How to Start Investing With Little Money (and What to Invest in Right Now)

Description

What a great time to be a new investor. Volatility returned in a major way last week, thanks in part to the U.S. Federal Reserve and its incredibly hawkish commentary at the much-anticipated Jackson Hole meeting. Undoubtedly, Friday's market sell-off was vicious, with the S&P 500 nosediving 3.4%, while the tech-heavy Nasdaq 100 shed more than 4% of its value.

If you chased the rally hoping for a short-term gain, you're probably licking your wounds once again.

Rates are heading higher. That much we know. But with future cuts potentially taken off the table, the jitters many investors felt in the first half of 2022 have returned with a vengeance. Does that mean the recent market rebound was unwarranted? Probably not. I think the June lows will hold. However, it's difficult to gauge just how deep the Jackson Hole comments will cut into the June-August gains.

In any case, I'd treat a coming correction (or pullback) as nothing more than an opportunity to pick up some of the names you may have missed out on in the recent relief rally. So, if you've got a small amount (think less than $1,000) to put into the markets on this dip, now's as good a time as any, with many stocks and ETFs in retreat mode.

Canadians: Pain ahead, but think longer-term.

Remember, investing is a game where long-term players come out on top.

As market volatility kicks up a notch, many Canadian investors are bound to take profits, opening up yet another window of opportunity for long-term thinkers to top up their favourite positions. When the market falls into a mild panic, it's usually a good idea to scoop up the discounted names on your radar, regardless of the market chatter.

You don’t need a considerable sum to make the most of the market dip that could extend into this week. September tends to be a spooky month for investors at the best of times. Indeed, Jackson Hole combined with preparing for a seasonally weak period may be baked in before we exit the month of August.

Lower volatility for tougher times

In terms of intriguing buys for the next week, I’m a huge fan of the **BMO Low Volatility Canadian Equity ETF** (TSX:ZLB). It’s a one-stop shop for retail investors looking to place a contrarian bet with a small sum of money.

In a nutshell, the ZLB is a basket of Canadian stocks that have durable dividends and tend to exhibit less volatility than the market averages. The **TSX Index** took a vicious turn in the back half of last week. As volatility returns to Bay and Wall Streets, it’s wise to prepare yourself for the big up and down swings.

ZLB can help smooth out the volatility. However, it won’t completely eliminate it if it gets out of hand, as it did during the 2020 stock market crash. I view the lower magnitude of volatility as a bonus, but not the main attraction to this ETF. With a 2.62% dividend yield and a heavy weight in utilities and grocers, the ZLB seems destined to thrive in environments where inflation and a recession could rage on. Utilities are highly defensive during tough times, because no one wants to save money by shutting off their hydro or electricity. And sales at grocery stores actually tend to increase during a recession!

So, if you’ve got less than $1,000 to invest, ETFs are a great way to invest and save on commissions. The ZLB is my favourite play as the market gears up for a choppy September. As an added bonus, the 0.39% MER (management expense ratio) is reasonable and could help Canadians with a small investment sum to diversify their investments in a cost-effective manner.

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1. Investing
2. Stocks for Beginners

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