

(BN) Euro Stoxx 50 Index May Return to 2011 Low: Technical Analysis

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By Adria Cimino

May 21 (Bloomberg) -- The Euro Stoxx 50 Index may return to its 2011 low within the next four weeks as the market lacks signs of a turnaround in its downtrend, according to a technical analyst at Day By Day in Paris.

"We're under long-term downward pressure," Valerie Gastaldy, technical strategist and partner at the Paris-based research company, said in a telephone interview. "We don't yet have signs of a force that would spur a market turnaround. What was in place for a period of a few months has broken."

The Euro Stoxx 50 rallied 13 percent from the start of the year through March 19 after the European Central Bank boosted lending to the region's banks. The index has since fallen 18 percent amid mounting concern Greece will be forced to exit the euro and Spanish banks will need to be rescued.

Gastaldy said the index had "little chance" of rising to a resistance level of 2,260 in the next two weeks. The Euro Stoxx 50 will probably fall to a support of 1,936, she said. The gauge dropped to 1,935.89, its lowest intraday level for 2011, on Sept. 23.

The Euro Stoxx 50, which slid 4.9 percent last week, rose 0.3 percent to 2,149.98 at 11:13 a.m. in Paris.

"Any rebound is linked to the market being oversold," she said. "We remain cautious and watchful. The declines aren't over."

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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