2 Safe ETFs to Do Well in a Difficult 2022

Description

There are so many terrific Canadian ETFs these days, but the number of options is growing, making the job of passive investors that much tougher. Indeed, you don't need to know about all of them or own a small slice of each one of them, even if they do show promise. At the end of the day, you can do very well over the long run by buying and holding the right ETF and topping up every now and then.

In this piece, we'll have a look at two safe ETFs that can help you thrive in a turbulent year. Undoubtedly, it's been a brutal quarter for investors and savers seeking to shield their wealth from the effects of high inflation. While inflation is high, it's not hyperinflation yet. But it certainly feels like it. Let's not kid ourselves. Everything is seeing price bumps, from clothing to food and other necessities. That's why it's vital to understand how inflation at current levels will impact your retirement plan. The last thing we want is for your long-term plan to be derailed because of the aftershock of a crisis that still plagues us to this day.

Crisis conditions call for a run to safety plays

With the crisis going on in the Ukraine, inflation may struggle to find a peak anytime soon. That's why it's essential to proactively invest in securities that can help you not fall behind or, worse, have to push back your retirement by a year or more. Indeed, frugality and being resilient to higher prices is a good way to go at this juncture. But such inflation avoidance could be hard to sustain, as inflation continues running hot.

The Bank of Canada (BoC) needs to get going, as one 25-bps hike is simply not enough to cool off what's grown to become problematic levels of inflation. In the States, inflation has gone out of control, and that's why the Fed is willing to take a more hawkish pivot. Such a pivot sent stocks tumbling on Monday. With U.S. markets in turmoil, the Fed has a tough job. In Canada, the BoC can hike rates without nearly as much consequence.

Indeed, the greatest risk, I believe, is complacency in the face of roaring inflation. Inflation won't just disappear overnight. And at this juncture, the BoC may be willing to put up with such horrific price increases from longer than expected.

ZLB + ZWC: A perfect combo to beat a choppy market and hot inflation

One-stop-shop investments like **BMO Low Volatility Canadian Equity ETF** (TSX:ZLB) or **BMO Canadian High Dividend Covered Call ETF** (TSX:ZWC) are all you'll need to do well this year, even as inflation persists.

The ZLB is a basket of low-beta Canadian stocks to combat volatility, while the ZWC is a unique specialty-income ETF that can help you outperform in a year that could see stocks drag. Indeed, the ZLB and ZWC provide a one-two punch to the gut of inflation and volatility. The latter ETF boasts a commanding 6% dividend yield, thanks to its covered call options-writing strategy. Essentially, the premium income from written options trades capital upside for guaranteed income added atop the dividends already paid by stocks within the ETF.

The ZLB isn't nearly as bountiful, with a 2.4% yield. The exposure to low-beta stocks can help you deal with any plunges on the horizon, though. Indeed, both ETFs are well equipped to do well in a year that could see muted returns.

CATEGORY

1. Investing

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1. TSX:ZLB (Bmo Low Volatility Canadian Equity ETF)
2. TSX:ZWC (Bmo Canadian High Dividend Covered Call ETF)

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Author
joefrenette