
1 Oversold ETF to Buy the Dip During the Market Downturn

### Description

2022 has not turned out to be the best year for the Canadian stock market. The energy sector had been enjoying a strong bull run for the better part of the first half — until the latest round of interest rate hikes by the U.S. Federal Reserve sent stocks across the board down a cliff.



The U.S. is believed to be on the cusp of entering a stagflation and recession, according to many economists. A market crash south of the border could impact Canada's economy as well due to the close economic ties it has with the United States. The U.S. is Canada's largest export partner, and a downturn there virtually guarantees one here.

The **S&P/TSX Composite Index** is down by almost 12% year to date and by 15.73% from its 52-week high. The downturn in the Canadian benchmark index evidences the panic created among investors due to the state of the economy. Stock market investors are selling off shares left, right, and centre to flee risk.

Higher interest rates should cool down inflation rates. However, it remains to be seen how many more interest rate hikes it will take for the red-hot inflation to finally cool down. Not all investors consider market downturns like this as something to fear. Savvier investors recognize it as an opportunity to make some good returns by betting on the gradual economic recovery.

## Using a market downturn to your advantage

"Timing the market" is a term thrown around by many investors, but waiting for the market to bottom out to invest can result in missed opportunities. A good idea is to buy stocks likeliest to recover when their prices are low instead of waiting for the bottom. Identifying and investing in the correct undervalued stocks could provide substantial wealth growth through capital gains when the market recovers.

Market downturns like this present an excellent opportunity to make solid long-term investments. New investors unaware of how to identify high-quality stocks trading below intrinsic values might feel overwhelmed in creating a self-directed portfolio of stocks to buy on the dip. What if the companies they bet on fail to outperform the market during its recovery?

Fortunately, there are exchange-traded funds (ETFs) that you could consider for this purpose. A fund like **Horizons S&P/TSX 60 Index ETF** (TSX:HXT) could be a viable investment to consider for exposure to a basket of high-quality companies in the form of a single investment product.

## Foolish takeaway

HXT ETF tracks the performance of **S&P/TSX 60 Index (Total Return)**. The fund allocates its assets to invest in publicly traded companies, as reflected in the underlying index. The fund's objective is to emulate the performance of the large-cap market segment in the Canadian equity market.

It allocates 36.53% of its assets to stocks in the financials sector, 18.77% to the energy sector, and 10.91% to the materials sector as of May 31, 2022.

Investing in HXT ETF offers you exposure to the performance of some of the top market-capitalization-weighted stocks trading on the TSX. Instead of choosing and investing in several individual stocks, you can invest in this low-cost ETF to enjoy returns from their performance during the recovery after the downturn.

HXT ETF is a low-cost ETF with a management expense ratio of just 0.04%. It could be a valuable addition to your portfolio on the dip.



**CATEGORY**

1. Dividend Stocks
2. Investing

**TICKERS GLOBAL**

1. TSX:HXT (Horizons S&p/tsx 60 Index ETF)

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