1 of the Best Canadian ETFs to Buy Through a Choppy January

Description

Arguably, young investors may wish to fight inflation with a sizeable equity position, rather than seeking to avoid market volatility and settle for a 4-6% inflation that's akin to a "saver's tax." Indeed, cash and GICs (Guaranteed Investment Certificates) are guaranteed not to go down in dollar amounts.

At the same time, they're also guaranteed to make you lose ground to inflation. While "surrendering" to inflation with guaranteed investments may make sense with a portion of your wealth, investors must proactively take steps to overcome inflation if they're to continue moving forward en route to a comfortable retirement.

Navigating through choppy waters in January 2022

As a younger investor, I'd argue the risk of being caught offside with too much cash in the face of inflation is higher than being caught on the receiving end of a market selloff. Of course, there are ways to get the best of both worlds.

A middle ground does exist where investors can face a bit less volatility than where the selling is concentrated (the tech sector these days) while being able to help investors achieve a return that can outpace inflation. In an age where markets are choppy, with low prospective returns and elevated inflation, it's so much harder to obtain real returns (that's returns after inflation). Indeed, you can chase the falling knives on the way down if you're a venturesome youngster with disposable income, but for everyone else, there are ways to make money that don't require you to lose sleep!

Whether or not this market correction extends into February is anyone's guess. Odds are, it will. As such, it's vital to remain diversified and spread your bets, so you're not facing the brunt should this correction continue or intensify to become a bear market.

The ZDV: High dividend, low volatility, decent growth, and a fair fee

Enter **BMO Canadian Dividend ETF** (TSX:ZDV), a diversified basket of high-yield Canadian dividend stocks. The yield currently sits shy of 4%, with a modest MER of 0.39%. The ETF has been a mainstay for investors seeking dividends and long-term appreciation. The ETF is marketed as having a benefit of lower volatility than the market. With a big chunk of Canadian banks, telecoms, and other plays, the ZDV is arguably one of the best ways to bet on the Canadian stock market. And a certainly more diversified investment than your run-of-the-mill TSX Index fund, which is overweight financials and energy.

Though the ZDV is likely to be less volatile than the choppiest parts of the market, there's no guarantee the fund will hold its own in the event of a cash-crunching market crash. Indeed, any such amplified pain will be undeserved, so investors must ensure a long-term time horizon before placing a bet in the ETF, or any investment, for that matter!

Remember, volatility doesn't have to be painful. If you've got a 10-year horizon, it may bring forth opportunities.

Bottom line

It's a volatile start to the year. Who knows how much further this market has to fall? In any case, investors need not fear this "healthy" correction. It's easy to forget that 10% drawdowns happen as a part of a healthy bull run. As shares of your favourite stocks and ETFs sag, be ready to buy as you look to fight volatility and inflation at the same time.

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