Market Got You Scared? Check Out These 4 Ultra-Safe ETFs

Description

The market is pretty volatile these days. Tech stocks have been selling off like they're going out of business, taking the broader stock market down with them. For the year, the NASDAQ is down a full 15%, and futures are pointing to more selling on Monday. It's a tough time, to be sure. But there's a silver lining to all of this. Because the market volatility these days is so heavily concentrated in tech stocks, there are other sectors you can invest in that are much safer. In this article, I will explore four ultra-safe ETFs that can help you sleep well in this volatile market.

Canadian banks

BMO Equal-Weight TSX Banks ETF (TSX:ZEB) is a Canadian banking fund that holds Canada's big bank stocks. The fund is equally weighted, which means that no one stock makes up too large a percentage of its holdings. Bank stocks are pretty well positioned in 2022. Interest rates are set to rise, and that sometimes improves bank profit margins. Additionally, banks are still cheap, even after handsomely outperforming the market in 2021. So, there is some reason to think they'll continue outperforming in 2022. ZEB is one fund you can buy to get exposure to this sector.

TSX 60

iShares S&P/TSX 60 Index Fund (TSX:XIU) is Canada's most popular index fund. It holds the 60 largest publicly traded Canadian companies. Canadian markets are heavily concentrated in banks, utilities and energy stocks — three sectors that are doing better than tech this year. Over the last 12 months, XIU has outperformed the S&P 500. It may continue to do so in the year ahead. While tech stocks are getting cheap enough now that the overperformance of value stocks could cool off, the macro environment still benefits value. So, some exposure to XIU in your portfolio is justifiable.

The S&P 500

Vanguard S&P 500 Index Fund (TSX:VFV)(NYSE:VOO) is one of the most popular index funds in the world. It holds a diversified portfolio of the 500 biggest publicly traded U.S. stocks. The U.S. has a lot more tech exposure than Canada does, which is why the S&P 500 is lagging the TSX this year. Nevertheless, the S&P 500 is one of the best-performing stock indexes in the world. The U.S. is the epicentre of many industries, and its stock market has outperformed global stocks for decades. So, the Vanguard S&P 500 index fund is very much worth buying. There's even a Canadian-listed version of the fund you can buy (VFV), though it has a higher management expense ratio than the U.S. version.

Global stocks minus Canada

Last but not least, we have **iShares Core MSCi All-World ex-Canada ETF** (TSX:XAW). This is one of the most diversified ETFs you can find, holding most of the world's major stocks. If you want to lower your risk in stocks, this fund is about as good as it gets. In academic finance theory, the more diversified the portfolio, the better. You can't get much more diversified than holding all the stocks in the world. So, XAW is one fund you might want to consider if you're looking to reduce your risk as much as is possible within the realm of equities.

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2. TSX:VFV (Vanguard S&P 500 Index ETF)
3. TSX:XAW (iShares Core MSCI All Country World ex Canada Index ETF)
4. TSX:XIU (iShares S&P/TSX 60 Index ETF)
5. TSX:ZEB (BMO Equal Weight Banks Index ETF)

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Date
2025/08/14
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2022/02/21
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andrewbutton