1 ETF That Could Help You Weather the Storm!

Description

The market weather has been quite nasty of late, with the TSX Index now flirting with a correction. Indeed, the U.S. indices fell into a correction a long time ago. While commodities have kept the Canadian indices afloat on a relative basis, investors had better prepare for more choppiness going into year's end.

With the Bank of Canada (BoC) way behind the curve (perhaps further behind than the Fed), inflation could have the potential to run even hotter than the 6.7% level it's currently at. Indeed, the last thing Canadians want are more dreaded price increases across the board.

Though the BoC could hike as much as 75-100 bps, investors shouldn't rely on such. Why? Arguably, the BoC has already lost so much credibility with investors. Moving forward, though, it's the Fed that will likely dictate the trajectory of your average Canadian stock, given the TSX tends to be heavily influenced by the U.S. markets and Fed moves.

Time to buy defensively

Though nobody knows when markets will bottom, I think it's only safe to play both sides of the coin. That means being ready for the bear market (that's a 20% drop) but also doing a bit of buying in case the bear never rears its ugly head and the bottom is closer than we think.

Currently, a wide range of ETFs appears to be on sale. And they could be enough to help Canadian investors get through what could be a second half of 2022 that's likely to be stomach churning.

Consider shares of **BMO Low Volatility Canadian Equity ETF** (TSX:ZLB), a one-stop-shop way to gain exposure to the broader Canadian stock market while taking on considerably less beta. Though the ZLB may be "lower volatility," investors shouldn't treat the ETF as a bond or risk-free asset. Low volatility doesn't mean no volatility. Further, the low volatility isn't even guaranteed, as the ETF can be just as volatile as the markets.

Under most circumstances, however, the ZLB tends to dampen out the bumps in the market. The

2.64% dividend yield, which is richer than the TSX Index, can also help smoothen out the ride for your portfolio.

What's in the ZLB?

Some of the most defensive companies out there. **Hydro One** is a top holding, contributing 4.5% of the overall ETF. Other top holdings in the ZLB include utilities, grocery companies, and gold miners. Undoubtedly, these are some of the most secure places to be in times like these.

Over the past month, the low-volatility ETF has been anything but. Shares of the ZLB fell more than 7% from peak to trough in just a month. That's some serious volatility that may make investors question the ZLB and its "low-volatility" promise.

Though the ZLB has been the choppiest it's been in a while, it's still down less than the TSX, which is in correction. Further, the ZLB is down just over 2% year to date. If we are, in fact, in a bear market, the ZLB could be a secret weapon to losing less in what's shaping up to be a bad year for financial markets.

CATEGORY

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Author
joefrenette