

## Upward dynamics check declines for oversold stock markets

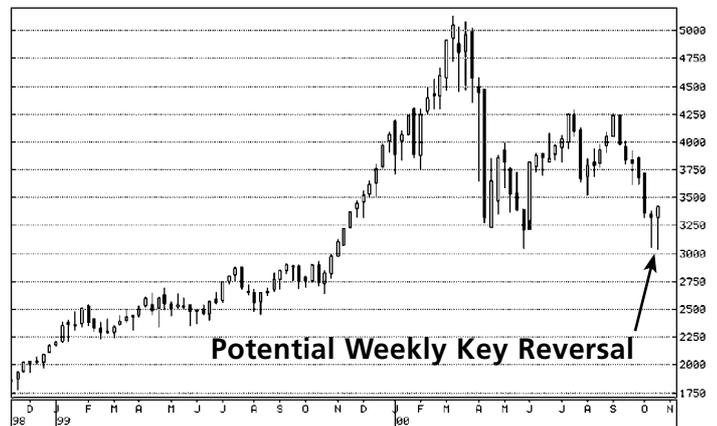
### The NASDAQ Index encounters support near its May lows but a strong recovery is required to offset the top-heavy appearance

Global stock markets have taken a battering since early September due to the oil price shock and fear of a war in the Middle East. Investors had underestimated the impact on GDP growth (and therefore corporate profits) from the increased cost of petroleum, previous rises in short-term interest rates and weaker stock markets. Moreover, some recalled that the last big spike in oil prices coincided with the 1990 Gulf War, which was followed by a recession. Today, the Israeli/Palestinian impasse over Jerusalem is obviously very serious but there is little appetite for a regional war - except by extremists - who remain a minority. While I would not want to underestimate the risk of further conflict in the Middle East, the possibility of war has been at least partially discounted by the recent stock market sell off. The NASDAQ Index, which has been a focal point of attention for many investors, still looks top heavy on long-term charts despite this year's fall of over 40% from the March high. However, following an acceleration back to the May low and the psychological 3000 level, it is deeply oversold in the short term. Upward dynamics such as last Friday's key day reversal and yesterday's rebound following a downside failure on Wednesday (two of the biggest single-day percentage gains in the NASDAQ's history), indicate that a low of at least near-term significance has been established. This would be confirmed by a push well into the overhead range evident between approximately 3500 and 4100. Major stock market indices for many other countries show similar albeit less dramatic upward dynamics. Some of the most overstretched downtrends are in Asia.

**Price churning by crude oil is consistent with top formation development** - There is still a shortage of refined petroleum, evident from the continuing backwardations (premiums of fuel for near-term delivery relative to more distant futures contracts). However price gyrations since mid-September indicate that supply is beginning to catch up with demand due to increased production and the high cost of petroleum imports, particularly for developing countries. Therefore should any additional gains occur above the recent highs for spot oil prices, which reached \$37 for crude (Dec NYME) on 12th October, they are unlikely to be sustained beyond the short term.

Best regards - David Fuller

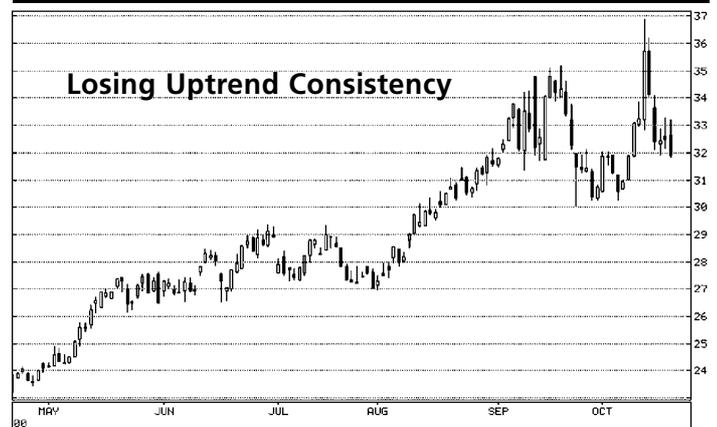
NASDAQ Composite Index: 3418.6 - 20 Oct 2000 (Weekly)



NASDAQ Composite Index: 3418.6 - 19 Oct 2000 (Daily)



Crude Oil NYME, DEC00 USD: 31.9 - 19 Oct 2000 (Daily)



FullerMarkets a division of Stockcube Research Limited Suite 1.21 Plaza 535 Kings Road London SW10 0SZ UK Website: [www.fullermarkets.com](http://www.fullermarkets.com)  
Email: [research@fullermarkets.com](mailto:research@fullermarkets.com) Tel: +44 (0) 20 7351 5751 Fax: +44 (0) 20 7352 3185

**You are strongly advised to read the following:** This report has been produced and compiled by FullerMarkets, a division of Stockcube Research Limited (Stockcube) which is regulated by the Securities and Futures Authority Ltd, according to the requirements of the Financial Services Act 1986. It is distributed by Stockcube and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy. While all reasonable care has been taken to ensure that the information contained herein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time Stockcube and any of its officers or employees may, to the extent permitted by law, have a position or otherwise be interested in any transactions, in any investments (including derivatives) directly or indirectly the subject of this report. Also Stockcube may from time to time perform other services (including acting as adviser or manager) for any company mentioned in this report. The value of securities can go down as well as up, and you may not get back the full amount you originally invested. Derivatives in particular are high risk, high reward investment instruments and an investor may lose some or all of his/her original investment. If you make an investment in securities that are denominated in a currency other than that of GB Pounds you are warned that changes in rates of foreign exchange may have an adverse effect on the value, price or income of the investment. The investments referred to herein may not be suitable investments for all persons accessing these pages. You should carefully consider whether all or any of these are suitable investments for you and if in any doubt consult an independent adviser. This report is prepared solely for the information of clients of Stockcube who are expected to make their own investment decisions without reliance on this report. Neither Stockcube nor any officer of Stockcube accepts any liability whatsoever for any direct and consequential loss arising from use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Stockcube. © Stockcube.