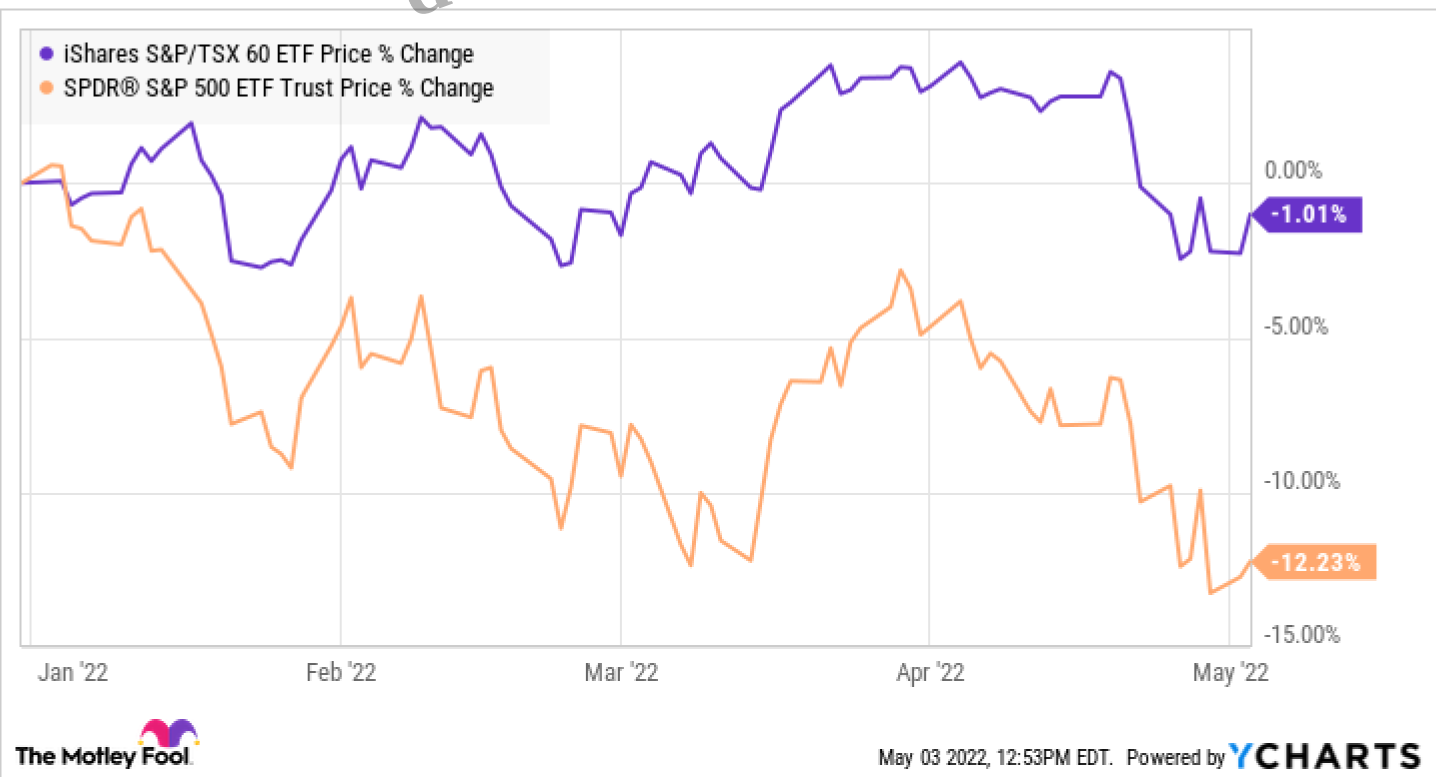
Market Downturn: 2 Top ETFs to Buy

Description

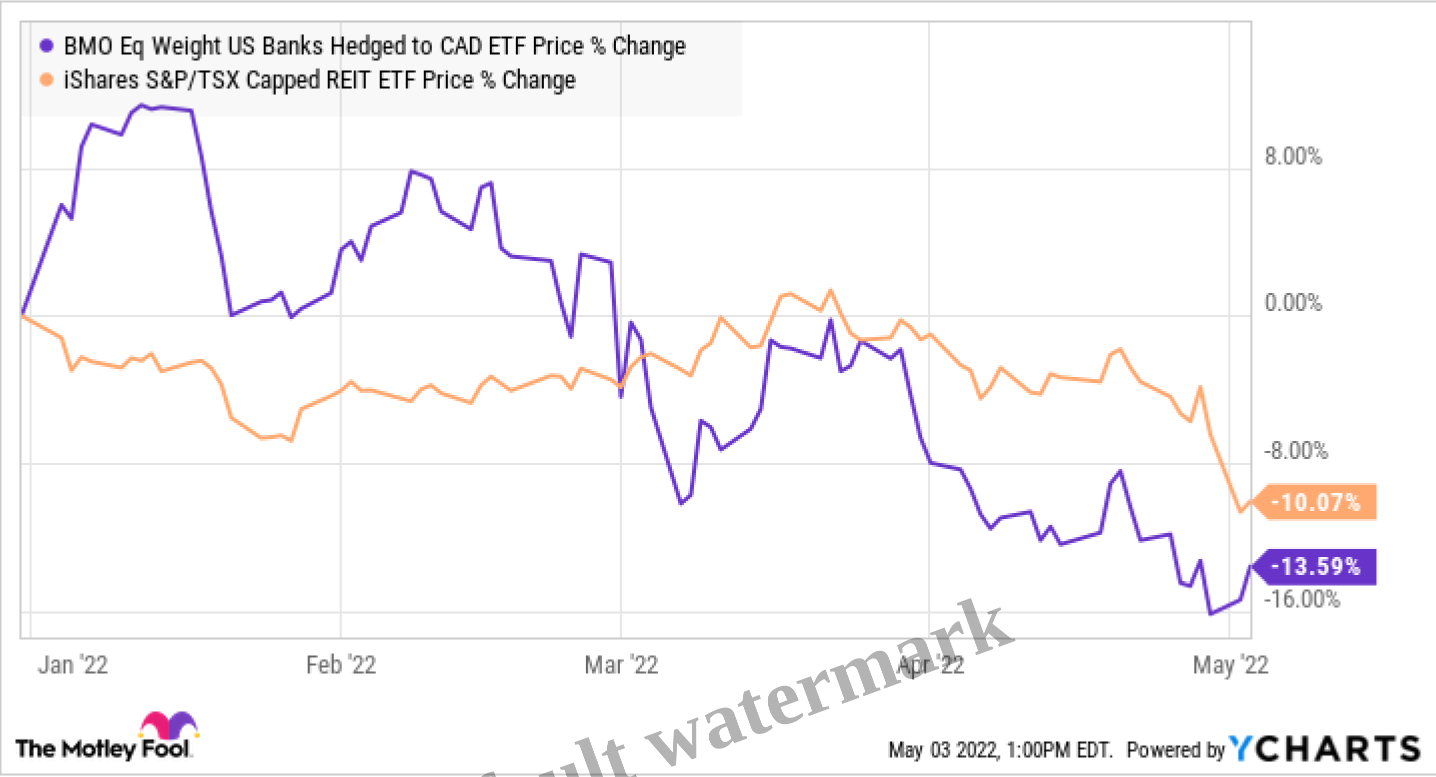
The Canadian and U.S. stock markets appear to be in correction mode. This price action seems to fit nicely into the “sell in May and go away” story, but in reality, many stocks have been correcting since late 2021 after having a super rally from the 2020 pandemic market crash.

On a closer look, year to date, the Canadian stock market has only dipped 1% versus a market downturn of approximately 12% in the U.S. stock market. It goes to show that higher commodity prices have really benefited the Canadian stock market as a whole.



XIU and SPY data by YCharts

Certain sectors have corrected more meaningfully, providing a better buy-the-dip opportunity. Here’s a quick view of the year-to-date price action of two sectors you may be interested in. Buying these exchange-traded funds (ETFs) is a quick, easy, and cheap way to invest.



XRE and ZUB data by YCharts

Canadian REIT stock fund

iShares S&P/TSX Capped REIT Index ETF (TSX:XRE) is a popular ETF put together by **BlackRock.** It has approximately $1.3 billion in net assets. At $18.83 per unit at writing, it trades at a small discount of roughly 4% to its net asset value per unit of $19.59, according to Yahoo Finance.

As the name of the fund suggests, it is an ETF that provides exposure to Canadian REITs. BlackRock explains that the fund "seeks to provide long-term capital growth by replicating the performance of the S&P/TSX Capped REIT Index, net of expenses." The fund is diversified across retail, residential, office, and industrial REITs and provides a yield of close to 3% for a decent monthly cash distribution. Its expense ratio is 0.61%, which is fair.

This Canadian REIT ETF is weighted by market capitalization, which conservative investors would prefer because of greater stability in these REITs. XRE's top holdings are as follows:

Weight of ETF	Stock	Industry
13.2%	**Canadian Apartment Properties REIT**	Residential REIT
11.2%	**RioCan REIT**	Retail REIT
9.4%	**Granite REIT**	Industrial REIT
8.2%	**Allied Properties REIT**	Office REIT

6.3%	**Choice Properties REIT**	Retail REIT
6.1%	**SmartCentres REIT**	Retail REIT
5.6%	**First Capital REIT**	Retail REIT
5.5%	**H&R REIT**	Diversified REIT
5.4%	**Dream Industrial REIT**	Industrial REIT
5.2%	**Summit Industrial Income REIT**	Industrial REIT

Rising interest rates, thereby increasing borrowing costs, could lead to a further selloff in the Canadian REIT ETF over the next months. Interested investors should note an upcoming support level of $17-18 per unit.

U.S. bank stock ETF

U.S. banks are also becoming attractively priced in the current market downturn. **BMO Equal Weight US Banks Hedged to CAD Index ETF** (TSX:ZUB) is an easy way to invest in U.S. bank stocks. Its expense ratio is only at 0.38%, which makes it super cheap for investors to hold the ETF.

ZUB ETF has approximately $556 million in net assets. At $31.39 per unit, it trades at a small premium of about 3% to its net asset value and provides a cash distribution yield of about 2%. As Bank of Montreal explains, ZUB is “designed to replicate, to the extent possible, the performance of the Solactive Equal Weight US Bank Index Canadian Dollar Hedged, net of expenses.”

The U.S. bank ETF has 22 holdings, including **M&T Bank**, **First Horizon**, **Regions Financial**, **East West Bancorp**, **First Republic Bank**, **Goldman Sachs**, **SVB Financial**, **Western Alliance Bancorp**, **Comerica**, and **JPMorgan Chase & Co.** The weight is about 4.6-4.9% each for these holdings.

If you’re as bullish about the U.S. economy in the long run as Warren Buffett, you can consider investing in the ZUB ETF on meaningful dips. Interested investors can buy some here and buy another tranche if it hits about $27.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:XRE (iShares S&P/TSX Capped REIT Index ETF)
2. TSX:ZUB (BMO Equal Weight US Banks Hedged to CAD Index ETF)

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1. Investing

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