



From The Chart Room

Land Of The Rising MACD

Ben Berentson, 02.13.03, 12:14 PM ET

With the U.S. stock market in the red day after day, is it time to look elsewhere for profit opportunities? One chartist thinks so.

Dr. Marvin Appel, co-editor of [Systems and Forecasts](#), is recommending a move into the Ishares Japan Index Fund (amex: EWJ). This exchange-traded fund attempts to mirror the Morgan Stanley Capital International Japan Index, which is designed to mirror the broad Japanese market.

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Appel points out that, unlike most single-country exchange-traded funds, EWJ "has ample liquidity for the average trader. It's trading at a spread of only one penny at almost \$7 per share." More precisely, EWJ is currently trading for \$6.90.

Why does Appel like EWJ? Its relative performance to the S&P 500, as well as its strong moving average convergence divergence (MACD) indicator. EWJ actually has been in a gentle uptrend since early October, while the S&P 500 has been in a sharp downtrend since the beginning of 2003. It is already down nearly 8% this year.

But more important for Appel is the performance of the EWJ's and the S&P's underlying MACD indicators. The S&P 500's MACD is at its lowest levels since October and has been making a series of lower lows. On the other hand, EWJ's MACD chart is more bullish. It has been making a series of higher lows and is in a more pronounced uptrend than the exchange-traded fund's price.

In addition, the MACD (red) might soon cross its nine-day moving average (blue), creating a long-term buy signal. Appel sees an upside of at least \$8 a share if this crossing occurs.



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