2 ETFs to Play a 2022 Year-End Relief Rally

Description

Stocks and ETFs have been under pressure of late amid a chaotic 2022. Indeed, selling in May and going away now seems like it would have been a smart move.

Undoubtedly, we knew the U.S. Federal Reserve and Bank of Canada would begin to tighten this year, but with the Russian invasion of Ukraine and ongoing COVID headwinds, it's proven to be a dud of a year. The first half has been nothing short of grim. Can things change in the second half, or are markets doomed to fall into a bear market, as recession calls of pundits grow louder by the day?

Markets can still rally higher from here, but there's no sense in timing it. It could go either way, and trying to catch bottoms is a fool's (that's a lower-case *f*, folks!) errand. Instead, take a page out of Warren Buffett's playbook. Do you see wonderful companies with shares at bargain-level prices? Are the fundamentals still sound in spite of weak macro conditions?

As volatility surges, don't feel the need to panic: It's time to get greedy if you see value

If so, then don't feel the need to lower the bar. At a time like this, it's tempting to delay your buying until volatility goes away. By waiting until the dust settles, you could risk losing out on huge bargains. Moreover, you could get hurt if you chase a stock higher, as bear market bounces can happen. Currently, markets are in a strange spot. The S&P 500 could find itself flirting with a bear market by summertime. At the same time, we could experience more reversal days like the one enjoyed Wednesday.

It's a horribly volatile time. But for young and liquid investors, that's a good thing. Huge swoons make way for opportunities. And you don't need to be overwhelmed by the growing number of choices out there. Instead, you can look to ETFs to gain equity exposure on the way down.

Buying Canada and America with two beaten-down ETFs

Currently, **BMO S&P 500 Index Fund** (TSX:ZSP) and **BMO Canadian Dividend ETF** (TSX:ZDV) both seem like bargain buys. The ZSP is your run-of-the-mill low-cost index fund. With the U.S. index off nearly 15% from its high, it's arguably a decent time to punch one's ticket to go against the grain, as the selling pressure could overdo itself.

The ZDV is a more intriguing way to gain Canadian exposure. Unlike the U.S., the TSX Index isn't that diversified. It's overweight in energy and financials. While such areas aren't a terrible place to be overweight these days, I still think the ZDV offers a better mix of equities. As an added bonus, it has that juicy dividend yield (currently at 4%). With the ZDV, you'll get a good mix of banks and utilities, many of which have growthy payouts.

The bottom line for ETF investors

Buying the ZSP and ZDV together may prove wise. Most of the market damage has been focused on the U.S. market, but still, there's no denying the value on this side of the border!

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Date

2025/07/19
Date Created
2022/06/03
Author
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