

Profitable INVESTING Tips

Stock Market Investing Tips, Techniques, and Resources



Is the European Economy Ready to Boom?

The equity markets always look ahead and right now they are growing tired of waiting for the Trump boom and looking to Europe. According to *CNBC* **Europe is the hot new trade in the stock market.**

Amid the political uncertainty of Brexit, mounting social turmoil over immigration and barely there economic growth, Europe has improbably emerged as the hot stocks trade this year.

The postelection rally in U.S. equities is looking tired as gridlock has sapped momentum in Washington. Investors have been looking for a better place to grow cash, and the European market is quickly becoming the favorite target.

“We believe that the underlying performance of European equities is potentially misunderstood by market participants,” Henry McVey, head of global macro and asset allocation for private equity powerhouse KKR, said in a lengthy report for clients. “We also believe that European equities, financials in particular, are poised to perform well in 2017.”

The market has begun to take notice.

Last week we asked **why aren't you investing offshore.** And we showed where the smart money is going.

The United Nations World Investment Report for 2016 shows which countries investment money is flowing into and in what amounts. In 2015 money flowing into Asia and Europe each exceeded that flowing into North America.

All of the hype about the Republican White House and Congress stimulating the economy is wearing thin. The Affordable Care Act repeal debacle is being read as a sign of things to come. The Trump years may end up like the Carter years when the same party holding all of the keys to power was unable to work together on a coherent agenda. Tax breaks, offshore corporate cash repatriation and infrastructure spending all seem unlikely at least in the near term. In the meantime why is Europe looking so attractive?

Buy Low, Sell High

A lot of money is moving out of US stocks and into European stocks simply because the US market is priced too high and European stocks are comparatively cheap. The Brexit hurt European markets but investors have adjusted and the EU does not appear to be going

away. And Europe has not had to deal with the hype of a return to Reaganomics that has been inflicted on US markets.

The State of Europe

China is inaccurately referred to as the second largest world economy. The first and second largest world economies are the USA and the European Union. The USA's gross domestic product is \$18 Trillion a year while the EU has a GDP of \$17 Trillion. China's is around \$11 Trillion. The Euro is the second most traded international currency after the greenback. And like the USA, Europe's stock markets are open and transparent making it safer to invest than in the emerging markets of Asia. The shock of Britain leaving the EU is wearing off and the pain that Britain will suffer for its decision may well deter other nations from leaving the fold. As such Europe is a viable alternative to investing the USA and currently a better idea.

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