



Forget Crypto: Buy These Canadian ETFs instead

Description

I was going to write about popular crypto stocks and [ETFs](#). But on reviewing their recent returns, they have pretty much proven to be super speculative and risky investments. They can bring great thrill and excitement for market timers but, seemingly, a stroke of bad luck can make investors lose their shirts swiftly.

Here's the price history of some of the most popular crypto ETFs on the **TSX**, including **CI Galaxy Ethereum ETF** ([TSX:ETHX.B](#)) and **Purpose Bitcoin ETF** ([TSX:BTCC.B](#)). For example, ETHX.B's total net asset value is about \$810 million. Both ETFs are down more than 40% over the last three months.



ETHX.B and BTCC.B data by YCharts

What moves these ETFs are the prices of the underlying cryptocurrencies. As an example, *Investopedia* [explains](#) “**Bitcoin’s** price is primarily affected by its supply, the market’s demand for it, availability, and competing cryptocurrencies.” The Bitcoin currency officially launched on January 3, 2009. As of this month, *Investopedia* [stated](#), “there are more than 8,000 cryptocurrencies in existence, [including] 10 important cryptocurrencies other than Bitcoin.”

If you enjoy a wild ride and don’t mind the highly risky, speculative, and volatile nature of cryptocurrencies, you might consider taking a position in crypto stocks or ETFs while being cognizant of your portfolio allocation in similar investments. Perhaps you’d determine crypto to be 5% or none of your investment portfolio. It’s your call with your hard-earned money.

A market correction in tech ETFs

Another area of the market that has experienced major downward momentum recently is high-growth tech stocks. The market correction in [tech ETFs](#) hasn’t been as severe as the crypto crash in the last three months, but they have sold off, nonetheless. Canadian investors will probably be most interested in **iShares S&P/TSX Capped Information Technology Index ETF (TSX:XIT)**, which has promising tech stocks like **Constellation Software**, **Shopify**, and **CGI** as its top three holdings and that make up roughly 62% of the fund.

The XIT ETF has declined about 25% in the last three months, as high valuations in tech stocks are reverting to their respective long-term normal multiples. The multiple compression is triggered by rising interest rates and tightening of liquidity. The selloff may not be over yet. So, consider averaging in steadily over time.

A balanced, low-cost ETF portfolio

If you’re fearful about crypto and tech investments, don’t give up just yet. You can seek steady decent long-term returns that won’t give you a heart attack by exploring your ideal balance between bonds and equities for your personalized portfolio.

I discussed the Canadian Couch Potato’s model ETF portfolio [here](#) using **iShares Core Canadian Universe Bond Index ETF** as the bonds component and **iShares Core Equity ETF Portfolio** as the equities component. The model suggests that the greater percentage of the bond ETF you hold, the less volatile your investment portfolio will be. The tradeoff is forgoing a percentage or two of returns. Sure, the difference in returns does make an impact on your investment portfolio in the long run, but you’ll also experience lower risk and can sleep better at night.

In summary, do not bet the farm on crypto investments because they appear to be cheap. Aim to design your portfolio for satisfying long-term returns while managing risk. Oftentimes, it means diversifying your capital.

CATEGORY

1. Cryptocurrency

2. Investing

TICKERS GLOBAL

1. TSX:BTCC.B (Purpose Bitcoin ETF)
2. TSX:ETHX.B (CI Galaxy Ethereum ETF)
3. TSX:XIT (iShares S&P/TSX Capped Information Technology Index ETF)

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Date

2025/07/22

Date Created

2022/01/28

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