Waiting for a Market Pullback? Buy This Beaten-Down ETF Instead

Description

Far too many beginner investors are just waiting around for the next market pullback to put their money to work. Yes, it seems so simple on paper to do such. Many beginners fear downside risks in the markets, and by waiting for market bottom, one could, in theory, avoid the downside and enjoy the upside. It's easier said than done, though. No bell rings before a market crash strikes, and there's also none that signals that the bottom is in.

Even the pros can't catch bottoms in a falling market. What makes billionaire legends so successful is that they stop paying too much merit to macroeconomic forecasts, technical patterns, and near-term noise. They're more focused on analyzing individual companies and buying their shares whenever their market price falls considerably below that of their estimate of its true worth (or its intrinsic value).

Waiting for market crashes is a bad idea

Undoubtedly, Mr. Market makes pricing errors that have to be corrected, whether to the downside or the upside. While most beginner investors look for the broader markets to fall by 10%, 20%, or even 50%, one could sit on the sidelines for years, missing out on considerable gains that would have helped accelerate one's retirement nest egg.

Indeed, there are opportunity costs involved with waiting, especially in today's robust market. So, instead of waiting for Mr. Market to broadly mark down stocks by some arbitrary percentage amount, it may make more sense to hedge your bets by getting in the bargains you see today, while also having cash on hand to do some buying when stocks finally roll over collectively.

Waiting for a market crash sounds easy, but it's a nearly impossible feat that's likelier to lead one to miss out on handsome gains while surrendering one's time advantage.

Value investors looking to obtain very steep margins of safety should consider freshly crashed opportunities that exist today. Indeed, this market has seen corrections roll through various sectors. More of the same could happen in the second half, and as corrections roll through, there's no telling what the broader **TSX Index** will do. It could very well continue higher, as specific sectors take a beating.

Chinese stocks have already crashed

Right now, **BMO China Equity ETF** (TSX:ZCH) strikes me as an incredible value that's hiding in plain sight. The TSX-traded ETF is based on the S&P/BNY Mellon China Select ADR, which follows U.S.-listed ADRs of popular Chinese stocks. I find the ZCH to be one of the best Canadian ways to bet on the broader basket of Chinese ADRs, given the heavy exposure to China's cutting-edge tech and the very modest and fair MER below 1%.

Many well-known Chinese tech stocks are in the ETF. And the broader basket has been under immense pain over the past several months. Over the past week alone, the pain has grown excruciating, as investors sold their Chinese ADRs amid Beijing's corporate crackdown.

Investors are hitting the panic button right now. And while there's no telling how much lower Chinese stocks could fall, I think that placing a contrarian position could pay off over the next three years.

Who knows? We may be looking back at this selloff as a glorious buying opportunity. For now, it seems like the ZCH and other Chinese stocks are a black hole for your wealth. But if you were looking to gain some international growth exposure and you understand the full extent of the risks involved with Chinese stocks and China's government, the ZCH may prove to be a bargain in an otherwise frothy market.

My takeaway? I'd start doing some buying. The momentum in Chinese equities could reverse suddenly, but to enjoy the most gains, you'll need to get in when there's fear in the hearts of investors.

CATEGORY

1. Investing
2. Stocks for Beginners
3. Tech Stocks

TICKERS GLOBAL

1. TSX:ZCH (BMO China Equity Index ETF)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. joefrenette
2. metienne

Category

1. Investing
2. Stocks for Beginners
3. Tech Stocks

Date
2025/07/21
Date Created
2021/07/31
Author
joefrenette