1 Stellar ETF I'd Buy for a Frantic February 2022

Description

It's shaping up to be a frantic February 2022, with American markets falling into correction with no sort of relief in sight. Indeed, tech stocks have and probably will continue to feel considerable amount of pressure. Mr. Market has been unforgiving to beginners, and if you're hesitant to put money to work after such a brutal start, I'd argue that ETFs may be a less painful way to buy something.

It's hard to scavenge for bargains as a beginner when you're in a state of mind that just wants you to wait for things to settle down! Waiting for a bottom could come at a price — the cost of missing out on upside. Indeed, bargains that are here today could vanish tomorrow or next week. That's why you should nibble away at opportunities, because many names are 10-25% cheaper than they were earlier last year.

February could hold more volatility: Are you ready for another round in the ring with Mr. Market?

If you're a young and pain-tolerant investor who can take on big risks, throwing cash at the fastest-falling tech stocks may make sense. For everyone else, it's better to stick with what you know. To take Warren Buffett's old-time advice of "staying within a circle of competence" one step further, I'd argue that investors should buy what they know how to value. Indeed, if all you're given is an IPO with one year of history and nothing but a price-to-sales multiple to go by, you'll have a harder time pinpointing its intrinsic value.

Further, you need to really look into the future to determine the trajectory of revenue growth and when operating margins will improve in such a way such that the firm becomes profitable. What's the target operating margin? When will a firm be profitable? Are there risks to your thesis? Can unforeseen rivals threaten a growth rate or margins in the future? Finally, will higher interest rates severely impact a firm's worth?

Indeed, growth investing is hard, especially with rates poised to head higher. While four or five rate hikes in 2022 seems a tad overstretched, it really is hard to tell where rates will be in three years down the road. Fortunately, you don't need to be a forward-thinking growth investor or Fed forecaster to make money in this challenging market heading into February.

Fighting volatility with low beta

What you do need is discipline and patience to move through these turbulent waters. Currently, **BMO Low Volatility Canadian Equity ETF** (TSX:ZLB) strikes me as an intriguing option for beginners looking to invest wisely.

The ZLB is a great way to lower your portfolio's overall beta. The ETF invests in well-run companies that tend to trade under their own footing, rather than follow the S&P 500 or TSX. In turbulent times, low betas can help one keep their cool. With wonderful businesses under the hood and a solid dividend to help further absorb the impact of market volatility in February, I'd have a close look at the ETF, especially you're willing to acknowledge that more pain could be ahead!

Just don't expect zero volatility from the ZLB or any low-beta ETF. A low correlation to broader markets doesn't mean you'll be spared under all circumstances. Cash crunches and pain concentrated in specific sectors could weigh on the ZLB. Further, the ZLB could rally to a lesser extent than the S&P 500 once it comes time to rebound from this market correction. I'd strongly encourage investors to know what they're investing in by looking at the firm's holdings. Under the hood are some great businesses, and many are at wonderful prices right now.

Are you looking for a one-stop-shop ETF to own? The ZLB could be the one.

CATEGORY

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