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STOCKS NEWS EUROPE-Go long energy, short pharma -Day-by-Day

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Investors should go long on energy stocks and short on healthcare shares, as the broad market's medium-term bullish reversal is going to favour cyclical sectors, Paris-based technical analysis firm Day-by-Day recommends.

"It is indeed time to move away from defensive stocks. We have already recommended an 'overweight' allocation on banks and techs," Day-by-Day head Valerie Gastaldy says.

"Energy stocks have been strong last year, but we think this move is not over. The STOXX oil and gas index vs the STOXX 600 ratio is correcting its strong path and may be lagging for a few more days, but it is nonetheless approaching a support area and it has to move back up closer to the top of its rising channel," she says.

"It won't be as rewarding as with financials stocks, but it is a lot less volatile."

The STOXX oil and gas sector index hit a near 12-month high on Monday, while the STOXX healthcare index's brisk rally started in late November stalled in early January as investors' appetite for risk recovered, triggering a sector rotation out of defensives and into cyclicals.

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