2 Battered Canadian ETFs I’d Buy Right Now With an Extra $1,000

Description

The stage is set for a volatile second half of 2021, as the tug of war between insidious coronavirus variants and higher rates continues into year-end.

If you’ve got an extra $1,000 to put to work in opportunities, it may be tempting to wait for the next market correction. On average, a 10-16% correction strikes once a year. And there’s no question that we’re overdue for one right now. That said, one must not ignore the isolated corrections across individual sectors that have gone on behind the scenes.

Canadian ETFs under pressure

Some sectors have taken a beating of late, and I’d argue that they’re worth buying if you’re looking for fresh discounts. In this piece, we’ll look at two Canadian ETFs that are fresh off brutal plunges. One is a falling knife that may be worth catching if you’ve got the right pain tolerance and time horizon.

Without further ado, consider **BMO China Equity ETF** (TSX:ZCH) and **iShares S&P/TSX Global Gold Index ETF** (TSX:XGD). The two falling knives are currently sitting down a horrific 45% and 26%, respectively, off their all-time highs.

Undoubtedly, both Canadian ETFs are not for the faint of heart, especially the former play, which crashed 15% in just two trading sessions. Still, for those looking for the greatest bang for their next $1,000 investment, I believe both options possess favourable risk/reward tradeoff for the young and the venturesome at current levels.

BMO China Equity ETF

Let’s not mince words. It’s been an agonizing drop for shareholders in Chinese-tech-focused ETFs or U.S.-traded ADRs. The threat of delistment, China’s latest business crackdown, and broader uncertainty over accounting practices has many international investors hitting the sell button as they look to ask questions later.

China ETFs have been under considerable pressure for many months now. But the negative momentum accelerated in a big way last week, as the top U.S.-listed Chinese stock behemoths plummeted by double-digit percentage points.

Alibaba, a Chinese staple for many international portfolios and a top constituent in the ZCH comprising around 20% of the basket, is down big, with the stock plunging just shy of 8% on Monday’s brutal session that was led lower by China’s private education stocks.

Yes, the political risks are real. And it’s tough to value Chinese companies with the wide number of political unknowns these days. If you won’t lose sleep over a 15% drop in just two days, though, I think there’s a lot to gain by going against the grain with an ETF that’s nearly been cut in half since mid-February.

Kay Ng, my Foolish colleague here at the Motley Fool, sees opportunity in Chinese ETFs after the latest pullback. As always, I think she’s right on the money.

Global Gold Index ETF

Speaking of pain, **iShares S&P/TSX Global Gold ETF** (TSX:XGD) has been most unkind to investors thus far in 2021. With the threat of inflation and an ongoing pandemic, you’d think gold and the top gold miner ETFs like the XGD would be in rally mode.

That’s just not the case, with the XGD now in bear market territory. The gold miners, I believe, are overextended to the downside and are due for an upside correction going into year-end. Undoubtedly, gold prices are going to need to show some life before the miners can make up for lost time.

At these valuations, I think gold and XGD are a magnificent value for investors looking for alternative assets to do well in what could be a runaway-inflation type of environment. While the Fed is dovish now, it would be unwise to assume the hawk won’t come out sooner or later, especially with the economic recovery underway.

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