

Profitable INVESTING Tips

Stock Market Investing Tips, Techniques, and Resources



Emerging Market Rebound

Is it time to invest in an emerging market rebound? Stock markets in Turkey, Brazil, Russia and Thailand have all popped up recently. Investors are pumping money into exchange traded funds in anticipation of a full blown emerging market rebound. The BRICS nations which include Russia and Brazil were the darlings of offshore investment a couple of years ago. Then when the recession hit demand for raw materials dropped and so did enthusiasm for investment. A year or so ago investors dumped thirty billion or more in assets from emerging market exchange traded funds. And in just the last couple of months more than ten billion has flowed back in according to news reports. Is it time to invest in an emerging market rebound or could it even be too late? Or it all too soon to expect an emerging market rebound? Let us look at a couple of specific cases where you might want to invest in foreign stocks via an exchange traded fund.

Bad to Better and Investment Flows to Stability

There were street demonstrations in Thailand that resulted in a military takeover. Investors are betting that the Thai generals will bring a stable government and return to prosperity. The Thai SET index rose by a fifth. In Turkey the prime minister was accused of corruption but his party did well in elections and the resulting return to stability brought the Borsa Istanbul 100 Index up by more than a quarter. Russian stocks have profited as the Russian Federation president has backed off military threats against Ukraine and Brazil saw its Ibovespar Index rise by a fifth as investors bet on new growth-related policies. In each of these cases there were two factors that drove stock prices down. One was the state of the world economy and reduced demand for raw materials and other products that these nations export. The other reasons were specific to each nation but were all related to economic, social and political instability. As each of these nations has taken steps leading to stability things are have gotten better. But, for a long term emerging market rebound these and other nations need to initiated expected reforms and maintain stability. And, most importantly, the global economy needs to recover.

Blood in the Streets and Best Emerging Market Rebound Bets

Providing that things eventually settle down in Syria and Iraq investing now in that region would turn out well. It is a matter of offshore investment timing. And it has to do with the vehicle you use. You can engage in foreign direct investment, invest in foreign stocks or invest in an exchange traded fund that picks the investments for you. As far as timing goes remember that there is always a fundamental reason why the price of a stock is falling like a rock. A lot of companies go broke when times are bad. Picking and choosing among stocks that are in trouble can be difficult in your own country but is especially difficult at a distance when the other nation is at war or otherwise in chaotic circumstances. That brings us to the

choice of investment vehicle. When you pick the right stock at the right time in an emerging market rebound you can become rich with one investment decision or you can lose your investment capital. When you diversify via an exchange traded fund you reduce your chances of a loss although you also dilute your gains.

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