3 Must-Buy Bank of Montreal ETFs to Ride Out a Recession

Description

Investors can leverage many great Canadian ETFs to smoothen out the rough bumps in the road that are likely ahead. With the Bank of Canada ready to tighten its grip around inflation, investors must prepare for rate hikes, perhaps fast and furious rate hikes, in the second half of the year.

Indeed, investors are rattled with fears of stagflation and a looming recession. Though it's unlikely that the second half will be as horrid as the first half, investors need to acknowledge that anything is possible. Further, there may be much more downside in the speculative tech stocks that have crashed so violently. Such plays may in no man's zone for older investors gearing up for retirement.

In this piece, we'll check out three risk-off ETFs that I believe can help your TFSA or RRSP ride out any recessions. Though a recession is possible, that does not mean a 50% market crash is in the cards. Remember, not every economic downturn or slowdown is another 2008.

Without further ado, consider the following cautiously optimistic ETF bets to weather a recessionary storm.

BMO Low Volatility Canadian Equity ETF

BMO Low Volatility Canadian Equity ETF (TSX:ZLB) is an ETF offering for fans of the low-beta (or smart-beta) strategy. The ETF invests in blue-chip TSX stocks that have robust yields and below-average correlations to the market. Though low- or no-beta does not mean no risk, below-average beta profiles can help steady your TFSA or RRSP retirement fund when the waters really get rough.

Undoubtedly, a recession would be a hurricane for many portfolios, and an ETF like the ZLB can help investors stay invested, with slightly less nausea. Lastly, the ZLB is well diversified across sectors, making it a better one-stop-shop pick versus a TSX index fund, which is overweight financials and energy.

BMO MSCI China ESG Leaders Index ETF

BMO MSCI China ESG Leaders Index ETF (TSX:ZCH) has been on a treacherous ride over the past year. Shares of the Chinese ETF have already lost around 60% of their value.

Though the ETF seems to introduce even more beta to a portfolio, I'd argue that the Chinese stock market could first to regain its footing. Valuations across Chinese tech stocks are absurd. Further, the Chinese economic reopening from recent COVID lockdowns could give Chinese plays a bit of relief.

Indeed, the ZCH is the ultimate contrarian bet on a market that seems too oversold for its own good.

BMO Covered Call Canadian Banks ETF

Finally, we have a specialty-income ETF in **BMO Covered Call Canadian Banks ETF** (TSX:ZWB). The ETF essentially bets on Canada's top banks, with covered call options written against them. Such options produce more income at the cost of upside potential. Given the road ahead could be nasty for the big banks, as economies slip into recession, the ZWB may be the most prudent way to bet on the big banks.

Indeed, the ZWB is a hedged, income-rich way to bet on the big banks. In this market, cautious optimism could be the way to go.

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