



My New List of Top ETFs for April 2022

Description

If you are not a picky eater and hate choosing, the best thing to order at a restaurant is a chef's special or a buffet. In a buffet, you can get a taste of most of the items on the menu. You have to choose the buffet or cuisine; vegan, seafood, Chinese, Indian, and Italian. Similarly, when stock picking gives you anxiety attacks, an ETF can be your stock buffet that serves all the stocks in an index the ETF is tracking. With ETFs, your choices are sector-specific, general index, commodity, REIT, Canadian, and international.

Investing in ETFs is like choosing a restaurant

Another option is to go by the top recommendations and reviews on food delivery apps. This way, you use the collective experience of consumers and their experience to choose the best restaurant. While this doesn't guarantee the best meal, it reduces the chance of a bad meal. This doesn't mean the ETF or restaurant is not good. Sometimes it is the timing. You might have visited when the head chef is on leave or when they are understaffed.

The entry and exit points are crucial in investing too. Buying the peak of a good ETF will give you poor returns. Don't just look at an ETF's past performance, but look at its future growth prospects.

My two ETF picks for April

Here are top two ETFs for April 2022:

- **BMO Equal Weight Banks Index ETF** ([TSX:ZEB](#))
- **Horizons S&P/TSX 60 Index ETF** (TSX:HXT.U)

These ETFs are only for April. They may or may not be my picks in May, depending on their April price momentum.

BMO Equal Weight Banks Index

Every country's economic growth is closely linked to its banking system as the government and central bank reach out to the masses through banks. For instance, the Bank of Canada [increased](#) its interest rate and could increase it further throughout the year. This increase will be passed on to citizens through higher savings and loan interest rates. Rising interest rates show promising signs for the banks. They can charge higher interest and use this amount to pay a higher dividend.

In Canada, the Big Six Banks own a lion's share in the banking market. The BMO Equal Weight Banks Index ETF has invested in all six banks. Its inception date of October 2009 is interesting as all bank stocks dipped to a record low after the global financial crisis. Its investment strategy of equally allocating funds across the six banks removes fund manager bias and gives you the overall exposure to the banking sector.

If an ETF has too many stocks, it dilutes the risk as well as the return. To elaborate, even triple-digit growth in a few stocks won't move the ETF returns needle significantly. Even the billionaire investor [Warren Buffett](#) has a few stocks (around 50) in his portfolio at one point in time. He says only buy stocks that you can monitor. To put it in my restaurant analogy, take only enough food you can eat. Too many dishes on one plate spoils the taste of other dishes.

A six-stock bank ETF with a 0.28% management expense ratio (MER) and a dividend yield of 3.6% is a good start. This ETF will keep you hydrated with [dividends](#) when liquidity dries up.

Horizons S&P/TSX 60 Index ETF

If six is too little diversification, the **Horizons TSX 60 Index ETF** invests in Canada's top 60 stocks by market cap. It doesn't invest an equal amount but the weighted average amount in the index. The TSX is skewed toward the bank, energy, and materials sectors, which means the ETF has more than 60% of its holdings in them. Moreover, it keeps restructuring the stock list quarterly to match the TSX 60 Index. So stocks that start losing value are gradually eliminated from the ETF.

With index funds, you can stay invested in the current trend and enjoy market returns.

CATEGORY

1. Bank Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. TSX:HXT (Horizons S&p/tsx 60 Index ETF)
2. TSX:ZEB (BMO Equal Weight Banks Index ETF)

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