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

The Nikkei steadies as the yen weakens

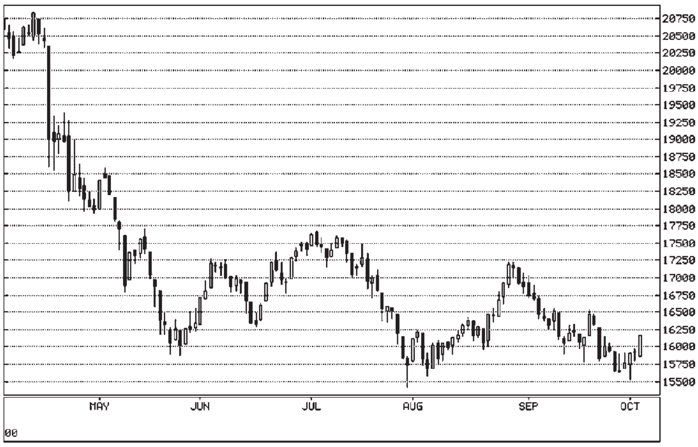
At least a near-term low for Japan's stock market indices - People have become increasingly bearish of Japanese equities this year as they underperformed markets in Europe, North America and the Antipodes. Recently, there have been forecasts of 13000 for the Nikkei and this is probably a contrary indicator, at least for the short term. However the current relative strength shown by Japanese banks and utilities, plus the rebound by Government bonds is bullish as they usually lead. On Monday there was a key day reversal (statistical rather than dramatic) for the Nikkei, following a test of its July low. There has subsequently been a further recovery, more than matched by the Topix Index, although this has not yet been sufficient to break the downtrend evident on longer-term charts. Nevertheless we now have the possibility of base formation development for both indices, provided the July lows continue to hold. Meanwhile, oil prices remain a major concern for investors everywhere. Oblivious to higher petroleum costs in August, markets experienced an oil shock in September. Investors remain concerned about the outlook for corporate profits, as expensive oil is equivalent to a tax on growth, but charts of petroleum futures now show evidence of top formation development. If the yen weakens, the relative strength of Japanese stocks should improve.

The US dollar is testing lateral resistance against the yen - Is this a Sisyphean march back up to resistance prior to another reaction by the dollar towards the middle of its trading range against the yen? Probably not judging from a sequence of higher reaction lows ever since the November 1999 to January 2000 trough. Moreover, I maintain a steadier euro will cause currency traders to sell the yen. A clear downward dynamic by the dollar is now required to remove pressure from resistance in the ¥110 to ¥112 region. An eventual upward break will be bullish for Japanese stocks because a weak yen would be like a warrant on Japan's export earnings, with a knock-on effect throughout the entire economy, just as the weak euro underpinned Europe's recovery last year.

Please note that I will be in Singapore, Malaysia and Australia from 9th through 18th October, so there will be fewer FMPs this month.

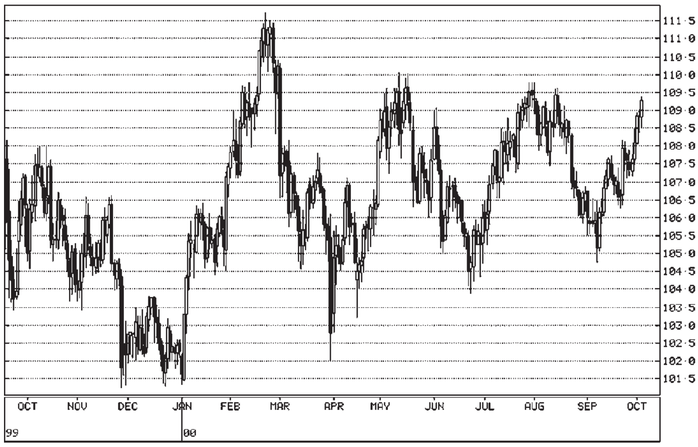
Best regards - David Fuller

Nikkei 225 Stock Average (6 Months Daily)



Gasoline (Nov NYME, 6 Months Daily)

US Dollar/Japanese Yen (1 Year Daily)



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