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

The euro is edging higher as the dollar's crown continues to slip.

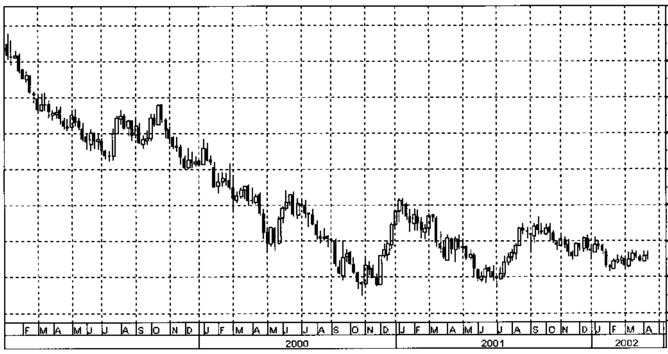
The problem is that people have difficulty finding a good reason to buy the euro. They don't have confidence in the ECB and its duff mandate. They are alarmed by Germany's economic moribundity and France's perception of decline. The writer Pascal Bruckner recently said of his country: "Something has escaped it. It's gotten old without regenerating. Whose fault is that? Not ours, of course." France, he wrote, now lives with a "unique mixture of arrogance and self-hatred. We combine unparalleled vanity linked to the memory of the Revolution, and the Napoleonic and colonial empires, and a lack of confidence in ourselves that's the mark of nations in decline." For both countries, this echoes Britain in the 1970's, albeit with first class infrastructures, but no Margaret Thatcher in sight. This may not change soon and the US economy will continue to outperform Euroland overall, despite experiencing sharper contractions during recessions from its higher growth rate. Consequently, if we acknowledge the subjectiveness of "overvalued" and "undervalued" ratings for currencies, the only tangible fundamental reason for favouring the euro over the dollar is the current interest rate differential of 150 basis points. This is not an irresistible incentive. However some currency traders are diversifying out of the dollar because they fear a further correction. Moreover, there is an ancient and important maxim applicable to the world's central banks, which will support the euro: "Don't have all your eggs in one basket". The ECB has vast reserves of dollars, through its member central banks, a small portion of which I suspect it has quietly used to support the euro in recent months. China and Japan would buy into a recovering euro, as would oil-exporting states. The 5-year weekly chart shows a developing base for the single currency against the dollar. The daily graph reveals a short-term overbought condition, but more importantly, a gradually rising trend since the low at $0.8565 on 1st February. A decline under $0.87 would be necessary to delay a further ranging recovery towards previous resistance near $0.91. Once the euro establishes itself above that level, sentiment towards the single currency will improve considerably. I expect a move above parity within 12 months.

A somewhat weaker greenback will be bullish for the dollar price of gold. Bullion is currently consolidating the mid-March to early-April gains. A move under $297 is necessary to indicate a deeper correction before the year's earlier highs are cleared.

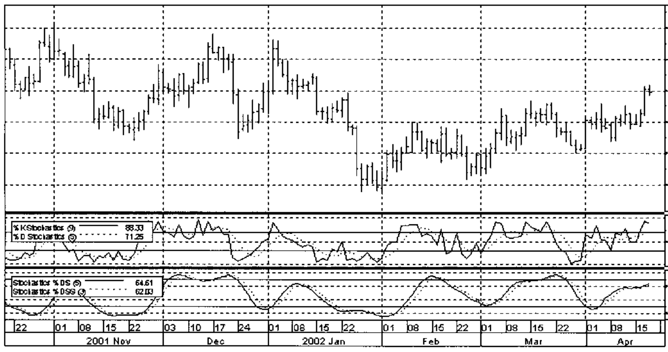
FM215 will be released on 26th April.

Best regards - David Fuller

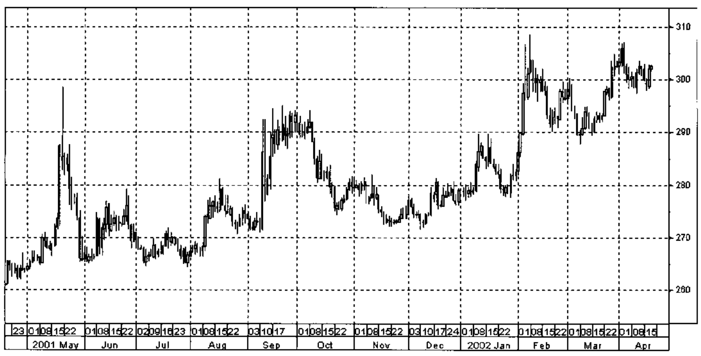
Euro/Dollar: $0.8893 (Weekly)



Euro/Dollar: $0.8893 (Daily plus stochastics)



Gold Bullion: $302.65



Charts supplied by Bloomberg.

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