Fullermoney Plus
Issue 187
3 September2002

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

Japan slips to a new bear market low

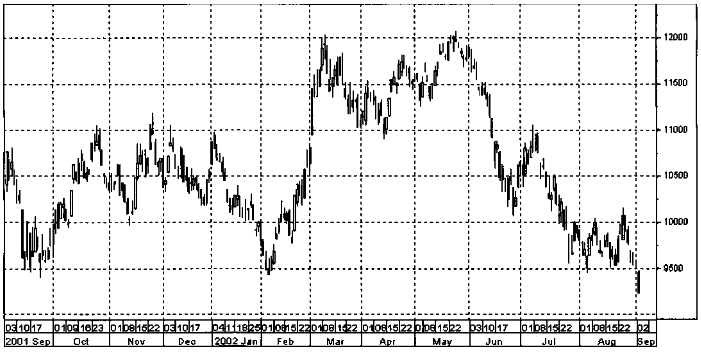
Only government support, which we have seen before near current levels, can prevent a further slide. Japan's myth of economic recovery has been swept away by more realistic reporting of data. Today's new lows for both the Nikkei 225 and the Topix indices are a reality check for those who expect the country to somehow muddle through a destructive deflation, defined as falling output, prices and profits. However we have seen both indices bounce from near current levels over the last few years, with the help of government intervention. Given today's fall to a 19-year low for the Nikkei, led by banks, only radical measures by the government, including further purchases of equities, can prevent an additional sell off. They may be pressured into action because at the market's current levels, few Japanese banks will meet their capital adequacy requirements at the half-yearly (fiscal) review on 30th September.

Watch the charts. This is a significant downward break, likely to unleash a further self-feeding move if the government does not intervene. To question lower scope and suggest a downside failure, we need to see 9700 and 950 by the Nikkei and Topix, respectively, and moves over 10200 and 990, taking out the late-August highs, are required to confirm recovery scope. Meanwhile, Japan's latest slide is bad news for investors in other markets, who hope that post-bubble reversion to the other side of the mean for valuations can be completed in a few years.

Money supply and the yen remain part of the problem. No economy can pull out of a destructive deflation with money supply of 3.3 percent (M2+CD) and a strong currency, as I have said before. Japan needs to print and buy financial assets, in addition to structural reforms - see www.fullermoney.com for more on Japan later today.

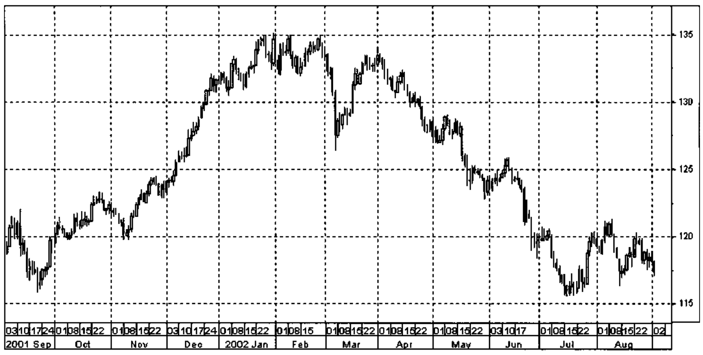
Best regards - David Fuller

Japan's Nikkei 225: 9217 (Daily)



Japan's TOPIX: 904 (Daily)

Dollar/ Yen: ¥117.36 (Daily)



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Website: www.fullermoney.com ***Email:*** research@chartanalysts.com ***Tel:*** +44 (0) 20 7351 5751 ***Fax:*** +44 (0) 20 7352 3185 ***Single Issue Price*** £3