

# Stocks vs. ETF's - which is better for long-term investors?

Stocks and ETF's (exchange trade funds) are different, but still potentially profitable for investors. Investors can choose from many high-profile [growth stocks](#). ETF's can have lower risk than stocks because they have diverse holdings. But which one is best for long-term investments? This TradingSim article will tell readers the difference between stocks vs. ETF's, compare the performance between stocks and exchange-traded funds. This article will also analyze and compare the 10 top stocks and ETF's performance in the stock market and determine which investment product is best for investors.

## Stocks let investors focus on one company

Stocks are individual shares of a particular company. A company can offer shares of a company to raise funds or various other reasons. When an investor picks a low-risk [value stock](#) like Apple(NYSE:AAPL), an investor owns a piece of Apple. US stocks can trade on the New York Stock Exchange or NASDAQ. A stock's value can fluctuate based on whether there [is a bear market](#) or a bull market. Investors can have their say in shareholder meetings and be an activist investor if they want more say in how the company acts in the future. Companies offering stock also can offer quarterly dividends to investors as well.



Stocks vs ETF'S- stocks offer individual shares and are more volatile.

Stocks focus on one corporation but are very volatile. Outside forces in the stock market or the corporation's own fortunes can reverse, driving a stock down. Stocks are very volatile and can be risky for investors looking for long-term options.

## **Stocks vs. ETF's: Stocks may be better for tax purposes**

When comparing stocks vs. ETF's, stocks may be better for investors that are concerned about tax benefits. Benjamin C. Halliburton, chief investment officer at Tradition Asset Management [said individual stocks offer an advantage.](#)

" Individual stocks are more tax-efficient than mutual funds and should be utilized in taxable portfolios when the investor has enough assets," said Halliburton.

# ETF's offer a basket of stocks and securities

ETF's buy stocks, bonds, and commodities into a basket. Similar to stocks, ETF's are sold shares of the basket holdings to investors on the New York Stock Exchange, the American Stock Exchange, and NASDAQ. Another similarity between stocks and ETF's is that they both offer quarterly dividends to investors just like stocks.

In contrast to stocks, ETF's are a collective investment. Just as there are thousands of different stocks, there are [numerous ETF's](#) for investors to choose as well. Some are from mixed industries. There are ETF's for everything from [gold](#) to [marijuana](#). while others may focus on one sector, like tech. ETF's can also have holdings from other countries, while New York Stock Exchange stocks are only U.S.-based.

In the comparison of stocks vs. ETFs, both ETF's value can fluctuate like a stock. ETF's often mirror the movement of the stock market. So, any decline in the stock market could greatly negatively impact ETF's .

ETF's are also different from stocks because they offer inverse ETF's. Inverse ETF's are created to profit when there is a decline in the markets. They're best for short-term investments because they use derivatives that are sold every day by the fund's managers. Inverse ETF's can lead to losses if held more than a day. However, inverse ETF's can be less costly than shorting stocks.

John Hood, president and portfolio manager at JC Hood Investment Counsel, noted that inverse ETF's could be risky for investors.

"When you're dealing with inverse or leveraged ETFs, you've left the investor market and entered the gambling market," he says, adding that many investors don't understand the product

before buying. “I’ve had people call me and say that they have a leveraged two-times ETF and, as the market has been going up, their ETF has been going down. Well, they didn’t read the details first.”

## **Stocks vs. ETF’s: How do they compare with liquidity?**

Stocks and ETF’s differ slightly with liquidity. Liquidity is the conversion of stocks or ETF’s into cash. [Penny stocks](#) that don’t have as much value as stocks with bigger names may not have as much liquidity. However, blue-chip stocks like Microsoft (NASDAQ:MSFT) offer more liquidity than ETF’s because different factors affect and ETF’s liquidity. ETF liquidity depends on the fund’s trading volume and the quality of the ETF’s products. Stocks offer an advantage over ETF’s if investors are looking for easy liquidity.

## **How did the top stocks and ETF’s perform during the bull market?**

While stocks grew exponentially during the bull run, ETF growth exploded from 2009-2018. With ETF’s that tracked along with the S&P, they both rose equally during the bull market to [\\$4 billion in assets by 2019](#). As the S&P [climbed 14% in 2016](#), ETF volume also [surged 17%](#) in 2016. John Davi, founder and chief investment officer of Astoria Portfolio Advisors, noted that ETF’s that followed the S&P 500 and minimized risk exceeded expectations.

“If you look at all the ETFs that have gathered the most assets over the last 10 years, it’s going to be your SPY, your EFA, EEM, so, those are low-cost, pure-beta ETFs, like your standard wealth management solutions. So, USMV is the largest asset gatherer outside of that core, so I like it. It hedges

the downside risk," said Davi.



## **How do the top 10 stocks vs. ETF's in recent performance?**

During the current bear market, stocks and ETF's have different returns on investments. TradingSim's charts will be used to analyze the top 5 performing stocks and ETF's of March 2020 since the COVID-19 crisis started. While both stocks and ETF's can't be exactly compared based on performance, the analysis will show a broad overall comparison. The comparative data will show which perform better for long-time investors.

## **Clorox outperforms other stocks during coronavirus crisis**

**Clorox** (NYSE:CLX) had a 24% gain over the past month. Because of the coronavirus crisis, the cleaning product company has seen a double-digit gain. Clorox has become a safe-haven stock in the midst of the COVID-19 crisis. While there is

competition from store-brand disinfecting wipes, shoppers and investors flocked to Clorox over the past month as a trusted name brand during the coronavirus crisis. In addition to cleaning wipes, Clorox also makes hand sanitizer, a sold-out product during the current pandemic.

Clorox stock boomed and increased 17% overall since the start of the year. The household product industry is typically recession-proof and [outperform the S&P 500](#). Clorox stock was also helped by the Environmental Protection Agency. The EPA recently recommended many Clorox products for Americans to use, which helped the company's stock rise as well.

"Using the correct disinfectant is an important part of preventing and reducing the spread of illnesses along with other critical aspects such as hand washing," said the EPA in a statement.

During the coronavirus pandemic, financial analyst Steven Strycula predicts that [Clorox will likely be a well-performing stock](#) that investors can invest in for good returns.

"Based on conversations with retail buyers, we estimate COVID-19 related demand could boost baseline disinfectant category trends by 3-5x in the next few months as retailers work to rebuild inventory and stay in stock," said Strycula.

This TradingSim chart shows Clorox's stock rising the week of March 19.



Clorox stock the week of March 19

## Vanguard Total Stock Market ETF

Of the many ETF's offered, some ETF's from Vanguard have fallen below expectations. **Vanguard Total Stock Market ETF** (NYSEMKT:VTI) is one ETF that is down 14% year-to-date. Because this ETF tracks the overall stock market, the fund has stumbled over the last month. Davi noted that Vanguard ETF's will eventually perform well despite the current stock market volatility. He noted that since ETF's launched in 1993, they have been a low-risk option for investors.

"For my money, we prefer a little bit more transparency than less in general, but I'm always amazed about the ETF product," said Davi. "I've been working in the ETF ecosystem for 20 years. I remember when iShares first launched 25 ETFs in one day. People were like, 'Why do you need a single country? Why do you need a subsector ETF?' And sure enough, we have an

entire industry now. So, there's always a market."

This TradingSim chart shows the trajectory of the Vanguard Total Market ETF.



### Vanguard Total Stock Market ETF

Davi notes that the recent \$1.9 billion inflow into the Vanguard Total Stock Market ETF shows that this ETF can be resilient. Because the fund has shares of well-performing stocks like Walmart (NYSE:WMT), Davi feels that the ETF can bounce back.

"I think, overall, things feel a little bit more normal. I know the economic front is going to look pretty bad and it's going to look real ugly in terms of unemployment claims, but price action on the ETF front has been encouraging. There's actually been more inflows into ETFs, too. So, Vanguard took in a bunch of money in Q1 and I think [it] shows that the retail investor has been kind of hanging in there for the most



part,” said Davi.

In this stock vs. ETF comparison between Clorox stock and Vanguard Total Stock Market ETF, Clorox has the edge.

## **SPDR Consumer Staples Select Sector Fund outperforms during coronavirus crisis**

Just as Clorox stock and consumer staple stocks have performed well during the COVID-19 crisis, consumer staple ETF’s have also done well despite Wall Street volatility. The **SPDR Consumer Staples Select Sector Fund** (NYSEARCA:XLP) has been a safe haven ETF, according to investor Kent Thune.

“When information and data are short or absent, an investor must use their intuition, which comes from a combination of experience and educated guesses. In the short-term, no one knows where the market is headed. But it’s a reasonable bet that the U.S. is already in a recession, which will last months, not weeks,” said Thune.

The TradingSim chart below shows the strong performance of the SPDR Consumer Staples Select Sector Fund.



## SPDR ETF Consumer Staples Select Fund

David Reyes, a financial advisor and chief financial advisor, noted that ETF's like Consumer Staples Select Fund could be best for beginning investors.

"The best thing about index investing is that it is simple," said Reyes. "Most investors are not comfortable managing stocks, so this is a great way to get exposure to the stock market without having to be a stock expert."

SPDR's Consumer Select Fund has the most holdings with Proctor & Gamble. Those consumer products have been popular with toilet paper and cleaning products being high in demand. The ETF is down 17.3%, year-to-date, but is still one of the top-performing ETF's in this Wall Street volatility. It's only down 6% from its record high in February.

The ETF could help improve the portfolio of long-term

investors. In comparison between stocks vs. ETF's, both Clorox and SPDR's Consumer Select Fund are both equally strong investments for traders looking for long-term investment.

## **Gilead stock grows with possible COVID-19 treatment**

In addition to consumer staples, biotech stocks have grown during the coronavirus pandemic. **Gilead Sciences ( NYSE: GILD)** stock has grown 24% over the last month and [15% since the start of 2020.](#) The biotech company's stock rose after the corporation developed an experimental drug, remdesivir, to treat COVID-19. Financial analysts at SunTrust Humphrey Robinson expressed optimism that the drug showed promise. However, they couldn't make conclusive judgments about the drug since it was tested on a small group.

"We believe remdesivir could show benefit and clinical improvement; however, we cannot draw definitive conclusions from a compassionate use data given the limitations (such as small sample size, lack of controls and randomization and short follow-up periods)," wrote SunTrust Humphrey Robinson analysts.

Dr. Jonathan D. Grein, director of hospital epidemiology at Cedars-Sinai Medical Center in Los Angeles, also expressed cautious optimism about the effectiveness of remdesivir.

The TradingSim chart below shows the rise of Gilead stock.



Gilead stock the week of March 19

“We cannot draw definitive conclusions from these data, but the observations from this group of hospitalized patients who received remdesivir are hopeful. We look forward to the results of controlled clinical trials to potentially validate these findings,” added Grein.

On top of Gilead’s promising COVID-19 medication, Gilead is dominant in medications for chronic diseases like arthritis. The corporation also has the best-selling HIV drug that has increased sales. Because of Gilead’s rising stock and biotech’s growth during the coronavirus crisis, the stock has been a solid buy for long-term investors.

**SPDR S&P Biotech ETF strong despite**

# Wall Street downturn

Gilead is a holding in the **SPDR S&P Biotech ETF** (NYSEARCA:XBI). The biotech ETF been performing better than expected in this economic downturn. While the ETF's performance dropped 20%, the SPDR Biotech ETF was still outperforming the S&P 500 before the COVID-19 crisis. The low-expense ratio of 0.35% makes the SPDR S&P Biotech ETF an affordable option for investors. The ETF is still performing well compared to other biotech ETF's with many biotech stocks in its basket .

The TradingSim chart shows the performance of the SPDR S&P Biotech ETF the week of March 19.



SPDR S&P Biotech ETF

## **Gilead has edge in biotech stocks. vs ETF fight**

Both Gilead and SPDR Biotech are equally good options for biotech investors. In a comparison of stocks vs. ETF's, because both are in a field with large growth potential, they are possible great options for investors. However, Gilead has an edge over SPDR S&P Biotech ETF with greater gains over the last month.

## **Activision Blizzard stock steady as gamers have more time to play**

During the nationwide quarantine, gamers have been getting a lot of practice playing *Call of Duty*. **Activision Blizzard**(NASDAQ:ACTI), the company that produces the popular video game, had its stock rise 2% over the last few days after financial analyst Eric Handler [upgraded the stock from neutral to a buy.](#)

"We believe management is making significant progress in improving its near-term and long-term growth profile," said Handler.

Activision is also highly rated by other financial analysts. Todd Gordon, managing director at Ascent Wealth Partners, noted that Activision has a strong standing because of its popular games.

"Activision's the bigger of the two. It's a \$46 billion market cap. They've got franchises like Call of Duty and Candy Crush. They have a better share of mobile gaming. Activision is well-represented across multiple platforms including PC, console, gaming, stuff like that. So, we hold Activision in our global growth portfolio," said Gordon.

# Activision Blizzard teams with WHO to reach more gamers

Gaming has even received a boost from the World Health Organization. The organization tweeted its support of gaming.

“We’re at a crucial moment in defining outcomes of this pandemic. Games industry companies have a global audience – we encourage all to #PlayApartTogether. More physical distancing + other measures will help to flatten the curve + save lives,” tweeted the World Health Organization.



Activision stock the week of March 19

Activision Blizzard stock is a stock that is a strong one for long-term investors who want a piece of the growing gaming industry.

Even though Activision Blizzard stock is down 1% this year,

that's still below the S &P's decline of 11%.

## **Gaming stocks vs. ETF's: Van Eck's Gaming and Sports ETF performing well during quarantine**

In addition to Activision performing well, the stock is part of a rival ETF (NERD). The ETF that's competing with Activision's ETF is **Van Eck's Gaming and Sports ETF (ESPO)**. is up 5% this year. Esports is also a bright spot in the stock market. [Business Insider Intelligence](#) noted that esports are growing since other physical sports are on hold during the quarantine.

"Total esports viewership is expected to grow at a 9% compound annual growth rate (CAGR) between 2019 and 2023, up from 454 million in 2019 to 646 million in 2023. That puts the audience on pace to nearly double over a six-year period, as the 2017 audience stood at 335 million," stated Business Insider Intelligence.

Tony Hershey, a gaming stock expert, said that esports stocks and ETF's can be profitable.

This TradingSim chart shows the trajectory of the Van Eck's Gaming and Sports ETF.





## Van Eck's Gaming and Sports ETF

"You're now seeing [the market] differentiate between sectors and areas that can actually perform here [given the current environment, and] the data points are bearing it out," said Hershey.

"If anything, I see current circumstances as accelerating a shift from physical to digital," he added. "Esports are uniquely positioned relative to traditional sports to thrive in such an environment."

## With gaming stocks vs. ETFs, ETF's have edge

VanEck product manager noted the success the gaming ETF can have during this stay-at-home time.

"Video game and esports stocks are uniquely positioned to

weather this economic recession in which the vast majority of the population is forced to stay inside for extended periods of time,” said VanEck product manager John Patrick Lee in a [recent note](#).

“Across the spectrum of the industry, including live-streaming, esports competition and concurrent users playing, analysts have noted a significant increase in the number of people logging on to play video games. What are people going to do if they are stuck at home for an extended period of time on a mandatory lockdown? Play video games—with themselves and each other.”

With the gaming stocks vs. ETF’s comparison, Van Eck’s Gaming and Sports ETF has a slight edge because of its diversified gaming and esports holdings.

## **Google stock strong with Apple partnership**

Another tech stock, **Google** parent Alphabet (NASDAQ:GOOG) saw its shares jump by 5% after announcing its partnership with Apple(NYSE:AAPL). The two competitors will join forces to create a COVID-19 tracking system on iOS and Android phones. The partnership will likely continue to boost Google’s’ stock. Google’s CEO Sundar Pichai, noted that its growth in cloud computing will help Google’s stock perform well in the volatile stock market.

“Our investments in deep computer science, including artificial intelligence, ambient computing and cloud computing, provide a strong base for continued growth and new opportunities across Alphabet,” said Pichai.

# Google hit by COVID-19, but survives with YouTube

Google stock had fallen 27% since the coronavirus crisis started. Suntrust Humphrey analyst Youseff Squali noted that Google's other businesses have been heavily impacted by the recent economic slowdown.

"A number of key verticals for Google have been hard hit by the coronavirus, social distancing and an overall economy that's being brought to a standstill. Those include travel, lodging, autos and retail," said Squali.

Even though many tech companies are suffering from declined advertising, Google is still staying afloat. YouTube is still a strong part of Google's properties. The popular video on-demand service is predicted to [make \\$9.33 billion in 2020](#). Squali agreed that YouTube will help Google's bottom line.

This TradingSim chart shows the volatility of Google(Alphabet stock).



Google stock the week of March 19

“On the other hand, given YouTube’s ability to function as a medium to host both entertainment and news content, we believe it has particularly benefited from increased users and usage, as COVID-19 has forced social distancing and people to stay at home,” said Squali.

## Financial experts say Google will survive advertising drought

Citi analyst Jason Bazinet said that he expects Google to remain a strong buy for investors.

“We[Citi] expect Google to have a greater near-term disadvantage but also have a faster recovery as pandemic effects reduce... We believe Alphabet will be more resilient vs. Facebook in weathering the advertising decline due to its

lower exposure to the [small business] advertiser base,” said Bazinet.

Google is a high-profile, but undervalued stock. The tech stock’s trading at only 25 times its earnings. The tech giant is a great buy for long-term investors.

## Invesco QQQ Trust Series One pivotal in tech stock vs. ETF fight

Invesco QQQ Trust Series One is an ETF that has underperformed overall, but is still outperforming the S&P 500. The ETF often touts its tech holdings.



Invesco QQQ Trust Series One ETF

“Nasdaq-100 companies (are) nimble and at the forefront of numerous long-term investment themes that are still in their infancy, such as big data, cloud computing, machine learning and automation,” states Invesco.

Even though Invesco QQQ Trust Series One is down 16%, the ETF is still going to survive because it’s heavy in tech stocks. Bob Phillips, managing member of Spectrum Management Group, said the Invesco QQQ Trust Series One could still be a strong buy. The majority of its \$86.5 billion in assets are in tech stocks. Tech stocks are still a pivotal part of many ETF’s.

“I think tech stocks are a good place to dip your toes back into the water, that makes total sense to me. It’s their ability to access cash at very favorable borrowing levels and their growth prospects because our economy is going to grow again, and tech will be key component of where that growth will come from, ” said Phillips.

## **Tech stocks help Invesco QQQ Trust Series One, but Google wins stocks vs. ETF battle**

Investor Kent Thune noted that Invesco QQQ Trust Series One will still has tech stocks that will help the ETF remain viable to investors and “[t]he QQQ’s inclusion of communications services stocks like Facebook (NASDAQ:FB), Alphabet (NASDAQ:GOOG) and Netflix (NASDAQ:NFLX) help ensure its viability amid growing social distancing initiatives.”

Jan Hazius, chief economist at Goldman Sachs, notes that tech ETFs may be a strong choice to survive the Wall Street

volatility.

“Financial markets have started to take a more positive view of the outlook. The initial improvement was mostly policy-driven, but the greater optimism of the past week seems to be at least partly related to the virus itself, ” said Hazius.

While the Invesco QQQ is strong and contains Google stock, Google stock on its own is a stronger long-term investment based on its perseverance and future partnerships.

## **Kroger stock rises as shoppers rush stores**

In addition to tech stocks, grocery store stocks have increased as well. **Kroger** (NYSE: KR) stock rose 20% when Americans rushed grocery stores. Even before the COVID-19 crisis, Kroger’s online sales increased 29% as well. Kroger’s CEO , Rodney McMullen, notes the strong sales that the grocery store chain was having recently touting the success of the stores.

“After experiencing strong sales in February, the COVID-19 pandemic triggered a significantly greater lift in sales across both physical retail stores and digital channels in March,” noted McMullen.

The TradingSim chart below shows the jump in Kroger shares.



## Kroger stock

Because of the designation as an essential service and increased hours, Kroger will increase the pay of its workers.

“Our associates have displayed the true actions of a hero working tirelessly to ensure everyone has access to affordable, fresh food and essentials during this national emergency,” said McMullen.

## Kroger a strong buy after Buffett pick

Kroger is such a strong buy that Warren Buffett purchased \$550 million worth of the chain’s stock. It’s unclear whether the stock surge will last after this crisis. However, after the pandemic, Kroger stock is a strong solid pick for long-term investors that want to invest in a company with growth



potential.

Kroger is a solid stock with a healthy dividend that would be a good pick for long-term investors that want shares in a grocery company.

## **First Trust Nasdaq Retail ETF has slight gain during coronavirus crisis**

A retail ETF that is performing well during this crisis is **First Trust Nasdaq ETF** (NYSEMKRT:FTXD). The retail ETF is performing well with stock grocery stocks like Walmart (NYSE:WMT).

The retail ETF has been performing well as many shoppers have panic shopped in the wake of the COVID-19 crisis. The First Trust Nasdaq Retail ETF has been down 19% year-to-date, but has been up 1% over the past month.

In the battle between the First Trust Nasdaq Retail ETF and Kroger, Kroger seems to have an advantage based on previous data of more growth over the last month.

## **Would Fed's buying ETF's give them an edge?**



Aside from individual comparisons, there will be a government intervention that could shake up the stocks vs. ETF's war. The Federal Reserve will buy a series of corporate bonds through ETF's in order to boost the stock market. Dave Nadig, chief investment officer and director of research at ETF Trends, noted that the Fed buying the ETF's could improve ETF returns-but only for a little while.

"Short term, of course, we know what this means: buying pressure that'll bring up the price of the ETFs," said Nadig.

Nadig noted that the Fed purchasing ETF's won't be a game-changer against stocks overall. He believes government intervention won't help ETF's in the long run.

"I think it's really important to understand: this is not the federal government buoying the entire market, necessarily. They're explicitly not going to be buying ETFs that come up at a premium. So, if they manage to sort of re-establish equilibrium in the market, theoretically, that stops the

purchasing and then the market can go back to resetting prices,” said Nadig.

## **Which stocks and ETF's would be best for long-term investors?**

The previous analysis shows that tech, consumer staples, and even gaming stocks can have long-term potential. However, tech stocks like Google appear to have the best potential for long-term investment because it's able to evolve with new technology. Large capitalization tech stocks like Google compose about 20% of the S&P 500. They [have risen since the coronavirus pandemic](#). Tech stocks have performed well because many workers are more dependent on computer technology.

The aforementioned Vanguard Total Market ETF has many diversified holdings and would be best for long-term investment. Even though the fund is currently struggling, it could rebound in the long run. Because it tracks the S&P 500, when the Dow rises again, the Vanguard Total Market ETF will rise as well.

Because of the growth in medical and biotech ETF's, long-term investment in SPDR S &P Biotech ETF would be another great choice for long-term investment. Gilead could be a long-term choice because of its innovation in medicine and its potential of its COVID-19 remdesivir drug.

Stocks and ETF's that look to the future of technology and are on the cutting edge of medicine would be the ideal choices for long-term investors.

## **Stocks vs. ETF's: Who is the**

# winner?

The previous analysis shows that there's no clear winner in the stocks vs. ETF battle. Some stocks perform very well based on circumstances. Some ETF's do better if they have holdings that have longevity with investors. Both stocks and ETF's may have different performances based on the industries they cover. The performance may also vary based on how the stock market performs overall.

Investors must choose their own investment instrument based on the industry they want to invest in, the amount of involvement they want with their investment. Choosing stocks or ETF's ultimately depends on how much risk they want to be exposed to in the stock market. Even the great investor Warren Buffett expressed an appreciation for ETF investing.

"If you accumulate a low-cost index fund over 10 years with fairly regular sums, I think you will probably do better than 90% of the people around you who take up investing at a similar time," said Buffett.

Both stocks and ETF's are great options for investors for different reasons. If investors want more autonomy with their stock picks and more interaction with picks, stocks may be the better choice.

If investors want more hands-off investment and want a fund manager to pick stocks, ETF's may be a better option. Investors may also want to pick ETF's if they want more diverse options to invest in as well.

Regardless of which investment option traders pick, TradingSim can help investors practice trading stocks and ETF's. Investors can test the stocks vs. ETF comparison on TradingSim to make the best long-term investment choice for them.

