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

This should be the euro's year, at least during the first half.

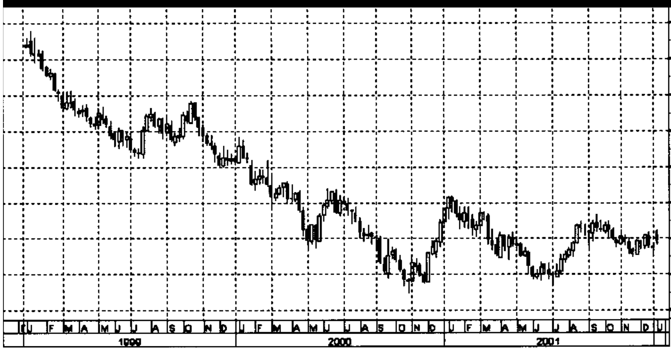
"Paper currency flows, sentiment and interest rate differentials now favour the euro over the US dollar." This was also one of FM211's headlines (22 Dec 2001). After the single currency's three-year decline since inception, it wouldn't be very clever to bet against it in 2002, at least during 1Q and 2Q, especially as charts show base development against the US dollar and many other currencies. It is the nature of bases to launch "surprisingly" good moves as they are completed, primarily because most people had wearied of predicting the recovery foretold by a long phase of ranging following a persistent downtrend. We have seen this recently with reserve currencies against the yen. Players were on the sidelines, or even the wrong way around. As previous resistance within the base is taken out, everybody interested scrambles in or leverages up at the same time - action resembling a herd of buffalo crossing the Ganges. Of course the euro still faces a few introductory/acceptance problems, not to mention more serious issues including a duff charter, crude one-size-fits-all money supply, "Dim Wimery" and weak regional growth, but which currency trader hasn't at least partially discounted this? For the euro, this is a classic case of sell the story, buy the event. The biggest ever transition from virtual to tangible currency is exciting. Over a billion people will want to hold some of the pretty new paper and shiny coins. Traders will play the trend, as it shifts in the euro's favour. Being a typical although hopefully early example, I have loads of euros, largely through my short yen position. Euro/dollar parity is on the cards, or more accurately, easily within the price charts. Meanwhile, the market can't decide whether it is a dollar proxy or a euro proxy. I believe it is the former, approximately two-thirds of the time.

Hayami, and how a wounded animal can still be dangerous. The yen is in a downtrend, moving in line with the FM script. However, until Japan's money supply soars from a destructive (under the circumstances) 3.2 percent (M2+CD) to over 15 percent, which the country desperately needs, Hayami will remain a reluctant capitulator rather than a born again deflation fighter. Therefore we should not be surprised if/when Mad-Masaru and other bureaucratic miscreants attempt to talk the yen up, "to help our neighbours", being among the preferred weasel words. Whenever they have done this over the last two years, my preferred strategy has been to wait for the dust to settle and short more yen. Meanwhile, I favour the judicious use of stops with highly leveraged positions. Additionally, some buy-low-sell-high Baby Steps trading, with up to 10 percent of core positions, can free up cash and lower entry costs.

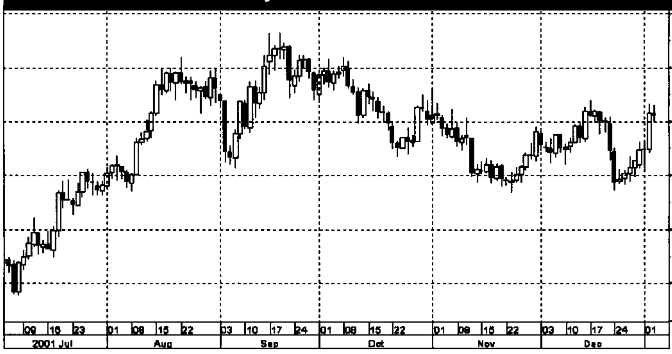
Best regards - David Fuller

Charts supplied by Bloomberg.

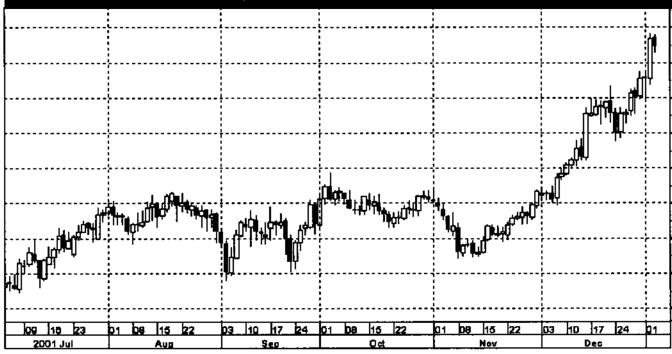
Euro/Dollar: 0.9020 (Weekly)



Euro/Dollar: 0.9020 (Daily)



Euro/Yen: 118.96 (Daily)



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