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

The US dollar's slide is probably over for a while, as the euro commences a consolidation.

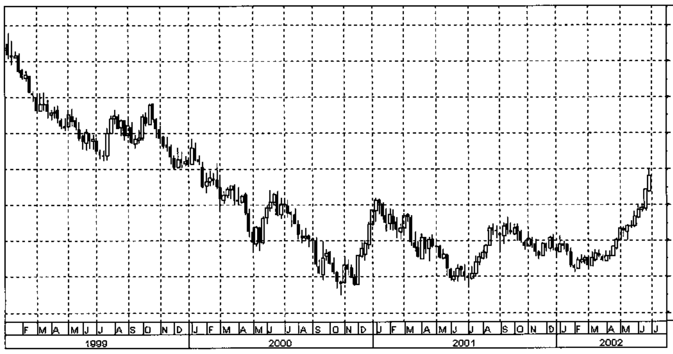
The euro's trend accelerated, and parity against the dollar is an obvious target and reappraisal point. This publication has long maintained that the euro bottomed following multi-lateral intervention in September and October 2000, that it was subsequently basing in a process likely to be lengthy and that 2002 would see the euro break its 3-year downtrend. This has now happened and the base looks completed. However, technical/behavioural evidence suggests that the euro's first upward leg is over. Acceleration is always a trend-ending signal and the euro's advance certainly steepened on the move to parity at 1.00 - an obvious target and therefore reappraisal point. Inevitably, people focus on round number targets and once these are reached, many will reassess. In doing so, one is curtailing a previous activity, in this case buying euros against dollars. Behaviourally, the consensus view, always a contrary indicator, had swung from expectations of $0.83 or lower in February, to $1.10 and above recently. Consequently, I believe the euro's advance has now spilled over into a corrective, consolidation phase, likely to persist for at least several weeks and perhaps months. If so, this would be the first step above the base, as taught at The Chart Seminar. I suspect most of the ranging during this phase will be in the upper $0.90s but we could see one or two stabs on the downside.

If I am wrong and the euro powers ahead before long, this would most likely be followed shortly by a steeper and lengthier corrective period. Assuming the former script, the next advance, commencing later this year or in the first half of 2003, should carry to the $1.08 to $1.15 region, and there is always the possibility of an overshoot. The main factor driving this move, in addition to the change in sentiment, will be a further rebalancing of central bank reserves in favour of the single currency, from an overweight position of more than 75 percent in dollars earlier this year, according to the BIS. Over the much longer term, I continue to regard the euro's recovery as cyclical rather than secular. The main reason being economic problems in Euroland, where the regulatory environment prevents rapid restructuring by export companies. The ECB will eventually print more euros to stem its advance, as the Fed has done with the dollar over the last two years. Meanwhile, the flip side of the euro's consolidation is a temporary technical rally by the US dollar. Tactically, I would use the Baby Steps strategy for euro/dollar, lightening euro longs near parity and replacing on easing, before reverting back to trend-running tactics when the uptrend resumes following a consolidation.

Best regards - David Fuller

Charts supplied by Bloomberg.

Euro/Dollar: $0.9787 (Weekly)



Euro/Dollar: $0.9787 (Daily)

Australian Dollar/US Dollar: $0.5548 (Weekly)

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