Europe Not On My Radar

***e*Research Corporation** is pleased to provide an article by Keith Richards of **VALUETREND**.

In this article, Mr. Richards examines some European ETFs and is staying clear.

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Europe Not On My Radar

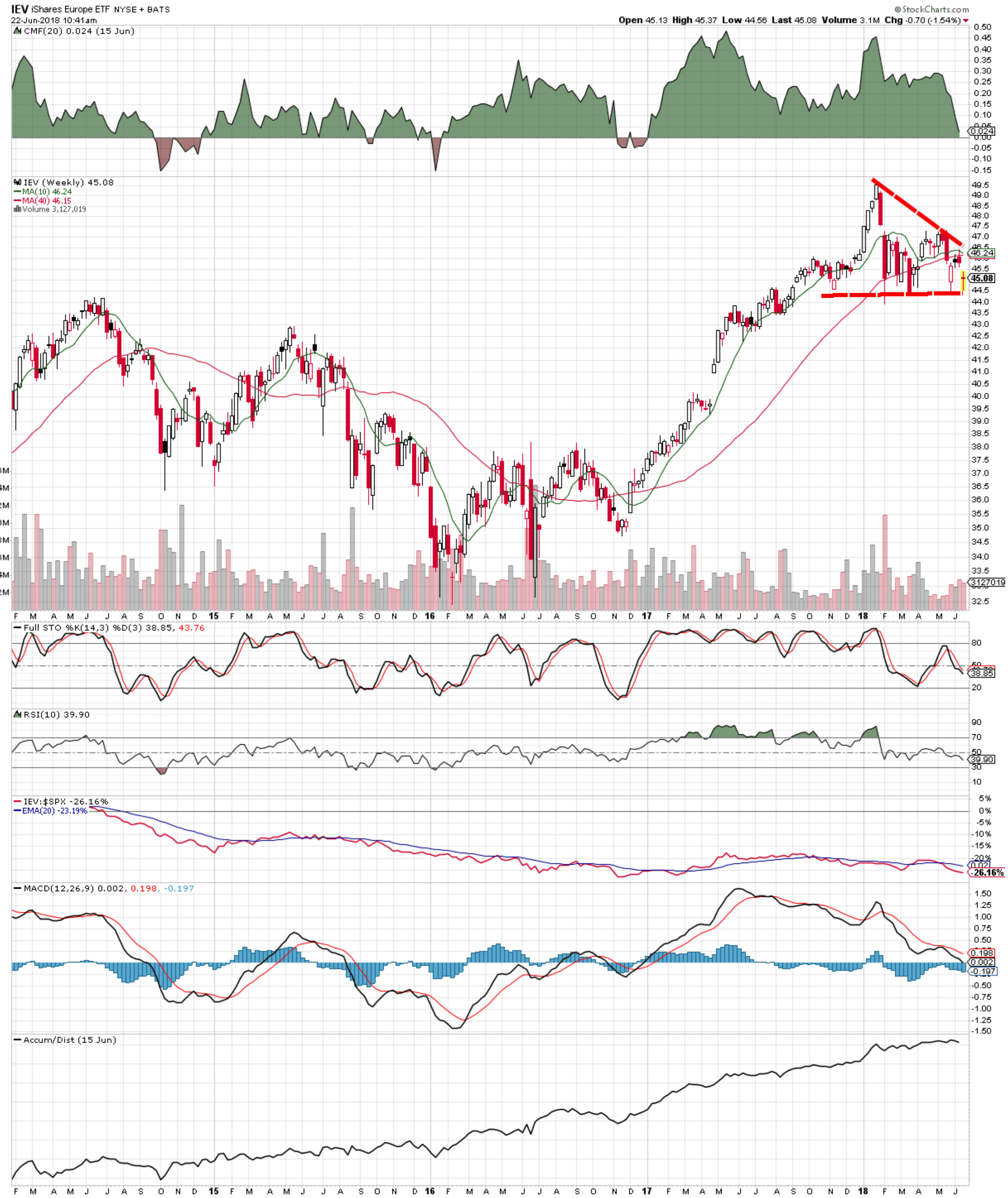
By: Keith Richards (bio at end)

Last year, we held a position in a broad market ETF that represented a global cross-section of country stocks. Earlier this year we sold this position, given the global volatility that had begun to shake developed (and emerging) markets.

We are exclusively focused on North America of late, although that may change in a few months.

Sometimes I see a Portfolio Manager on BNN espouse Europe as a great place to invest – typically they endorse an ETF representing Europe. I don't agree that now is a good time to buy into Europe. Today's blog shows why I hold that view.

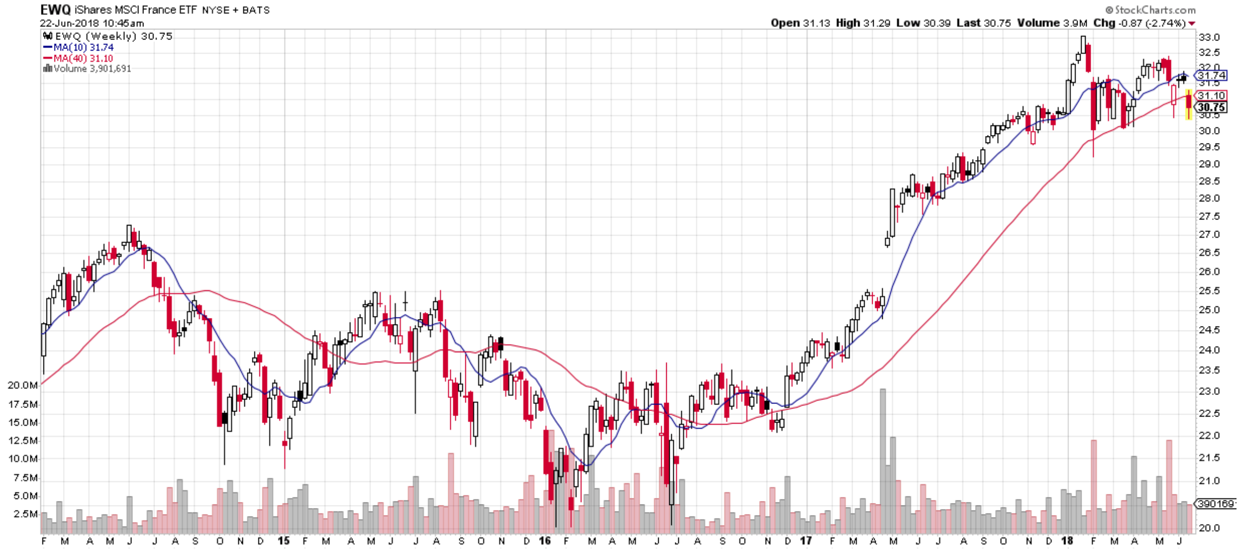
<continued>



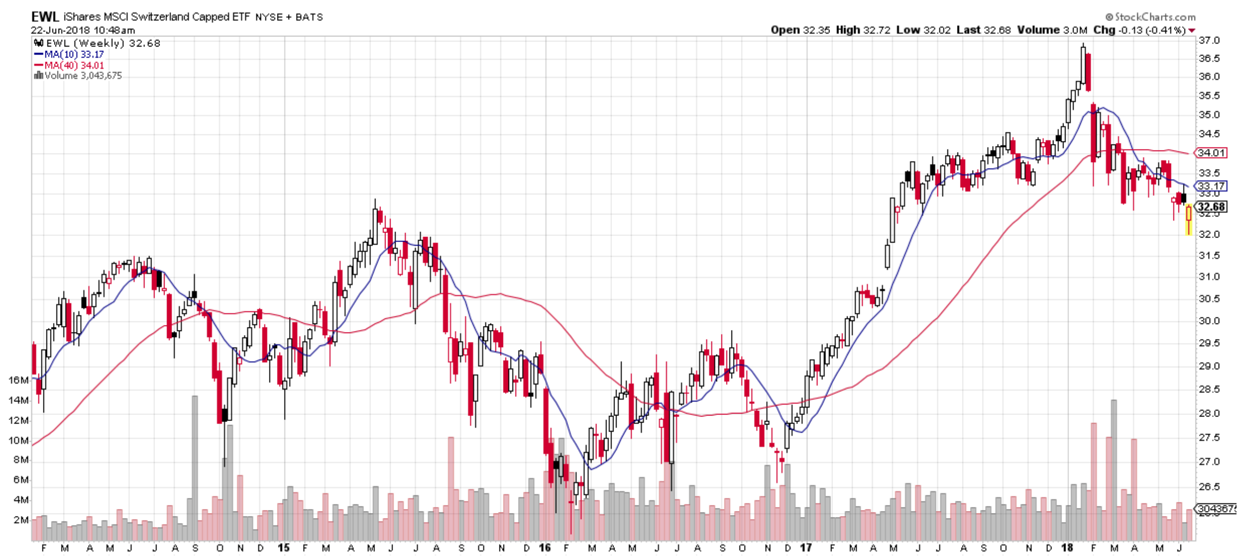
Above is the chart of the iShares Europe ETF, which represents a broad cross-section of country ETFs. You can see on the chart that the broad European market is consolidating in a right angled triangle. Support at $44.50 needs to hold in order for the bulls to hold out for further upside. As a new investor, I would only buy upon a breakout of the triangle, through about $47. Note the declining money-flow momentum (top pane) and decline momentum studies. However, longer-term cumulative money-flow (bottom pane) remains bullish.

The IEV ETF weights UK, France, Germany, and Switzerland as its largest positions. They represent 72% of this ETF's weighting. So it is important that they hold out. Upon examining them I note that individual ETFs for the UK, France, and Germany look pretty much identical to the bigger picture IEV European ETF. That is, they are consolidating within a right angled triangle.

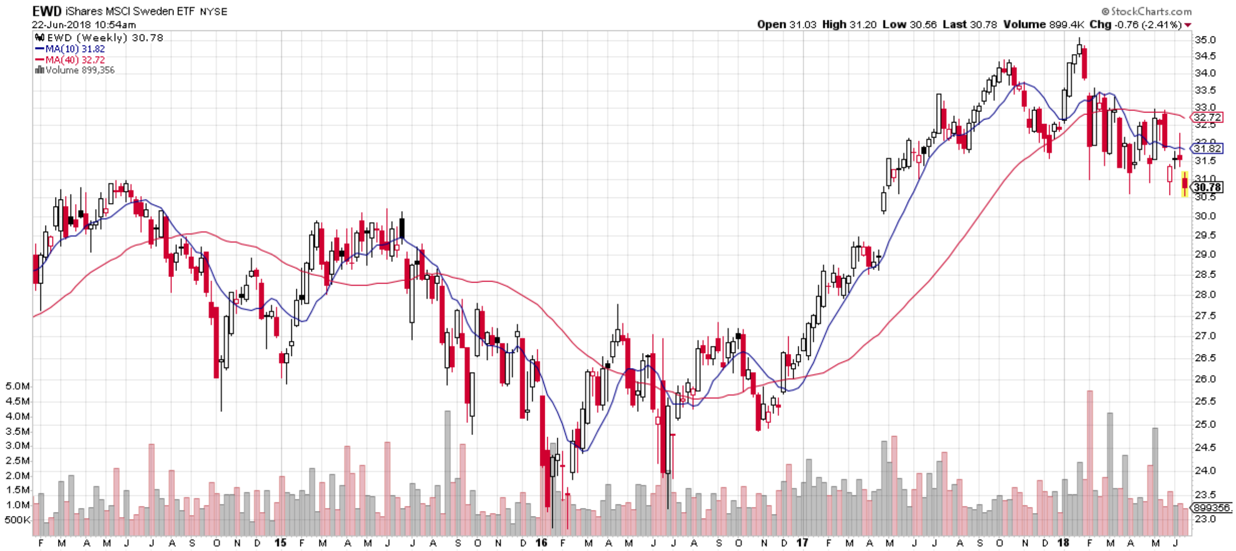
I have posted the chart for France (EWQ) below.



Switzerland is the only member of the 4 largest positions that appears to be breaking the consolidation pattern. The chart below is for the EWL ETF. Note the break below support (blue line) and the proceeding waterfall decline.



Many of the smaller components of the broad IEV ETF are breaking down. I probably don’t need to tell you that Italy is in trouble. But, so is Sweden. Note the declining trend on its ETF: EWD.



Conclusion

The big picture looks “OK”, but not great for Europe. While most of the major components are holding support within the European individual country indices, many are not. Personally, I would look elsewhere before buying into Europe at this time. A bullish break-out through the triangle, noted above, would change my opinion – but that day is not here yet.

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ABOUT THE AUTHOR

ValueTrend Founder and Owner, Keith Richards, has been in the securities industry since 1990. ValueTrend manages over $100 million through a discretionary investment service for high-net-worth clients.

Keith Richards has been in the securities industry since 1990 and is a highly regarded member of the small, exclusive community of Chartered Market Technicians in Canada. Mr. Richard's articles appear regularly in INVESTORS DIGEST, MONEYLETTER, GLOBE AND MAIL, and the TORONTO STAR newspapers.

His appearances on BNN Television have inspired producers to acknowledge him as **"one of [our] most accurate technical analysts."** Mr. Richard's first book, SMARTBOUNCE: 3 ACTION STEPS TO PORTFOLIO RECOVERY, is available in bookstores and directly through his blog page **www.valuetrend.ca/blog/**. His second book, SIDEWAYS: USING THE POWER OF TECHNICAL ANALYSIS TO PROFIT IN UNCERTAIN TIMES was released in late 2011. He has been critical of the commission-based, follow-the-pack approach to investing – where brokers succeed regardless of performance.

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