

Profitable INVESTING Tips

Stock Market Investing Tips, Techniques, and Resources



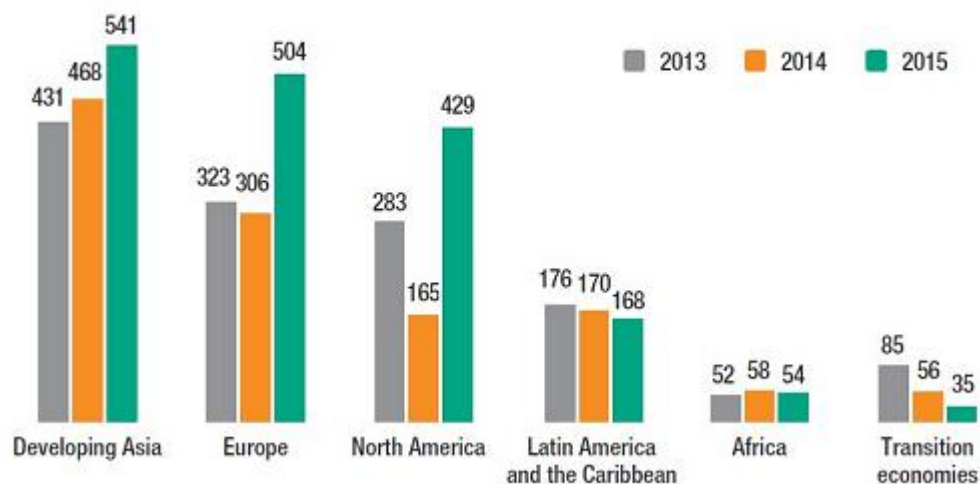
Why Aren't You Investing Offshore?

Buy low and sell high is the age old mantra for investing. With all the hype about bringing jobs back home, reducing taxes and spending on infrastructure, the best deals in stocks today are not in the USA but in foreign markets. Why aren't you investing offshore? *USA Today* says investors should **look outside the U.S.**

With U.S. stocks trading in overvalued territory after their long rally, investors are likely to reap better returns going forward in places like the eurozone, and in emerging markets like Brazil, and Central and Eastern Europe. These foreign markets now have characteristics that suggest future gains will outpace U.S. returns. Working in their favor? They're selling at more affordable prices, and are home to economies on the upswing and companies poised to post stronger profit growth.

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.

Figure 2. | FDI inflows, by region, 2013–2015 (Billions of dollars)



Source: ©UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

This situation is a turnaround from **foreign direct investment** in the early days of the Great Recession when the USA was far and away the beneficiary of foreign investment.

Follow the money is age old advice for knowing why something is happening. In this case we would like to follow the money that goes into foreign direct investment. Foreign direct investment is done by folks with lots of money and the intention to stay a course and make a profit. If you are looking for offshore investment ideas, take a look at where foreign direct investment goes year after year after year.

The UN study is updated every year and provides a good picture of where the smart money is going.

You Don't Need to Speak Japanese, German or Chinese

If you have avoided offshore investments because you don't know how to communicate with stock brokers in Tokyo, Berlin or Shanghai forget that. The way for American investors to buy foreign stocks is via **American Depositary Receipts**. *Investopedia* explains.

An American depositary receipt (ADR) is a negotiable certificate issued by a U.S. bank representing a specified number of shares (or one share) in a foreign stock traded on a U.S. exchange. ADRs are denominated in U.S. dollars, with the underlying security held by a U.S. financial institution overseas, and holders of ADRs realize any dividends and capital gains in U.S. dollars, but dividend payments in euros are converted to U.S. dollars, net of conversion expenses and foreign taxes. ADRs are listed on either the NYSE, AMEX or Nasdaq but they are also sold OTC.

Your best bet is to buy only level 3 ADRs. The companies that sponsor these must adhere to reporting requirements similar to those of American stocks listed on the NASDAQ or NYSE. Thus you can invest offshore with the ability to examine fundamentals and find stocks with high **intrinsic value** and prospects for long term profits.

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