
1 Defensive Dividend Fund I'd Buy Over Shopify in a Bear Market

### Description

The U.S. market plunged into a bear market (a 20% fall from peak to trough) this month. The Canadian stock market may not be far behind, even if commodity prices remain as elevated as they are right now. With a recession potentially on the horizon and more interest rate hikes on the way, it's hard not to be bearish. Indeed, bear markets can be vicious in nature.



This will be our third bear market in around four years. Though they always feel so painful in the heat of the moment, it's worth taking a step back to consider the long-term picture. Bear markets happen, and they're only healthy. Though they're awful when they happen, long-term investors should embrace them with open arms, as there's a lot of money to be made when stocks are, on average, down around 20% from their peak levels.

## Don't be afraid to buy the bear market!

Looking under the hood, a lot of stocks are down much more than the TSX or S&P 500. Heck, **Shopify** (TSX:SHOP)(NYSE:SHOP) stock finds itself down more than 80% from its high. The e-commerce stud suffered a massive fall from grace, and we may very well see the stock shed 85% or even 90% of its value once this horrendous selloff finally ends.

Undoubtedly, the dip buyers have not found much success with shares of Shopify thus far. Eventually, things will change, but until inflation rolls over without the need for even more rate hikes, it's hard to be bullish about the great things going on at the company itself. At the end of the day, a stock market is a market of stocks. And not all merchandise ought to be marked down so substantially as a result of broader market panic.

## Doubling down your defences

Though Shopify stock may be a great buy here, I think the magnitude of volatility leaves it in a no-fly zone for most beginners. Instead, I'd much rather be an owner of a high-yield ETF like **BMO Covered Call Utilities ETF** (TSX:ZWU), which is one of the most defensive ways to invest in equities. In a bear market, it's no time to be a hero. Instead, it's time to prepare your defences in case things get worse. Bear markets tend to be measured in months, not just weeks. As such, investors must have something to fall back on in case markets don't rebound as quickly as we expect them to.

With a lofty 0.71% MER (management expense ratio), the ZWU is not cheap. You'll pay the ETF managers a considerable chunk. However, with a covered call thrown in, I consider the price to be worth paying, especially given how bad things can get with broader markets.

Utilities tend to hold their own in vicious selloffs. Still, they can fall substantially, as fear turns into panic. With a covered call strategy thrown into the equation, investors get a bit more yield in return for capital upside. In a bear market, where the trajectory is down, the premium income generated from the writing of covered call options offers more peace of mind. At writing, the ZWU yields a whopping (and safe) 7.1%!

## Bottom line

While you could scoop up a basket of utility stocks and write your own covered calls, doing so would be quite expensive. Not to mention many investors don't have access to the options market through their brokerage. Indeed, the MER is high, but it's high for a reason. It makes it convenient to double down your defences in this hostile market.



**CATEGORY**

1. Investing

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1. NYSE:SHOP (Shopify Inc.)
2. TSX:SHOP (Shopify Inc.)
3. TSX:ZWU (Bmo Covered Call Utilities ETF)

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