2 Top Canadian ETFs to Beat Rising Inflation

Description

Inflation rates are rising to increasingly worrisome levels worldwide. Inflation rates in the U.S. have soared to 7.5%, and it would not be surprising to see Canadians witness similar figures soon. The Bank of Canada (BoC) has announced that it might need to raise benchmark interest rates to combat the impact of rising inflation. However, we're almost two full months into 2022, and we have not seen any such action take place.

Analysts anticipate an interest rate increase soon. It is even possible that the increases may be steeper than expected, considering the current inflationary environment. However, interest rate hikes will take their time in bringing inflation down to more reasonable levels. Raising interest rates could significantly impact the economy and affect investor returns in the stock market.

While we are unlikely to see recession-inducing interest rate hikes, investors should be prepared for any possibility. Investing in exchange-traded funds (ETFs) that are well-positioned to offer you a hedge against inflation might be a good approach.

Today, I will discuss two Canadian ETFs that could provide you with a degree of protection against the negative impact of rising inflation and interest rates.

BMO Equal Weight Banks Index ETF

Canadian banks have been on a tear for a while, and **BMO Equal Weight Banks Index ETF** (TSX:ZEB) is an ideal choice for investors who want to gain exposure to the performance of the country's top financial institutions. The fund is designed as a core holding that you could rely on as a long-term, buy-and-hold asset, offering you equal-weighted exposure to the Big Six Canadian banks.

The banking sector is likely to see a boost in its returns as a result of higher interest rates. A surge in the performance of the Big Six banks could translate to better returns from BMO ZEB ETF. It is a low-cost fund with a management expense ratio (MER) of 0.28%, and it boasts an annualized distribution yield of 3.40% at writing.

BMO Canadian High Dividend Covered Call ETF

BMO Canadian High Dividend Covered Call ETF (TSX:ZWC) is a fund you could consider to offset some of the losses you might incur due to rising inflation rates. It is designed to provide you with exposure to the performance of a diversified basket of equity securities that offer shareholder dividends. The fund uses earnings call option premiums to enhance its distribution yields to offer more substantial payouts.

BMO ZWC ETF is an investment that could be ideal for income-seeking investors – something that might be viable during inflationary environments. The fund is not likely to make you a wealthy investor, but it could be a good way to hold your ground during inflationary conditions. ZWC ETF is a higher-cost fund to own, with a 0.72% MER. However, its use of call options to enhance premiums means it comes with a juicy 6.11% annualized distribution yield.

Foolish takeaway

An ETF that could be considered a one-ticket asset for exposure to the performance of the country's Big Six financial institutions might be an excellent long-term holding for your self-directed portfolio. A covered call ETF might not be a viable long-term investment, but owning the fund during inflationary environments could make sense. BMO ZEB ETF and BMO ZWC ETF, respectively, could be ideal assets for you to consider for each purpose.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. TSX:ZEB (BMO Equal Weight Banks Index ETF)
2. TSX:ZWC (Bmo Canadian High Dividend Covered Call ETF)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. adamothman
2. jguest

Category

1. Bank Stocks
2. Investing

Date
2025/08/15
Date Created
2022/02/25
Author
adamothman