A High-Yield ETF: Time to Back Up the Truck!

Description

If you're looking to buy the market crash but are overwhelmed by the pitches being thrown at you from left, right, and centre, you may want to consider a high-yield ETF. The **TSX Index** is an obvious first choice to buy after it imploded nearly 40% only to bounce back 20% off the bottom, but let's face it: The TSX Index is a lousy investment.

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It's notoriously undiversified and offers you a front-row seat to some of the most-affected industries amid the coronavirus pandemic.

There's undoubtedly value to be had in some of the hardest hit of sectors. But I'd urge investors not to try to be a hero by overweighting their portfolios across the energy and materials sectors with an investment in the TSX Index. There are better ways to invest in Canadian stocks.

To do so, I'd recommend looking to **Bank of Montreal**'s slate of sweet one-stop-shop ETFs, which are currently trading at bargain basement prices.

A high-yield ETF to buy on the crash

The **BMO Canadian High Dividend Covered Call ETF** (TSX:ZWC) is one of my personal favourite ETFs to buy on violent dips.

The ETF not only sports a higher yield than the sum of the yields of its long positions, but it's also designed to outperform flat or down markets relative to the TSX Index.

The covered call strategy effectively adds another layer of income on top of the dividends and distributions from the high-yield ETF's basket of long positions. The premium income comes at the expense of upside in the companies within the ZWC.

If you're of the belief that markets will continue to plunge or remain stagnant, the ZWC is a far betterbet than the TSX because the option income is guaranteed regardless of which direction the stock withthe option written against it heads next.

Moreover, given the Saudi-Russia oil price war that's knocked WTI prices into the US$20 levels, I'd argue that the Canadian economy could be destined for a slowdown that could linger on well after the coronavirus (COVID-19) is eradicated.

The weakness in the oil patch will spread like a virus from the energy producers to the pipelines and the industrials to the banks and eventually work its way into other sectors.

While the Canadian market is oversold here, I'm not a raging bull on the intermediate-term outlook, especially with massive job losses that will continue to rack up over the coming weeks and months.

The ZWC may still be exposed to Canadian energy, financials, and all the sort that are overweighted on the TSX Index. The only difference is that the ZWC is well diversified into other areas of the TSX that are negligible with an investment in the TSX Index.

Moreover, the ZWC owns some of the best high-dividend stocks in each respective industry thanks to a screening process conducted by the managers running the high-yield ETF.

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That means you'll be less likely to suffer a dividend cut and can depend on a distribution that currently yields just shy of 10%. Take a look under the hood of the ZWC and you'll find it holds some of the bluest of blue-chip Canadian dividend stocks out there, making the ETF a perfect one-stop-shop investment to buy if you're looking to put money to work, but are not sure on where to put it.

Foolish takeaway

The ZWC is the epitome of cautious optimism. And I think that's the sentiment that Canadian investors should have after the economy was dealt a one-two punch to the gut.

Stay hungry. Stay Foolish.

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