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

European and Japanese stock market indices are finding support near their important March lows.

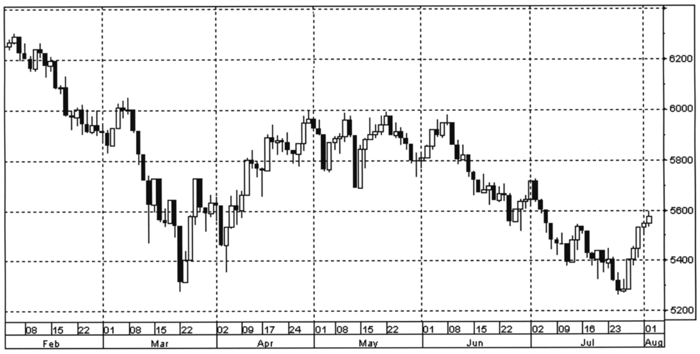
Finally, a summer rally but it will be limited by overhead supply and economic concerns - What's changed? Initially, perhaps only that fickle factor known as market sentiment. People can only be bearish for so long and most recent declines commenced in May. However economic weakness should lead to further rate cuts, as we've seen with the BoE today. The ECB will also have to join the Fed's reflation before long. In Japan, Hideyuki Aizawa, head of the Government's tax panel, announced today that he wants the capital gains tax cut from 26 to 10 percent, hopefully by September, to entice private investors back into the stock market. Prime minister Junichiro Koizumi certainly needs to do something because Japan's lending banks face their next capital adequacy review on 30th September. We can assume they are under water at today's market levels.

Technically, Europe's main share indices are in the sixth day of a bounce from support near their important March lows. Until or unless those levels are clearly broken, the bear is on hold. However, moves above the May highs, breaking medium-term downtrends, are required to significantly improve the chart outlook. There is plenty of overhead supply evident on longer-term graphs, suggesting that upside scope beyond a technical rally will be laboured. Obviously Wall Street will remain a big influence and the US market's main indices have shown relative strength versus Europe and Asia in recent weeks. Encouragingly, Japan's Nikkei 225 Average has followed its key day reversal at the March low with an upside breakaway gap today.

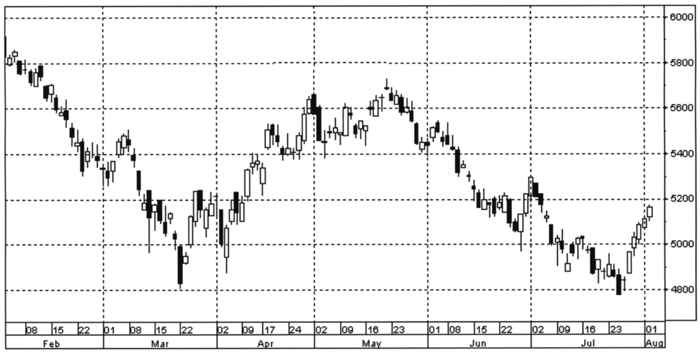
How do we play it? Forget "buy and hold" - that overrated mantra from the 1990s. I maintain most markets will remain in broad trading bands for a very long time. The best investment strategy for this and most other environments is buy-low-sell-high. One of the lowest markets is Japan - not without good reason. It will take more than today's chart gap to offset the political credibility gap. So do we back a hippie prime minister who won a mandate for reform at last weekend's election? Yes, subject to review in October. I still like the Atlantis Japan Growth Fund, a UK-listed $-denominated investment trust, which is now 25 percent hedged against the yen. I also recommend the Morant Wright Japan Fund, a Dublin-listed, no-load, $-denominated unit trust, which is 100 percent hedged.

Best regards - David Fuller

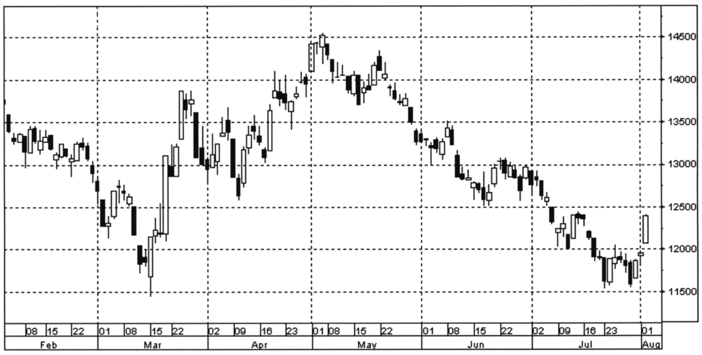
UK FTSE 100: Daily (5575)



France CAC 40: Daily (5165)



Japan Nikkei 225: Daily (12399)



Charts supplied by Bloomberg

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