

## Market perceptions are moving from jaw-jaw to war-war.

For global stock markets, short-term overbought conditions and psychological resistance levels warrant a consolidation. The DJIA looked at its August high just over 9000 and blinked, as did the S&P 500 near its equivalent level. After 8 consecutive weeks on the upside, some reaction is due. Also, we are rapidly approaching Iraq's crucial WOMD declaration date of 8th December. Many investors will conclude that the risk of war over the next four months is too high to put much new money into the markets at today's levels. Instead, it might be prudent to lighten positions where good runs have occurred recently, lower risk generally and consider a few short positions.

**Watch the NASDAQ because it led.** A downward dynamic or rollover breaking the short-term upward trend would confirm that a correction had commenced.

**Watch petroleum prices.** Crude oil shed its September war premium during October and early November, but half of this has now been recouped. Upward pressure on oil prices will not help sentiment generally.

**Watch gold.** The yellow metal has lagged recently but is firmer today and should follow oil's lead. Many gold shares look oversold.

**Watch the yen.** While unrelated to factors above, the Japanese currency fell sharply yesterday on Shiohara's comments - see [www.fullermoney.com](http://www.fullermoney.com). This looks like a major upside breakout against the yen.

Best regards - David Fuller

*Charts by Bloomberg*

Dow Jones Industrial Average: 8789 (Daily)



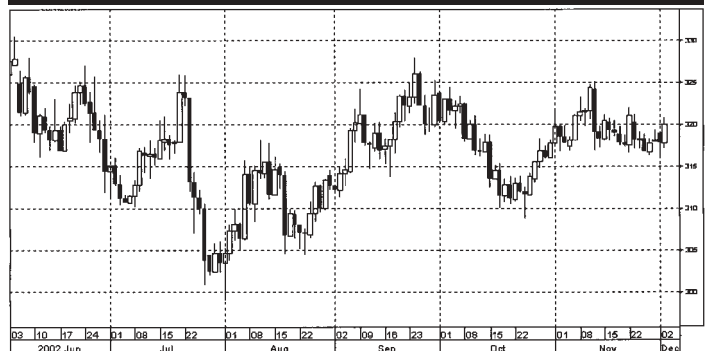
Nasdaq 100 Index: 1098 (Daily)



Crude Oil (spot NYME): \$27.60 (Daily)



Gold Bullion: \$320.05 (Daily)



Euro/Yen: ¥124.18 (Daily)



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