



## The 3 Best ETFs to Buy Ahead of 2022

### Description

The Canadian economy grew by 0.8% in the month of October. That represented the fifth straight monthly gain. This opens the door for the Bank of Canada to [pursue interest rate hikes](#) in 2022. Investors should be prepared for this coming reality. Today, I want to look at three of the best [exchange-traded funds \(ETFs\)](#) to snatch up before the new year. Let's jump in.

### Why this bank-focused ETF is a great bet in 2022

Canada's top banks are in a unique position to benefit from rising interest rates. The largest financial institutions have gorged on cheap credit, but this has also eaten into profit margins. Increased benchmark rates will provide some wiggle room for banks to increase profits on loans. Meanwhile, savers will also benefit.

**BMO Equal Weight Banks ETF** ([TSX:ZEB](#)) is a solid target in this climate. This ETF seeks to replicate the performance of the Solactive Equal Weight Canada Banks Index. Shares of the fund have climbed 35% in 2021. That comes as no surprise considering the banner year Canada's top banks have put together.

This ETF has a friendly MER of 0.28%. The Big Six Canadian banks make up the top holdings in this fund. **TD Bank** has the largest weighting at 18%, and **National Bank** possesses the smallest weighting at 15%.

### Here is another fund I'd target with interest rates set to rise

**iShares S&P/TSX Capped Financials ETF** ([TSX:XFN](#)) is another financials-focused ETF that is [worth scooping up](#) in anticipation of higher interest rates. This fund seeks long-term capital growth by replicating the performance of the S&P/TSX Capped Financials Index. That index was up marginally as of close on December 24.

This ETF has increased 32% in the year-to-date period. It has a MER that is a little higher at 0.61%.

Some of the top holdings in this fund include **Royal Bank of Canada**, **Manulife Financial**, and **Intact Financial**. Its exposure to big banks and other top financial services firms should give it a boost, as interest rates are almost sure to rise in 2022.

## This bond ETF is worth a look before the new year

Canadian investors may also want to look at the bond market as interest rates are set to rise. **BMO Aggregate Bond ETF** ([TSX:ZAG](#)) aims to replicate an index that is designed to be a broad-measure of the Canadian investment-grade fixed-income market. It consists of Government of Canada, provincial, and corporate Bonds. Shares of this bond-focused ETF have dropped 5.8% in 2021 as of close on December 24.

Investors on the hunt for consistent income should consider this ETF as we approach the end of 2021. Moreover, it offers exposure to a diversified portfolio of federal, provincial, and corporate bonds. Like the Canadian banks ETF, it is professionally managed by BMO Global Asset Management.

This ETF boasts a very attractive MER of 0.09%. Canadian investors should look to scoop up this fund before the new year.

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