

Views from the Desk

Updates in the Equity and Fixed Income Market

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The New Biden Administration

Seventeen executive orders have already been published since Biden took office last week. There is a focus on green energy with a recommitment to the Paris Accord, and degrading talks on the Key stone pipeline. There has been some volatility in the markets this month, so we believe Quality ETFs are still good positions to maintain defensive growth. The ETFs are focused on blue chip companies with high cash flows and stable earnings. The **BMO USA High Quality Index (ticker: ZUQ)** is a great building block especially if Biden succeeds in his “Buy America” plan. The **BMO MSCI Europe High Quality Index ETF (ticker: ZEQ)** is a good ETF if you’re looking for the highest quality companies out of Europe.

Banks

The banks started to recover when the vaccine news came out in early-November, which signalled an economic reopening. The yield curve is also steeper, and this is good news for banks who can lend at long term rates and borrow at short term rates. We have seen a recommitment from the Fed and the BoC to not worry about short term inflation and will keep short term policy rates low; this steepened the yield curves and the banks rallied on the back of this as well. Banks are tied to economic growth and economic activity. The **BMO Equal Weight Banks Index ETF (ticker: ZEB)** is up 20% since November. The **BMO Equal Weight US Banks Index ETF (ticker: ZUB)** is up about 40% over the same time, so the banks might take a breather right now after moves of that size.

Clean Energy

Clean energy has been gaining a lot of investor interest as investors look to capture the growing trend of clean and renewable energy. Clean energy is also a big focus for the Biden Administration, and this will also be a tail wind for this theme. Clean energy strategies were some of the top performing ETFs in the US last year (in 2020, Canada did not have any clean energy ETFs listed). The iShares Clean Energy Index, which tracks the S&P Global Clean Energy Index returned around 143% last year. Just this week, BMO launched the **BMO Clean Energy ETF (ticker: ZCLN)** which also tracks the S&P Global Clean Energy Index. This index selects companies that are involved in producing, consuming, or providing the technologies for clean and renewable energy. Many of the companies actually come from the Utilities and Information Technology sectors. [Click here](#) to read more about ZCLN.

TIPS

BMO Short-Term US TIPS ETF (ticker: ZTIP) is a suitable inflation hedge for a fixed income portfolio because it’s focused on the short end of the curve (duration 2.5). If you invest in an inflation product with long duration, while you hedge away inflation you become negatively impacted by duration risk. Our inflation outlook is that there are a lot of tail winds for inflation, with the leading indicator being the Fed has indicated they are going to overshoot inflation and are more focused on targeting a longer-term average. [Click here to read our BMO ETFs Inflation Report.](#)

ZWT

The **BMO Covered Call Technology ETF (ticker: ZWT)** was built to solve a key problem that many income-focused investors face: not being able to get exposure to tech companies, who pay out such low dividends (or none at all) that they generally don't fit in an income portfolio. ZWT writes options on tech and tech like companies on half of the portfolio and these options are written 14-15% out of the money which means there is still potential to capture some growth in addition to adding the cash flow stream with the option overlay. We think this makes a great growth and income solution for investors. [Click here to read more about ZWT.](#)

Source: Bloomberg, All returns January, 2021.

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