



## 2 Top ETFs to Buy This Month

### Description

The Canadian stock market had a fantastic run throughout most of 2021. The last few weeks of the year came along with considerable volatility, as regulators hinted at the chance for interest rate hikes this year. The advent of the Omicron variant also contributed to trouble on the stock market.

At writing, the **S&P/TSX Composite Index** is up by almost 17% year over year, but it is down by 3.20% from its latest all-time high on November 12, 2021. The rate hikes will still likely become a reality that investors will have to contend with. Fortunately, rate hikes kicking in this year might not be entirely bad news for Canadian investors who know where to look. The [financial sector](#) boasts securities that could put up a stellar performance this year.

Today, I will discuss two of the best [exchange-traded funds \(ETFs\)](#) that you should consider adding to your investment portfolio this month, as the new year takes things up a notch.

### A solid, bank-focused ETF

The Canadian banking sector is in a prime position to benefit from rising interest rates. The country's largest financial institutions have managed to capitalize considerably on the historically low interest rates in recent years. All the cheap credit also came at the cost of lower profit margins for the banks. However, a hike in benchmark rates could give banks the room they need to enjoy more profit margins on the loans.

**BMO Equal Weight Banks ETF** ([TSX:ZEB](#)) could be the perfect way to capitalize on the improved profit margins for banks. This fund seeks to provide you with investment returns by tracking the performance of the Solactive Equal Weight Canada Banks Index.

At writing, the fund's shares have climbed by over 35% year over year. It is a low-cost ETF that boasts a management expense ratio (MER) of just 0.28%, and Canada's Big Six banks are the top holdings in the fund. If you want to gain exposure to the top Canadian financial institutions in the form of a single investment, ZEB ETF could be the perfect fit.

## Another financials ETF to consider

iShares S&P/TSX Capped Financials ETF ([TSX:XFN](#)) is another ETF you could consider adding to your portfolio if you want to gain exposure to a basket of securities that stands to profit from rising interest rates. The fund seeks to provide you with long-term capital growth by tracking the performance of the S&P/TSX Capped Financials Index.

At writing, the fund's shares are up by 31.71% year over year. The fund comes at a relatively higher cost to ZEB ETF. XFN ETF boasts an MER of 0.61%. However, the fund exposes you to a broader range of publicly traded Canadian companies in the financial sector, including **Royal Bank of Canada** and insurance firms like **Manulife Financial**.

XFN ETF's exposure to the Big Six banks and major financial services firms positions it well for an excellent performance this year.

## Foolish takeaway

ETFs offer you the opportunity to diversify your investment capital across a wide range of securities that are carefully crafted into baskets by fund managers to align with specific goals. The financial sector will likely see a considerable boost in the coming months due to rate hikes and other factors.

If you're unsure about making individual picks for your portfolio, it could be the right time to set your eyes on financial sector ETFs. BMO Equal Weight Banks ETF and iShares S&P/TSX Capped Financials ETF could be excellent additions to your portfolio for this purpose.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:XFN (iShares S&P/TSX Capped Financials Index ETF)
2. TSX:ZEB (BMO Equal Weight Banks Index ETF)

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