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Central Bank Move Rallies Global ETFs

By TRANG HO, INVESTOR'S BUSINESS DAILY
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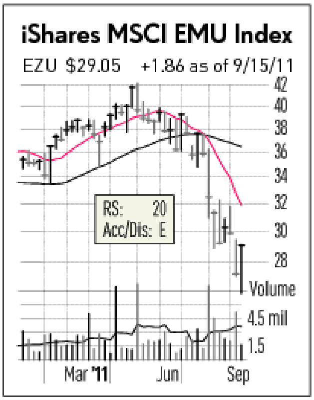

European ETFs led a global rally Thursday on news that five of the world's top central banks are joining forces to pump dollars into the European banking system, alleviating fears over the region's sovereign debt crisis.

The European Central Bank, the Federal Reserve, the Bank of England, the Bank of Japan and the Swiss National Bank threw commercial banks a lifeline by giving them three-month U.S. dollar loans to prevent money markets from freezing up.

"It's just a ploy to bail out the banks," said Jeffrey Sica, president of Sica Wealth Management in Morristown, N.J. "We bailed out the banks in the U.S. and we have the lowest interest rates in history. ... The economy has continued to decline. Nothing has improved, yet we've printed all this money."

SPDR DJ Euro STOXX 50 (FEZ), tracking European blue chips, jumped 4%. IShares MSCI EMU Index (EZU), tracking markets in the European Monetary Union, climbed 3.6%. IShares MSCI Sweden (EWD) led all foreign ETFs, gapping up 5.2% but in below-average volume.

The market's "quick-fix rally may very well be short lived," Sica said. Printing more money in Europe while the economy stagnates will fuel inflation and cause economic decline in the future.

CurrencyShares Euro (FXE), tracking the euro against the dollar, rose 0.94%, extending its gain to four days. PowerShares DB U.S. Dollar Index Bullish (UUP), which tracks the greenback against the most widely traded currencies, fell 0.65%.

"The move down in the dollar causes rallies but the fundamentals are not changed and central bank interventions are not going to (stop) world economies from declining," said Victor Sperandeo, CEO of EAM Partners and Alpha Financial Technologies, in Grapevine, Texas. "It is like a Band-Aid on a mortal wound. It may stop the bleeding temporarily but the patient will still die."

When appetite for risky assets increases, safe havens in precious metals and Treasuries lose luster. SPDR Gold Shares (GLD) fell 1.8% and iShares Silver Trust (SLV) 2.1%, turning in among the worst declines of the day. IShares Barclays 20+ Year Treasure Bond (TLT) fell 1.5%.

"Historically, it has been unusual for gold and the U.S. dollar to decline at the same time, but it can happen from time to time," said Tom Winmill, portfolio manager of Midas Fund .

"In the future, the gold price will begin to become more inversely correlated with both the U.S. dollar and the Euro, and positively correlated with the currencies of creditor nations," Winmill added.

Countries that have lent out more money than they owe include China, Brazil and Germany.

More To Metals?

GLD has corrected 6% from its 52-week peak and still trades high above its 10- and 40-week moving averages. Such a pullback is merely noise, gold experts said, given its rapid 25% advance year to date and 39% gain the past 12 months.

"In such an environment, investors are always looking for reasons to lock in profits," said Adrian Day, president of Adrian Day Asset Management in Annapolis, Md.

"We have not yet seen the highest prices that we will see for this bull market in gold," said Tom McClellan, editor of The McClellan Market Report. "As long as the Fed maintains negative real interest rates, we have a bullish long-term situation for gold."