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

The NASDAQ 100 has commenced a technical rally from the September trough

Tech revulsion, prior support and Cisco's better than expected earnings are sufficient to spring a technical rally. Markets have taken a beating recently, especially tech stocks, which have been the short-sell favourites among hedge funds. Consequently the NASDAQ has seen its sharpest fall since September - a move that looks somewhat climactic, although not nearly so oversold as that prior decline. Therefore I'm only looking for a temporary technical rally, in line with today's opening gap on the upside. I've opened a long position in the NASDAQ 100 Index (June) - my first stock market futures long since December - hoping for a rebound to at least 1300. Temporary rebound aside, I don't like the overall pattern, which is dominated by overhead supply. TMTs formed the biggest bubble since the Nikkei peaked at 38957 on 29th December 1989. Fallout from the biggest bubbles often persists for a decade or two, as we have seen with Japan and also gold following its all-time high in 1980. Consequently I would not be surprised to see the NASDAQ 100 Index breach 1000 at some point.

Bounces from the February lows in Europe and North America - Most other share indices appear temporarily oversold following accelerated declines, often towards their February lows. They too should rebound, but the patterns for European and North American indices show extensive overhead supply, which will inhibit upside scope beyond a technical bounce. One of the problems, which will run and run, is the once virtuous circle of index tracker funds, now turned vicious. In a mania reminiscent of the funds-of-funds fashion in the late 1920s, many advisors recommended these in the 1990s, as a cost-effective way to ride the bull market and outperform discretionary funds. While the trackers performed, they sucked in ever more money, ensuring that the heaviest demand for big-cap stocks occurred at their tops. This process is now in reverse and will eventually end with the same stocks selling at valuations below their historic mean. Meanwhile, the stealth bull market in high-yield stocks continues.

Best regards - David Fuller

Charts supplied by Bloomberg.

US NASDAQ 100 Index: 1228 (Weekly)

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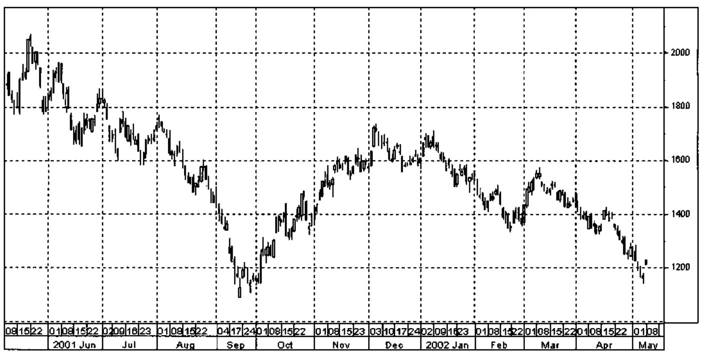
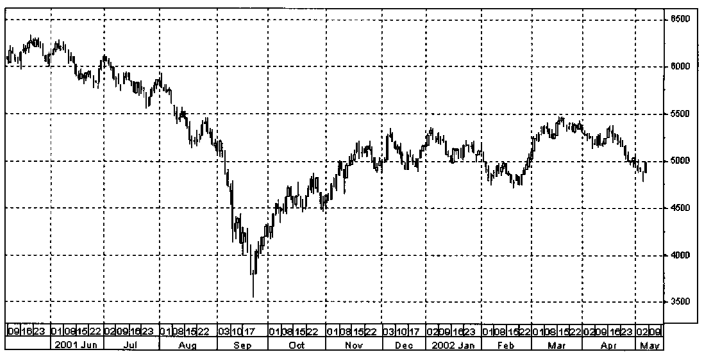


German DAX Index: 4980 (Weekly)



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