While Everyone Is Losing Their Minds, Buy These 2 TSX ETFs

Description

The current market pullback is becoming increasingly devastating for global stock markets. The coronavirus scares have catalyzed what could be the biggest market meltdown since 2008. At writing, the **S&P/TSX Composite Index** is down by 19.11% from its peak in February 2020.

A market crash can adversely affect your finances, especially if your portfolio is not diverse and includes mostly high-risk assets. It is critical to be aware of how much risk your portfolio carries. You also have to be resolute about protecting your capital in a market correction like this.

If you are worried about your capital through this time, you are not alone. There are ways to protect your financial situation while everybody else is panicking.

Choosing the right stocks is already challenging as it is. Making the right picks becomes almost impossible when share prices are tumbling so rapidly. An alternate option could be investing in exchange-traded funds (ETFs). ETFs can help you protect your funds and protect your finances.

Today I'm going to discuss the **BMO Low Volatility CAD Equity ETF** (TSX:ZLB) and **iShares S&P/TSX Global Gold Index ETF** (TSX:XGD) to this end. Both ETFs could serve the purpose of protecting your wealth during the harsh economic environment right now.

Low volatility ETF

When the market is so unstable, the ideal thing to do is seek assets that offer stability to your portfolio. A high-quality investment option you can consider is the low volatility ETF like ZLB.

The exchange-traded fund offers investors exposure to low volatility equities trading on the **Toronto Stock Exchange.** It helps them capitalize on the performance of the index without handpicking a diverse selection of shares from companies trading on the **TSX**. The overall ETF's diversity gives it lower volatility compared to individual stocks trading on the TSX.

The fund is composed of stable and reliable stocks with historically low volatility, which makes ZLB a fantastic option for investors looking to insulate their wealth against the ensuing fluctuations at the time. The trade-off for investing in a low volatility ETF is letting go of possible capital appreciation when the markets recover.

The ETF has a beta of 0.98 at writing. Theoretically, if the TSX is down by 10%, the ZLB ETF will be down by just 9.8% compared to the market.

ETF for gold

Every investor knows how valuable gold is during a market crash. The precious yellow metal is historically the ideal safe-haven asset. Gold prices have a reputation for rallying as the economy starts to slow down or enter a full-blown crash.

Gold investments become an attractive option for investors all around when they want to store wealth in financial crises. It helps insulates their wealth as they wait for the markets to correct themselves and begin a new cycle.

A retrospective look at 2008's financial crisis can give us the correct picture. As the financial crisis began to pick up, the price of gold was around $875 in October 2008. By the middle of July 2011, gold climbed up to excess of $2,000.

Investors started selling off gold holdings at the start of the recession, only to see the price go up over the next three years. A similar situation is taking place right now. The ETF is down 8.25% from its peak toward the end of February 2020.

The decrease in price is only momentary, creating an opportunity for investors to buy-in as they look for safe places to store their capital until the market bounces back.

Foolish takeaway

A low volatility ETF gives you exposure to the most stable equities trading on the TSX. A gold ETF comes in to protect your wealth and help it grow through increasing gold prices during the recession.

Until the market and economy recover, investing in ZLB and XGD can offer you significant protection from the risk of losing your capital.

CATEGORY

1. Investing

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1. TSX:XGD (iShares S&P/TSX Global Gold Index ETF)
2. TSX:ZLB (Bmo Low Volatility Canadian Equity ETF)

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