2 Passive-Income ETFs That Could Soar in H2 2022

Description

There's no shortage of battered ETFs for Canadian investors to consider as we head out of one of the worst first halves to a year in recent memory. Could the second half of the year lead to even more dreadful performance? It's entirely possible if inflation doesn't back down anytime soon. However, given the Federal Reserve has made inflation its top focus, I'd argue that it's too soon to write off 2022 as an abysmal year for the broader stock market.

Believe it or not, there are still bulls on the Street, including Fundstrat's Tom Lee, who's staying bullish. While Lee has been overly bullish all the way down, it is noteworthy that he correctly predicted that the first half of 2022 would be "treacherous." As we move into the second half, Lee has high hopes, with a target on the S&P 500 that's higher than 5,000. It seems like Lee is just too bullish, given how things panned out in the past few months. Nobody saw the Ukraine-Russia crisis coming, and the oil surge has gotten a whole lot worse.

Though I wouldn't be as bullish as Lee or any other bulls on Wall Street, I think it's wise to be a net buyer of stocks with so many bargains that have emerged. After a 10-30% drop in markets, investors need to take a step back and consider how actions today will affect their investment goals in the distant future. If you're fewer than three years from retiring, it may be worthwhile to consider bonds or bond proxies with your next purchase. If you're overweight speculative tech, it may be time to take a few chips off the table.

However, if you're a young investor with 10 or even 20 years to invest, this market selloff is worth buying. You probably won't catch the bottom. But that's okay. Over the extremely long run, it's important that you do some buying, so this market "sale" on stocks doesn't pass you by.

For passive investors, **BMO Covered Call Canadian Banks ETF** (TSX:ZWB), and **BMO Covered Call Utilities ETF** (TSX:ZWU) seems like a great place to look if you're pained by looking at individual names these days.

Passive-income ETF #1: ZWB

First up, we have a specialty-income fund comprised of high-yield Canadian stocks across a wide range of defensive sectors. The ETF is screened for quality and yield, with a covered call ETF that foregoes capital-appreciation potential for premium income. This premium income enriches the distribution, allowing investors to gain more yield without having to run the risk of more downside risk.

Covered calls are great strategic options for bear markets and treacherous market environments. If the second half ends up just as bad, the ZWB is a name that could help you beat the TSX. The ZWC sports a 6.73% yield at writing.

Passive-income ETF #2: ZWU

For those looking to double down on defence, the ZWU looks like a great bet. It has the same covered-call feature as the ZWB, but with a focus on the utility sector. It's hard to get more defensive than utilities these days. And with the ZWU, you'll gain exposure to high-yield, low-beta stocks that span industries such as telecoms, pipeline, and electrical transmission.

The 7.6% yield is incredibly bountiful and is more than worth looking to if you seek shelter from the volatility storm. With Canadian inflation at 7.7%, the ZWU's payout can help you make it through without having to risk your shirt on some ultra-high yielder destined to slash its payout.

CATEGORY

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