



## Forget Bitcoin: Here's How to Build Wealth Without Excessive Volatility

### Description

Bitcoin, or Millennial Gold, as some like to call it, isn't doing a very good job of acting like a gold alternative. Gold is a lowly correlated alternative asset that tends to hold its own when the [markets head south](#). In the latest rounds of market volatility, Bitcoin has failed to demonstrate that it can be a suitable gold replacement, as it not only was unable to hold its value amidst market turmoil, but it's also amplified the magnitude of downside relative to certain stock market indices.

Bitcoin traded like a stock amid the February-March sell-off, and it's doing so again in this September stock market pullback. Until Bitcoin can prove it a lower correlation to the stock market in corrections or crashes, the concept of replacing gold with Bitcoin, I believe, will continue to be a dangerous one that could leave many young investors in hot water.

With the markets and Bitcoin on retreat again, I'd like to point investors to low-beta defensive stocks that make for a better hedge against excessive volatility.

## Hydro One: A better way to play defence than Bitcoin

**Hydro One** ([TSX:H](#)) is an electricity transmission and distribution utility that has a virtual monopoly in its home province of Ontario. Given Hydro One's monopolistic position, its operating cash flows are guarded by sky-high barriers to entry.

Being a monopoly-like play can come with its own share of disadvantages, though, especially when it comes to growth. Regulatory barriers can stand in the way of growth initiatives, and with no real growth outlet, a name like Hydro One is destined to be a stalwart with little in the way of growth. Despite the meagre growth expectations, Hydro One is a concrete way to play defence with a portfolio that's already heavily exposed to "risky" securities.

Hydro One sports a mere 0.22 beta, meaning shares are more likely to zig when the markets zag. With a bountiful 3.7%-yielding dividend, Hydro One is a far better way to defend one's wealth in the face of economic crises relative to the likes of Bitcoin or any other cryptocurrency that will likely mirror the stock market on the way down.

## BMO Low Volatility Canadian Equity ETF: ZLB to the rescue

If you seek a [one-stop-shop](#) type of low-volatility investment, the **BMO Low Volatility Canadian Equity ETF (TSX:ZLB)** may be more your cup of tea. The ETF consists of a basket of high-quality low-beta securities, many of which sport bountiful dividends that act to smoothen the market rollercoaster ride further.

As I mentioned in a prior piece, the ZLB, like Bitcoin, didn't do a good job of holding its own during the coronavirus sell-off, as there was a cash crunch that left few, if any, places to hide from the horrific volatility. Amid the latest September sell-off, the ZLB held its own rather well and is within just 2% of its six-month high.

For the low degree of correlation, you'll have to pay up a 0.39% MER, which may or may not be worthwhile depending on the amount of capital you're looking to put to work.

If you're a smaller investor who has steep commissions, the ZLB is well worth the price of admission if you need to calm your stomach in this ridiculously choppy stock market.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:H (Hydro One Limited)
2. TSX:ZLB (Bmo Low Volatility Canadian Equity ETF)

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1. Investing

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