Stop Waiting for a Correction! This TSX China Equity ETF Is Already Down 48%

Description

Waiting around for the next market correction or crash may seem like a smart idea. You can't lose money in a vicious pullback if you're in cash, after all! With the recent spike in inflation, the opportunity costs of holding cash haven't been this high in quite a while.

Undoubtedly, it's always a good idea to have some dry powder on the sidelines to take full advantage of the corrections that do come your way. But as many learned during last year's February-March 2020 market meltdown, it can be tough to put all of one's cash to work when most others hit the panic button.

Market crashes, corrections, and all the sort can strike quickly, leaving investors limited time to put money to work. Indeed, having too much cash can be a problem in its own. And it's tough to put it to work at the market bottom, as it's likely to pass you by without giving you a chance to pick up all of the names on your watchlist.

Waiting for corrections *is* timing the market!

Today, many pundits would probably tell you that we're long overdue for a 10% pullback. While that may be the case, holding cash until the next 10% drawdown is timing the market. And while you may not lose money by hoarding cash, you will lose purchasing power over time, especially in the unlikely, albeit horrific scenario where we experience runaway inflation.

Inflation is a scary beast. And many of today's investors have no idea what it's like to have problematic levels of inflation. Unless you invested through the 1970s, it's wise not to discount the insidious effects that inflation can have on your wealth over the long term. The best place to hide from inflation? Common stocks. While inflation isn't ideal for stocks, especially the growthier ones, common stocks of businesses with pricing power are among the best places to mitigate inflation risks.

So, if I've convinced you to stop timing the next correction before putting excess capital to work, you may want to consider these ideas, which have already more than corrected.

BMO China Equity ETF: Chinese equities under serious pressure

Okay, the **BMO China Equity ETF** (TSX:ZCH) isn't a stock; it's an ETF. But it deserves to be on this list after the horrific past week of selling suffered by the broader basket of U.S.-listed Chinese ADRs (American Depository Receipts). China is cracking down on its businesses. It wants corporations, especially those in the tech sector, to know who's boss.

Undoubtedly, Beijing could bring forth even more pressure, targeting various tech companies with anti-trust penalties and all the sort. It's a truly unpredictable situation for foreign shareholders. Add the risk of having Chinese ADRs delisted from U.S. exchanges into the equation, and it's clear that investing in China will not be everybody's cup of tea.

That said, if you're a young investor who can put up with an immense amount of pain, it's worth looking to the TSX-traded China ETFs, especially the low-cost ZCH after last week's 20% implosion. The ZCH is down 48% from its high. While I have no idea what Chinese President Xi Jinping's next move will be, I do think the young and venturesome who are just waiting for a big drawdown should have a look at China's battered tech stocks.

The ZCH is comprised of U.S.-listed ADRs, many of which are in the technology sector. Undoubtedly, the ETF has taken the brunt of the damage. So, if you seek a correction or a crash, the ZCH is worth a second look. Do be warned, though, as political risks are high and impossible to predict.

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