



Where to Invest \$500 (or Less) Right Now as Recession Nears

Description

It's not easy to be an investor in 2022. Many investors have lost quite a considerable sum amid the nasty bear market that may drag out for a few more months. If you've stayed the course through the first eight or so months of the year, I'd urge you to continue hanging in, as a majority of the pain may already be dealt. In fact, there may be too much panic in the markets ahead of further rate hikes and that dreaded 2023 economic recession.

Now, a recession may be tough to avoid. Canada's latest GDP came in at a mere 0.1% for June. That's pretty meagre growth that could push into the negatives by year's end. But, believe it or not, buying (not selling) in the midst of a recession can be a good idea. Think back to our last recession. If you stayed the course and kept buying during the 2008 recession, you got [fantastic prices](#) and a front-row seat to the 2009 face-melting market rally that came and went in a hurry.

A recession may be unavoidable. But rallies tend to strike before recessions end.

Few folks remember how sudden the 2009 market melt-up was. If you panic-sold after the market tanked, you likely missed out on the gains and had to buy back at higher prices. Now, it's easy to look back at old charts and tell yourself you should have bought at such a bottom. However, in the heat of the moment, nobody knew when the recession would end. The 2008 recession dragged into June 2009, well before the market hit a bottom and started roaring higher.

If we have already entered a recession, a sustained rally may be closer than a colossal dip. In any case, I'm a fan of the risk/reward, especially when considering that the central banks could easily backtrack on their inflation-fighting rate hikes.

Don't count on the Fed talking about rate cuts here, though. They're in data-driven mode and probably won't care to speculate on where it thinks the data is headed. In any case, I'd urge investors to consider that things may not actually be as ugly as they seem right now.

[Warren Buffett](#) has been a busy buyer this year. And he's lost quite a bit of money. My guess is he'll continue buying on the way down, as he views the risk/reward as attractive on certain securities. He doesn't know when the recession will end. But he does know that sizeable plunges often translate into getting more for less.

How I'd invest \$500

For \$500, Canadian investors should consider an exchange-traded fund ([ETF](#)), rather than looking for individual names. That way, you'll get instant diversification and won't be dinged on commissions. The **BMO Nasdaq 100 Equity Hedged to CAD Index ETF** ([TSX:ZQQ](#)) looks like a great bet right now following a brutal tech sell-off, which could lift markets out of the gutter once the time comes. Similar to past recessions, I suspect the market rally will begin well before the recession officially ends. Further, the most beaten-down indices could have the most room to rebound.

ZQQ is currently down 27% from its high. That's a big discount for Canadians to get a hedged front-row seat to America's top tech titans. They're incredibly mature and profitable, and could storm out of the gate once the bear passes and the market is ready to move higher again.

Bear markets and recessions don't last forever. And bulls don't need catalysts to reveal themselves. Sometimes, the market is just so oversold that it's ridiculous. After the latest August retreat, I do think being a buyer is smarter than being a seller, even as we enter a period of seasonal weakness.

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