BMO Breakdown: Is ZEB or ZWC Better in a Volatile Market?

Description

Bank of Montreal (TSX:BMO)(NYSE:BMO) has some of the best exchange-traded funds (ETF) on the market. From high yields to explicit sectors, you can invest in pretty much anything. But right now, Motley Fool investors want safety and security in this volatile market.

There are two BMO ETFs I like to cover for volatility, and that's **BMO Equal Weight Banks Index ETF** (TSX:ZEB) and **BMO Canadian High Dividend Covered Call ETF** (TSX:ZWC). As analysts fear a potential recession, which is the better buy?

The case for ZEB

ZEB ETF is a strong choice, because it invests directly in the Canadian Big Six banks. Canadian banks prove time and again that they know exactly what they're doing during a recession. Credit loan losses put them in a strong position to make a full recovery to pre-crash prices, which these banks have done for the last several economic downturns within a year, including March 2020.

The problem is, during an economic downturn, you might need cash on hand. Unfortunately, the Big Six banks will still fall during this time. Interest rates, inflation, loans hurt these companies in near term. So, if there's even a slight change you might need your cash, ZEB may not be the best bet.

That being said, this could be a strong buy to consider during a downturn to pick it up at depressed prices. While ZEB is down 3% year to date, it could fall even further. But since coming on the market in 2010, it's up a strong 118%. Furthermore, you can add a 3.33% dividend yield to your portfolio.

The case for ZWC

Now ZWC ETF won't give you the stellar growth that we've seen with ZEB. However, it does give you two things: stability and high dividends. And that's something Motley Fool investors certainly should consider during a volatile market. Dividends keep coming out from strong companies like this just like a paycheque. If you need cash on hand, this is a stellar choice to make.

That being said, long term, it doesn't look like you'll receive amazing returns from this stock. Sure, since the market crash, ZWC is up an incredible 55%. Great, right? Well, before falling to $12 per share, the stock traded at about $20 per share. And that's where it is now and where it's remained for quite some time.

So, while you may not get superb growth, you can look forward to stability and additions through dividends. Right now, ZWC ETF offers a significant dividend yield of 7.2%! That's $1.20 per share on an annual basis, given out monthly — even during a volatile market.

Which one wins?

As you can probably tell, the choice is entirely based on what you might need in a volatile market. If you don't want to lose money and bring in some dividends for protection, I would certainly give ZWC the edge. However, if you're looking for a steal and don't mind waiting for a recovery, ZEB is a great option, too. No matter what you choose, just be sure it aligns with your long-term goals, as we always recommend here at Motley Fool.

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