

# THESE CHARTS COULD POINT TO FURTHER HIGHS

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*One of the technical analyst teams we follow closely is JC Parets, Chartered Market Technician (CMT), and All Star Charts. All Star Charts is a technical analysis blog that attempts to forecast future price movements using historical market price data. JC helps us evaluate technical patterns across important markets and asset classes, and we are looking forward to sharing more of his research on our blog.*

There is information everywhere.

WisdomTree has historically been focused on [value](#), [dividends](#) and [quality](#), so our research tends to comment on valuation discounts and fundamental trends across global markets.

We also recognize that [momentum](#) has been one of the strongest factors, according to academic literature, and that technical chart patterns (based on historical market price data) and fund flows carry a lot of information about the direction of the market.

The All Star Charts team, led by JC Parets, CMT, is looking at markets all over the world, priced in both local currency and U.S. dollars.

JC often uses gold as the denominator, as well as other indexes to analyze [relative strength](#). It's one giant web of money flow.

## Can Technical Indicators Signal a Revival Overseas?

Recently, JC has focused on a divergence in global markets that has, in the past, coincided with important turning points.

Specifically, we at WisdomTree are looking at divergences in two WisdomTree [currency-hedged](#) exchange-traded funds for the European and Japanese equity markets: the [WisdomTree Europe Hedged Equity Fund \(HEDJ\)](#) and the [WisdomTree Japan Hedged Equity Fund \(DXJ\)](#), respectively.

These funds are designed to represent their markets priced in local currency terms as opposed to most other traditional, [unhedged](#) ETFs that typically have exposure to both:

1. Foreign currency movements relative to the U.S. dollar
2. Their local equity markets.

Figure 1 shows HEDJ breaking out to all-time highs recently.

As JC has noted, when was the last time you could say the words "Europe" and "all-time highs" in the same sentence with a straight face?

## Figure 1: HEDJ Reaches All-Time High in Late 2019



Performance is historical and does not guarantee future results. Current performance may be lower or higher than quoted. Investment returns and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Performance data for the most recent month-end is available at [wisdomtree.com](https://wisdomtree.com).

Source: All Star Charts, as of 1/1/2013- 11/18/2019. Past performance is not a guarantee of future results. The horizontal axis represents the dates, and the vertical axis represents the price of the Fund. Green candlesticks represent days where the market price of HEDJ closed higher than the previous day. Red candlesticks represent days where the market price of HEDJ closed lower than the previous day. 161.8% represents the Fibonacci retracement price level where All Star Charts would expect HEDJ's market price to fall. Time period greater than five years shown to provide extensive market price history for HEDJ and showcase multiple periods where European equities were in favor, out of favor, and in between. This time period is also used to provide sufficient data to calculate the Fibonacci retracement levels for HEDJ.

WisdomTree shares are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Total Returns are calculated using the daily 4:00 p.m. EST net asset value (NAV). Market price returns reflect the midpoint of the bid/ask spread as of the close of trading on the exchange where Fund shares are listed. Market price returns do not represent the returns you would receive if you traded shares at other times.

For standardized performance of HEDJ, please click [here](#).

While some analysts may assume that new peaks portend a major price reversal, JC comments that all-time highs "are not characteristics of downtrends. New highs have historically preceded even higher highs."

JC believes that HEDJ's price may be able to continue even higher toward its 161.8% [Fibonacci retracement](#) levels near \$83.

### But What About Japan?

We don't think Japan is too far behind.

Both Japan and Europe are sensitive to a bottoming in sentiment toward global trade fears and global growth dynamics. The chart in figure 2 certainly does not show as clean a breakout higher as in Europe, but JC believes the base and potential are both there.

**Figure 2: DXJ Has Room to Run**



Source: All Star Charts, as of 1/1/2013-11/18/2019. Past performance is not a guarantee of future results. The horizontal axis represents the dates, and the vertical axis represents the price of the Fund. Green candlesticks represent days where the market price of DXJ closed higher than the previous day. Red candlesticks represent days where the market price of DXJ closed lower than the previous day. 161.8% represents the Fibonacci retracement price level where All Star Charts would expect DXJ market price to fall. Time period shown to show how the price of DXJ has changed over a full sentiment cycle, where it was in favor, out of favor, and in between. Bowl-shaped patterns indicate historical price reversals, where a bottoming in sentiment resulted in price appreciation shortly thereafter.

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For standardized performance of DXJ, please click [here](#).

JC writes: "When Europe had a higher high and diverges positively versus Japan, the S&P 500 [Index] and stocks around the world start to rally. This just happened again."



Source: All Star Charts, 11/18/19. Past performance is not a guarantee of future results. The X axis represents the dates, and the Y axis represents the price of the Fund. You cannot invest directly in an index.

### The Technicals Provide Optimism for Equities

The All-Star Charts team has been [bullish](#) on stocks because the overwhelming weight of technical evidence points to higher stock prices. They believe buying stocks has been and will continue to be more rewarding than selling them.

There is no holy grail of [technical indicators](#), and the charts above do not pretend to be it. JC comments:

But when things like this keep adding up, pointing toward much higher stocks prices, it's hard to ignore it, and it's even harder to bet against it.

Think about it like this. If the people claiming the world is coming to an end are right, do you think European stocks would be breaking out to new highs? Heck no! They'd be right up front leading the global march to zero.

So when the gloom and doomers have their day, and their two weeks of fame, you'll see it being priced into these charts above. Today, the money flow is suggesting the complete opposite.

The technicals could possibly point in favor of HEDJ if it is above \$69.

***Unless otherwise stated data source is All Star Charts as of November 15, 2019.***

### Important Risks Related to this Article

There are risks associated with investing, including the possible loss of principal. Foreign investing involves special risks, such as risk of loss from currency fluctuation or political or economic uncertainty. Investments in currency involve additional special risks, such as credit risk and interest rate fluctuations. Derivative investments can be volatile and these investments may be less liquid than other securities, and more sensitive to the effect of varied economic conditions. As these Funds can have a high concentration in some issuers, the Fund can be adversely impacted by changes affecting those issuers. Due to the investment strategy of these Funds they may make higher capital gain distributions than other ETFs. Please read each Funds' prospectus for specific details regarding the Funds' risk profiles.

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For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

For more investing insights, check out our [Economic & Market Outlook](#)

View the online version of this article [here](#).

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