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Global Strategy and Investment Trends by David Fuller **http://www.fullermarkets.com**

Watch for a euro overshoot against the dollar, followed by another medium-term floor within the overall downtrend.

The friendless euro (at least among people who buy and sell currencies) is accelerating towards an important low - There is a growing feeling that neither the ECB nor Euroland's politicians can or will do anything to stem the euro's slide. This is a dangerous assumption although it is certainly a lot easier for monetary officials to weaken an overvalued currency - by printing more of it - than to check a primary downtrend before its time. However we are now seeing capitulation selling of the euro and this is becoming climactic. An accelerating downtrend is unsustainable beyond the short term - otherwise the price would reach zero in a matter of weeks. Meanwhile, increasingly bearish sentiment, typically found in the latter stages of a decline, is a rationalisation. As the downtrend becomes more overextended, those with short positions are psychologically prone to make ever more bearish forecasts to justify the increasing risk of a rebound. Our Daily Market Analysis* services for currencies are maintaining euro short positions against the dollar, for the moment, but I advise subscribers to lock in at least partial profits with a trailing stop, which I would tighten in line with any additional acceleration. Targets are no more than guesswork but I think the euro could slide to between $0.83 and $0.79, provoking the ECB into action. The further it falls in the short term, the more it should bounce on short covering, establishing another medium-term floor within the long-term downtrend - *see also FM195 for the economic argument.*

The weak euro is delaying the yen's decline - Japanese investors have been among the biggest sellers of the euro. Meanwhile, currency traders everywhere will understandably run with the clearest trends. These do not yet include dollar/yen, which remains within a ranging pattern that I believe is a base formation in its latter stage of development. A break in the progression of rising lows is required to challenge this hypothesis. Meanwhile, the dollar has steadied above its June low near ¥104 and Japanese short-term interest rate futures, known confusingly as Euroyen, are rallying. This suggests expectations of another rate hike in Japan over the next few months are waning and/or that the BoJ is supplying liquidity. Moves in Euroyen futures have often led short-term trends for dollar/yen. The US currency needs to sustain a break over resistance between ¥110 and ¥112, to complete the base. Once that occurs, I will look for at least ¥160 within eighteen months.

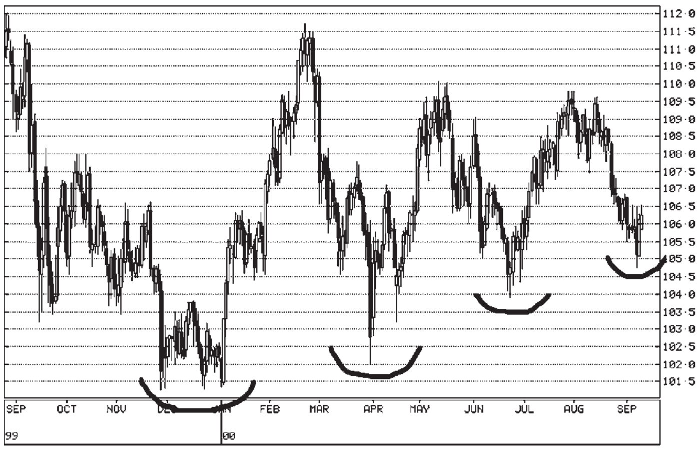
*For a free sample, email research@fullermarkets.com.

There will be no FMPs while I am away from the office from 12-18 September.

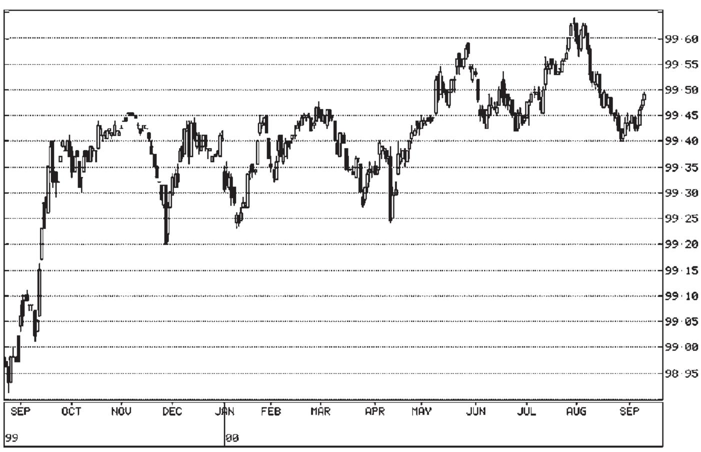
Best regards - David Fuller

Euro/Dollar $0.8574 (daily, one year)

Dollar/Yen ¥106.25 (daily, one year)



Euroyen rates 99.49 (Mar 2001, daily, one year)



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