



## S&P 500 Bear Market: Where to Invest \$10,000 Right Now

### Description

The summer stock rally appears to have fizzled out. Year to date, the benchmark S&P 500 index is once again, in a [bear market](#), having fallen -24.69%. Core inflation remains elevated, and the U.S. Fed has adopted a decidedly hawkish stance, warning of a possible “hard landing” for the economy, as they continue to hike interest rates.

Investing in the throes of a bear market can be highly difficult for most investors. During a bull market, it's easy to get caught up in the exuberance of seeing all of your stock picks go to the moon. As the saying goes “a rising tide lifts all boats.” Once the tide goes out though, it becomes very obvious who isn't wearing their swimsuits, so to speak (cough, cough, growth stocks).

Still, investing in a bear market is a good idea for investors with a long time horizon. Now is a great time to snap up many stocks at a discount post-[correction](#). Today, I have two picks that risk-seeking and risk-averse investors alike could sink \$10,000 into. Whether you're looking for future growth or safety of principal, these picks might be what you're looking for.

### The risky option

Picking stocks is hard. Picking stocks during a bear market is even harder. A great way to bet on the recovery of the overall market is via an [exchange-traded fund, or ETF](#). ETFs hold a basket of stocks and are a great way to [diversify your portfolio](#) instantly at a low cost.

I like **Vanguard S&P 500 Index ETF** ([TSX:VFV](#)). This ETF tracks 500 of the largest U.S. stocks. It's exceedingly difficult for most investors, retail or professional, to beat over the long run. Even Warren Buffett loves it, having selected the U.S. version of this ETF as the investment of choice for his estate.

VFV is also very cheap. Right now, the ETF costs a management expense ratio (MER) of just 0.09%. This is the annual percentage fee deducted from your investment's value. For example, if you invested \$10,000 in VFV today, you would pay an annual fee of just \$9, which is extremely cost effective!

## The safe option

Not all investors can psychologically handle “buying the dip” during a bear market, and that's OK. There's always the chance of the market dipping further. If you're looking to minimize risk and reduce volatility, a safe ETF that invests in high-interest savings accounts might be a better option.

My favourite ETF here is **Horizons High Interest Savings ETF** ([TSX:CASH](#)). CASH holds deposits with Schedule 1 Canadian banks and pays out monthly income. Right now, the ETF has a gross yield of 3.79% thanks to recent interest rate hikes by the Bank of Canada.

The ETF costs a MER of 0.13%. Subtracting this MER from the gross yield gives you the net yield. In this case, CASH has a net yield of  $3.79\% - 0.13\% = 3.66\%$ . If you invested \$10,000 in CASH and held it for a year, you could expect around \$366 in annual interest income.

### CATEGORY

1. Investing
2. Stocks for Beginners

### TICKERS GLOBAL

1. TSX:CASH (Horizons High Interest Savings ETF)
2. TSX:VFV (Vanguard S&P 500 Index ETF)

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