

Investing Internationally

“Good investors gather information, put that information into current and historical context, then make sound decisions.”

Investing internationally isn’t what it used to be. Twenty years ago it was complicated and expensive. Risks were not just limited to how profitable the international corporations were, or how well they were competing in their respective markets. There were also cultural, currency, political, and time zone factors to be negotiated. Local and regional markets, not to mention local and regional stock markets, were often not comparable to the free market systems common to the United States. It was believed that to truly appreciate and evaluate international equity markets you needed to have teams of analysts that were imbedded and knowledgeable, which was expensive. Accordingly, management fees were significantly higher. All this being said, there was money to be made investing internationally.

The technology explosion blew huge holes in the barriers that used to be associated with international investing. Information technology has shortened the distances between foreign corporations to milliseconds. Cultural interpretations are made equally as fast. Modern 24-hour trading systems have reduced currency and time-zone issues to rapid-fire math algorithms. Last but not least, the costs of international investing, especially when utilizing exchange traded funds (ETFs), have declined dramatically. The net result is that international investing has taken on the characteristics of everyday sector investing.

This is especially true when your primary tool is technical analysis. We believe that investors can be successful by effectively utilizing the information available in modern technical and analytical charts. And they can do so without having to listen to the swarm of opinions on the Why’s, When’s, and How’s that are continually being shared by the ‘expert of the hour’ on TV, radio, and the internet. The establishment of a rules-based system of investing aids in recognizing opportunities and more importantly, in being aware of risks. Effective rules-based systems, also known as algorithms, are

primarily visual mathematics situations when utilizing technical analysis. The world’s opinions are distilled into the price of the security. The security can be Large Cap or Small Cap, Health Care or Energy, Domestic or International.

Certainly, we are not dismissing the value of experience when addressing international markets. I am reminded of one of my favorite sayings, “Experience is what you get when you didn’t get what you wanted.” Our experience with international investing has taught us that when you learn to regard it as just another sector, with its own opportunities and risks, you can achieve the most success. If you attempt to rationalize all of the rhetoric, or even stubbornly stick to buy-and-hold strategies because ‘the whole world is changing’ you will miss opportunities, or unnecessarily lose money. Fear and greed are constants that drive investment decisions and are crystallized in the price. It’s that simple if you know what you want, and what you want to avoid.

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Earlier this year we established international positions in our Growth, Conservative Growth, and Balanced Growth models. These sectors have been productive and are, in fact, out-performing every domestic equity sector that we monitor. Accordingly, we are expanding exposure to international equities versus domestic equities. The simple fact is that money is flowing into developed international and emerging markets sectors. It’s about price appreciation, and we like to participate.

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