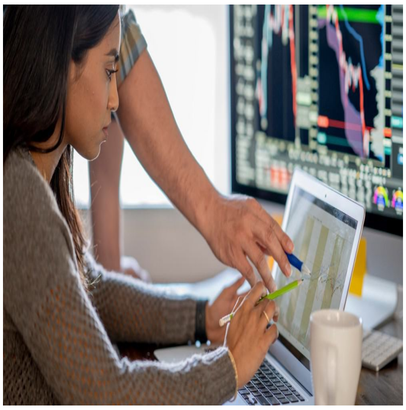

This ETF Is Perfect for Riding Out a Recession

Description

We’ve heard a lot of recession talk of late, and it’s probably not going away anytime soon, even if the broader markets are dealt some sort of relief. The economy is in a tough spot right now. Economic growth could really slow as central banks begin to tighten. It’s never fun when the punch bowl is taken away by an authority.

That said, it’s necessary and is only part of a healthy long-term economy. The way I see it, it’s far better to rip the band-aid off now — with big, front-loaded interest rate hikes — than to have to deal with the consequences of persistent inflation and an overheating economy. Inflation is a terrible thing for everybody. It weighs on company margins and hurts consumers who can barely afford to keep up with the surging costs of living.

Recession looming? Could 2022 and 2023 really be that bad?

Indeed, the 1970s type of inflation was really bad. And it’s a comparable to the type of environment we’re in currently. Still, I’d argue the current environment is not yet as bad as the 1970s, when Fed chair Paul Volker had to trigger a recession to get rid of the lingering inflation. Yes, oil prices are high today, but on an inflation-adjusted basis, it’s still not as out of hand. Further, with the recent plunge in oil prices, the economy could continue moving on without enduring too much pain.

In addition, market chatter tends to exaggerate things. Over the past two years, we’ve heard people compare the current state of the economy to the roaring 20s, the depressing 30s, and 40s, and now, the 70s or early 2000s (dot-com bust).

In reality, the road ahead probably won’t be as bad as the days of the Great Depression (the 30s and 40s). It may not even be as bad as the 70s. That said, it won’t be as euphoric as the roaring 20s either. It’s been a rocky year of ups and downs. Things may not seem great today, but there’s potential for things to get better, as central banks do their best to wipe away inflation without sparking a severe recession.

An ETF to weather a recession storm

That's why it's vital to stay invested, even if gains are harder to come by, with increased choppiness. The **BMO Low Volatility Canadian Equity ETF** (TSX:ZLB) is one of my favourite passive ETFs for riding out the storm. It's not just a low-beta ETF that can help you keep your cool through scary situations; it's able to beat the TSX Index over the long run, through good and bad times.

The ZLB is a well-balanced basket of solid Canadian stocks that tend to be less rattled by broader market moves. Further, there's a lot of defensive plays in the ETF, with a whopping 16% allocated to utility stocks.

It's not a mystery why the ZLB has a five-star rating from Morningstar over a 10-year horizon. It's full of rock-solid companies that are likeliest to be in the green on a big down day for the broader S&P 500 or TSX Index. With a 0.39% MER, the ZLB is a fair deal for any sort of market waters. Given the potential for increased choppiness, I'd argue the ZLB is one of the best deals in the passive investment space for those seeking to invest without negatively affecting their sleep!

The ZLB yields a nice 2.7%, with a 14.5 times trailing earnings multiple. A great distribution at a fair price following its latest 10% slip.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ZLB (Bmo Low Volatility Canadian Equity ETF)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. joefrenette
2. kduncombe

Category

1. Investing

Date

2025/08/14

Date Created

2022/06/28

Author

joefrenette