invest. You only need to decide the value of your hard-earned retirement income that you want to save in bonds.

If you want to maintain a balanced portfolio between stocks and bonds, this is a great professionally managed ETF in which to buy shares. On Friday, it was one of the most active stocks by volume, with a noteworthy upward price movement. The coronavirus scare and global political developments quite possibly drove professional investors to trade in the bond ETF.

Market maker activity increasing in this bond ETF

The market makers might be taking a temporary advantage of the bearish stock market news to profit on the bid-ask spread between the securities.

Alternatively, these price movements are likely more or less related to an investment trend toward bonds. At the time of writing, according to TMX data, investors had traded 3.65 million shares in 39 trades for a market value of $70.33 million.

Seven different traders participated in these transactions, including RBC Capital Markets, BMO Nesbitt Burns, CIBC World Markets Inc, National Bank Financial, Desjardines Securities Inc, Questrade Inc, and Anonymous trader.

RBC Capital Markets purchased 31,039 shares from the anonymous trader for an approximate average share price of $19.33522 and sold 12,938 for an average price of $19.342. The profit margin on these trades is about $0.007454. RBC sold all but 100 shares back to the Anonymous trader, and the other 100 shares were sold to CIBC World Markets Inc.

Pick the right trading partner on the Toronto Stock Exchange

There are many reasons to buy into this ETF. The historical performance of the BMO Long Federal Bond Index ETF reliably tracks the FTSE TMX Canada Long-Term Federal Bond Index. The high correlation to the FTSE suggests that the ETF managers are competent bond traders and strategists.

Further, the ETF distributes cash on a monthly basis at a rate of $0.043 per share. The annualized distribution yield on the ETF is 2.82% as of January 24, 2020. For federal bonds, just under 3% is a decent rate of return. The current share price is $19.35 with a 52-week low of just over $17 per share.

You could pick up 200 shares of the ETF for an initial investment of $3,870. If you pick the right trading partner, you just might be able to improve the quality of your investments in your retirement portfolio and walk away a winner in 20 years.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

Date
2025/08/26
Date Created
2020/01/31
Author
debraray

Footer Tagline