Why This Could Be the Safest Investment to Make Right Now

Description

Even though markets have been rallying over the past few weeks, it doesn't mean the risk is gone for investors. With the coronavirus pandemic still nowhere near over, there may be more of a decline to come in the markets later this year. That makes deciding which stock(s) to invest in all that more difficult because choosing the wrong one could lead to significant losses for investors.

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Diversifying is important

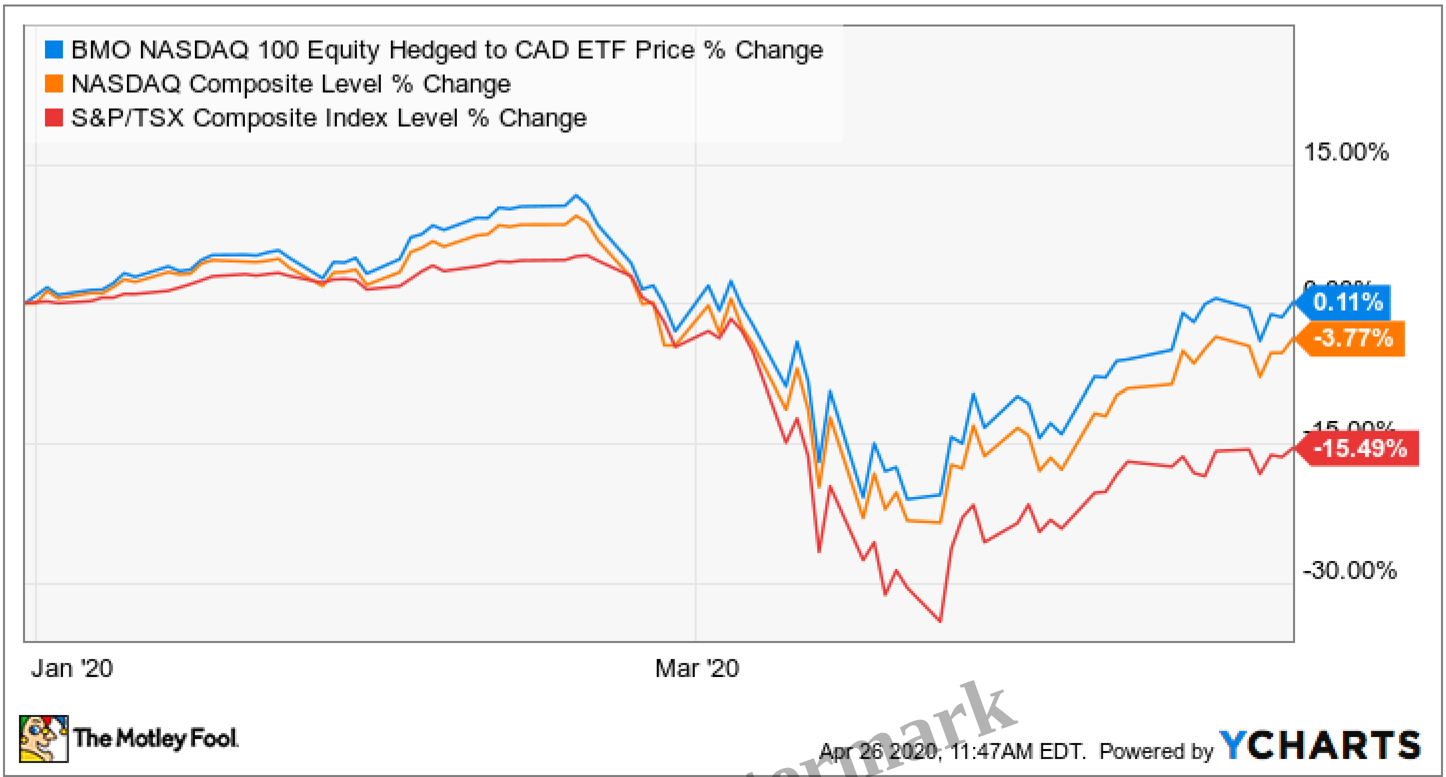
One of the ways that investors can lower their risk is by holding many different stocks in their portfolio to ensure that one or two don't impact their portfolios too heavily. However, holding every industry in your portfolio may not be the best approach, either.

Oil and gas, for instance, remains incredibly risky given a low price of oil. Retail and restaurants are also high-risk investments, as the longer the pandemic goes on, more of those businesses will run into trouble.

But there's one sector that could do well, and that's tech. From people using **Facebook** and **Snap** more now that they're at home and **Zoom** allowing companies to stay connected remotely, tech stocks are still in demand.

One way to diversify within the industry is to buy an exchange-traded fund (ETF). The **BMO NASDAQ 100 Equity Hedged to CAD Index ETF** (TSX:ZQQ) holds the top stocks on the NASDAQ and is a great way to benefit from the performance of top tech stocks.

The ETF has done better than the NASDAQ and the TSX this year. Here's how its returns looked like as of the end of last week:



ZQQ data by YCharts

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Normally, the ETF's followed the NASDAQ pretty closely, but there's a bit more of a delta in the past few weeks. With only the top stocks in the ETF, however, investors get an arguably better mix of stocks while also benefiting from diversification.

Microsoft and **Apple** are the ETF's two largest holdings, with each stock making up around 12% of the fund's total holdings. And when it comes to tech stocks, they're two of the safest names in the industry to invest in.

Bottom line

The recent volatility in the markets should serve as a reminder to investors why it's crucial to not be overly exposed to one stock or even a high-risk industry. The NASDAQ is generally a place where investors can earn some great returns over the years, and the NASDAQ 100 ETF is a great way to potentially elevate those returns even further.

Over the past five years, you'd be much better off investing in the ETF than in either the TSX or the NASDAQ itself:

ZQQ data by YCharts

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Investors may still suffer losses this year even if they buy the ETF, but over the long term, this is a fairly safe place to invest in right now. The stocks in the ETF aren't dependent on a commodity price, nor do they necessarily depend on people visiting stores.

Investing in digital-based businesses can get around some of the dangerous risks to which a pandemic can expose many other stocks. If you're not sure where to invest right now, the BMO NASDAQ 100 ETF could be one of your better options.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ZQQ (Bmo Nasdaq 100 Equity Hedged To Cad Index ETF)

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Date
2025/10/02
Date Created
2020/05/01
Author
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