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

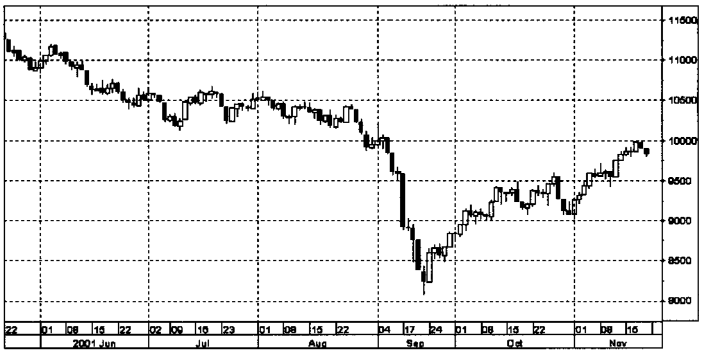
Stock market indices have completed most of their initial upward leg.

Chart patterns remain consistent but much of the good news has been discounted - The stock market recovery has unfolded in line with FMP157 and earlier reports. Namely, V-shaped reversals for indices have been followed by slower, ranging upward trends. Until recently, these gains had occurred against a background of general disbelief - the first psychological stage of a bull trend, as taught at The Chart Seminar. The rallies have been impressive, qualifying as bull markets by the usual definition of 20 percent plus gains following a major decline. Among North American and European indices rebounds have ranged from 20 percent by the US's DJIA, which has been among the least volatile in recent years, to 47 percent by Germany's DAX. These gains provide additional confirmation that the bear market ended on 21st September. However they have also at least partially discounted a considerable amount of good news, including further cuts in short-term interest rates, a steep decline in the price of crude oil, prospects for a US-led economic recovery in 2002, a more successful campaign in Afghanistan than many had feared and no further terrorist attacks of consequence to date. I can think of only one more very favourable development that we could see over the near term - the elimination of Osama bin Laden and his chief al-Qaeda cohort, Ayman al-Zawahiri. Investor confidence is fragile at this stage of a market recovery and there will be uncertainties, including the extent and sustainability of next year's economic recovery, ongoing problems from Argentina to Japan, the next stage of the US-led war against terrorism and the remaining possibility of further terrorist attacks by al-Qaeda operatives still at large. While chart patterns for stock market indices remain consistent within their now ranging upward trends, a short-term overbought condition has developed. Overhead supply, particularly evident on longer-term charts, is likely to check upward progress before long. Consequently, any further near-term gains will be difficult to maintain without a prior correction. Watch for reactions in excess of the small 2 to 4 day pullbacks that we have seen to date. A larger decline will indicate that stock markets have completed their first upward leg, which should be followed by a retracement of at least a third of the gains seen since September's lows. However, given the prior bear market and liquidity sloshing around following rate cuts, I believe downward risk is limited to a base extension phase prior to some additional gains during the first half of 2002.

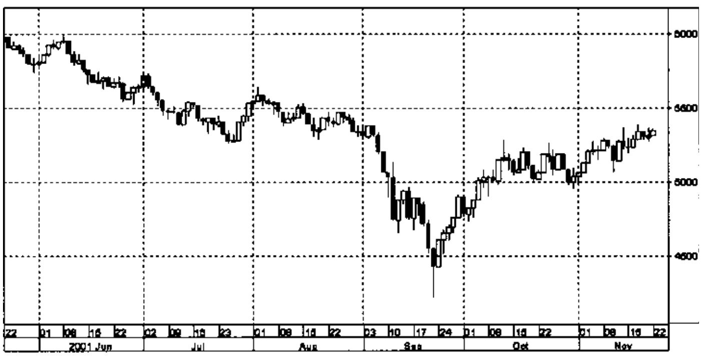
FM210 will be released in the middle of next week.

Best regards - David Fuller

US Dow Jones Industrial Average: 9835 (Daily)



UK FTSE 100 Index: 5346 (Daily)



German Dax Index: 5134 (Daily)

Charts supplied by Bloomberg.

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