Fullermoney Plus Issue 149 02 August 2001

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 mediumterm downtrends, are required to significantly improve the chart outlook. There is plenty of overhead supply evident on longerterm 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







Charts supplied by Bloomberg

Fullermoney a division of Stockcube Research Limited Suite 1.21 Plaza 535 Kings Road London SW10 0SZ UK

Website: www.fullermoney.com Email: research@chartanalysts.com Tel: +44 (0) 20 7351 5751 Fax: +44 (0) 20 7352 3185 Single Issue Price £3

You are strongly advised to read the following: This report has been produced and compiled by 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 completeneess and it should not be relied upon as such. From time to time Stockcube and position or otherwise be interested in any transactions, or investments (including derivatives) directly or indirectly the subject of this report. Also Stockcube and promotine 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 onginally invested. Derivatives in particular are high risk, high reward investment instruments and an investor may lose some or all of his/histor producing 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 investments referred to herein may not be 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 and or 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 reci