(BN) Europe’s Stoxx 600 Banks Index Will Rally 8%: Technical Ana lysis

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Europe’s Stoxx 600 Banks Index Will Rally 8%: Technical Analysis

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By Adria Cimino

Dec. 19 (Bloomberg) -- European bank stocks will rally 8 percent by the end of the first quarter of 2013 and drive gains in the region’s benchmark gauge, according to a technical analyst at Day By Day in Paris.

The Stoxx 600 Banks Index this week passed the 38.2 percent Fibonacci retracement level of the decline from October 2009 through November 2011, Valerie Gastaldy, a technical strategist and partner at the research company, said in a telephone interview today.

“That is the level prior to fears about contagion from the debt crisis,” she said. “This is an important signal from the banks sector. When banks perform well, insurers and cyclicals follow. We will have indexes that do well in January.”

The measure will advance until it reaches 179 where it will meet its next resistance, she said.

The Stoxx 600’s bank measure plunged more than 50 percent from October 2009 through November 2011 as concern mounted that Greece’s sovereign-debt crisis would spread throughout the region. The gauge has rallied 38 percent since its 2012 low on June 1 as European Central Bank President Mario Draghi pledged to preserve the euro.

The Stoxx Europe 600 Index, the region-wide benchmark, has gained 15 percent so far this year.

In technical analysis, investors and analysts study charts of trading patterns and prices to predict changes in a security, commodity, currency or index.

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--Editors: Srinivasan Sivabalan, Will Hadfield

To contact the reporter on this story:

Adria Cimino in Paris at +33-1-5530-6297 or acimino1@bloomberg.net.

To contact the editor responsible for this story:

Andrew Rummer at +44-20-7073-3722 or arummer@bloomberg.net.