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

The yen will eventually fall much lower, despite Hayami

An orderly devaluation and increase in the money supply would enable Japan to emerge from its slump, which has been unnecessarily prolonged - You don't need a doctorate in economics to understand that a strong currency and money supply growth of 2.2% (M2+CDs) compounds Japan's deflationary problems. Everyone understands this except the BoJ's Governor Hayami who said today, "Although there are varying views on the economic outlook, the yen is too low"! Hayami has long forecast the sustainable recovery that Japan has not experienced, thanks to his monetary mismanagement. Fortunately for Japan, the yen is now falling of its own accord, although woefully low money supply remains a problem. In contrast, Greenspan has pushed one measure of US money growth back up towards 11%, to ensure that the American economy does not follow Japan's path of the last decade. Looking at the long-term chart for the US dollar against the yen, we have seen a decisive breakout from a lengthy base. There is some psychological and lateral resistance near ¥120 and ¥125, respectively. A consolidation of recent gains is now underway. I maintain downside risk is limited to temporary bouts of profit taking and that the dollar will move well above its 1998 high within the next two years. Events currently unknown will determine the timing of this move for which the charts will be our guide. I also expect the euro, sterling, Australian dollar and other viable high-yielding currencies to experience significant additional advances against the yen over the medium to longer term.

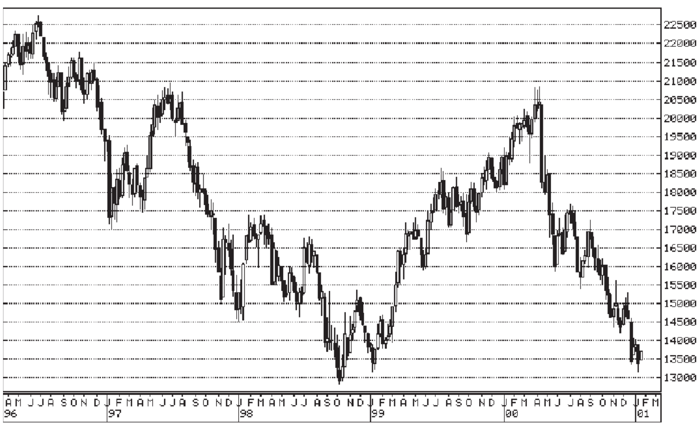
Japan's Nikkei has commenced a rally from its 1998/99 lows - The NASDAQ is the main influence but the proximity of previous, important support helps. Japan's beleaguered Government is also targeting the stock market as there will be a general election this year, possibly in July. Well aware that a weak market is bad for confidence, they would also like to see share prices higher before the fiscal yearend on 31st March. Without a decent rally Japan Inc.'s balance sheet will look even worse. There has been talk of government support buying, although this is controversial. Hideyuki Aizawa, chairman of the ruling LDP's stock market panel favours intervention and wants the Nikkei 225 Average back to at least 20000. Less contentious than intervention buying would be an expansion of money supply, since a portion of additional funds injected into an economy usually finds its way to the stock market. While this would require Hayami's cooperation, the discredited central banker is under increasing pressure. Interestingly, the Nikkei has rallied for six consecutive days, showing a persistence not seen for months. A technical rally is underway following prolonged weakness. However the prospect of economic recovery, requiring a surge in money supply and a weaker yen will be required to fuel a sustained rally.

Please note: FM200 has been delayed until next week.

Best regards - David Fuller

Dollar/Yen (Weekly) : 118.92

Nikkei 225 Index (Weekly) : 13667.63



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