1 ETF to Bank On With a TFSA in 2022

Description

Kicking off 2022 with a considerable amount of volatility was the last thing new investors wanted, but with a slew of unfairly sold-off Canadian ETFs and stocks to pick up with your latest TFSA (Tax-Free Savings Account) contribution, is the plunge really so terrible?

Of course, it depends if you have dry powder on the sidelines. There's no question that pundits were on edge going into the new year. Rate hikes are on the table, and they're unavoidable, as too are the high levels of inflation that continue to weigh on every dollar of purchasing power.

With inflation eating away at our cash, and the recent correction in the Nasdaq 100, with the TSX and S&P 500 not so far behind, it certainly seems as though investors have been dealt a terrible hand. Either one has to deal with the rocky road of the equity markets and run the risk of substantial pain over the near to medium term, or one has to just sit there and watch their savings become less impactful, as 4-6% inflation eats away. Which is more painful? Of course, it depends on the investor, and on one's ability and willingness to take risk in the equity markets.

TSX ETFs for your TFSA in 2022?

In this piece, we'll have a closer look at two Canadian ETFs that look perfect for a 2022 TFSA contribution. Indeed, there's money to be made in the new year, even though it seems like there's only money to lose! As the choppy waters pick up, investors can dodge and weave through the sore spots of this market and come out on the other side of this year with a fairly reasonable return.

For investors with cash on hand and a time horizon beyond five years, this correction should be viewed as more of a sale than a cause for panic. Higher rates don't have to be as painful if you're diversified. If you chased high-multiple tech and have a portfolio that's down over 20% or 30%, then higher rates could hinder your returns. And although it's painful to sell at such a loss, investors should at least seek to bring their portfolios back into balance.

BMO Equal Weight Banks Index ETF

Currently, **BMO Equal Weight Banks Index ETF** (TSX:ZEB) seems like an intriguing way to play what could be as many as five rate hikes in 2022. Indeed, higher rates can allow the big banks, especially deposit-heavy retail banks, to improve their margin prospects.

The Canadian banks have been on quite a run of late. There's no question about that. But given the trajectory of rates, it's arguable that the banks could fly much higher, as enhanced profits pressure multiples, allowing a runway for share prices to move higher without necessarily getting more "expensive" based on traditional valuation metrics.

I'm a huge fan of the Canadian bank basket, and the ZEB is a quick and easy way to top-up your TFSA banking exposure. Though, I'm also a fan of picking and choosing your own favourite banks within the Big Six! In any case, the macro environment looks be a tide that will lift all players. As such, owning each one of the six is a compelling move, especially if you're a passive investor who doesn't want to put in the extra homework to analyze each of the six banking behemoths.

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