# Fullermoney Plus

**Issue 165**
30 Jan 2002

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


## The euro is becoming oversold near upper side of its 2000 and 2001 troughs.

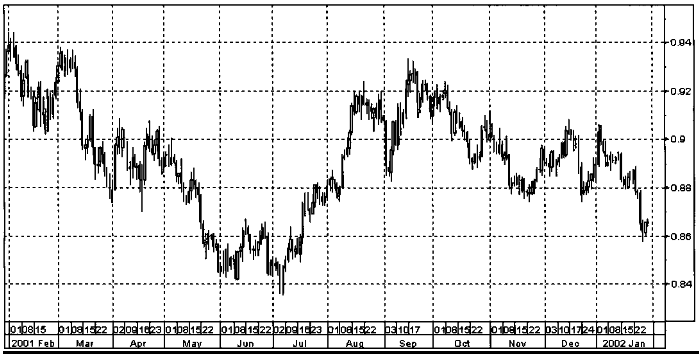
**Sentiment is approaching euro-revulsion once again.** Analysts willing to talk the single currency up have faded into the background - it's been too embarrassing. Euro bears are ascendant, claiming Euroland's Socialist economies will generally underperform the US and that the ECB has a duff mandate, which ignores growth. I agree but we all know there are many factors that affect currency flows. The euro will move in and out of favour, just like any other viable currency and it is the main alternative to the US dollar. Behaviourally, I'm currently most interested in the growing bearish consensus following Friday's accelerated decline beneath the November and December lows near $0.874. Most pundits expect at least a test of 2000 and 2001 lows down to $0.823 (partially shown), and some have even lowered targets to the $0.80 - $0.70 range! Well, in an uncertain world any call is possible, statistically, but a consensus is usually a much better guide to what people have done, rather than what the market will do, and a plethora of extreme forecasts usually occur near the end of a move. I maintain the euro is building a base for a recovery this year and that sentiment will be improving once it rallies above $0.91. OK, how does it get there? A short-term oversold condition and the proximity of previous troughs may temporarily deter sellers but this won't reverse sentiment. Something has to frighten euro bears. When this occurs, the cause is likely to be either an event that reins in the dollar, which could be central bank intervention to support the euro, albeit from a lower level. They've done it before. Meanwhile, jawboning by Euroland monetary officials has commenced.

**A further consolidation of gains against the yen is likely.** European currencies, including sterling, have spent most of January consolidating gains, which commenced in November and were strong in December following base formation completion. Interestingly, the dollar group of currencies, which have little else in common other than a shared name, Hong Kong's peg excepted, remained strongest with very little retracement of gains during the pauses, until the last few days. They have now lost upside momentum. European units broke their mid-January range lows against the yen on Monday, triggering stops. Consequently they are no longer overbought, according to short-term indicators and are closer to major support from their base formations than the dollar group. We can expect this recent choppy activity to persist for a while longer, forming the first step (trading range) above the base, as taught at The Chart Seminar. However I expect less volatility than we saw in the first quarter of last year, when bases were still forming. Over the last two years it has paid to buy reactions against the yen and I see no technical or fundamental reason why this should change. I have reverted from trend running tactics back to Baby Steps range trading while this volatility persists. Over the medium to longer term, the yen should fall much further.

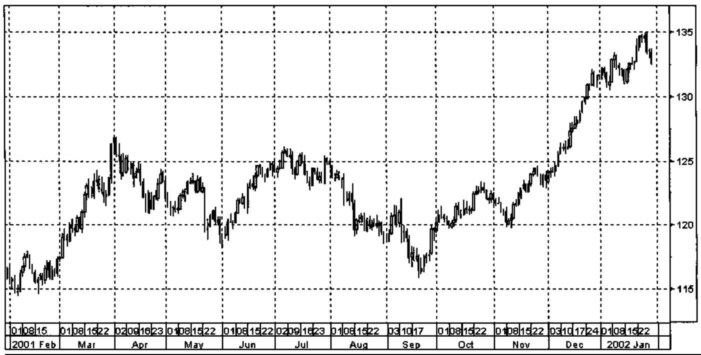
Best regards - David Fuller

*Charts supplied by Bloomberg.*

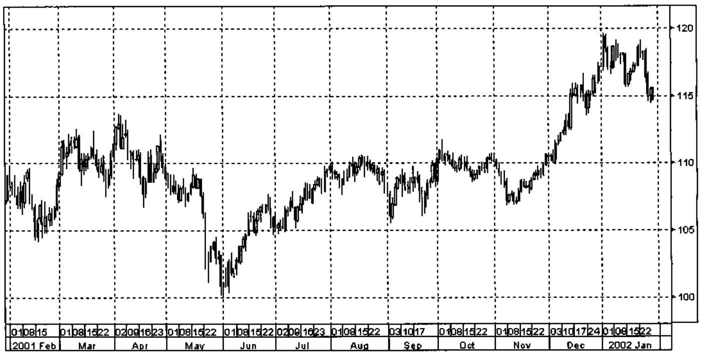
**Euro/Dollar: $0.8657 (Daily)**




**Dollar/Yen: ¥132.49 (Daily)**




**Euro/Yen: ¥114.67 (Daily)**





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