

The scenario for a medium-term stock market recovery, triggered by the war in Iraq, is unfolding.

Most of the technical dynamics have been upwards.

The bottom line is that stock market indices are increasingly challenging and eroding resistance levels - not support, which is holding. This looks very much like a major rally - an often-mentioned possibility following commencement of the war, albeit within a long-term bear market, for reasons previously mentioned. Note the upward dynamics, seen more clearly on the candlestick charts that I posted on www.fullermoney.com last week. A growing tendency, first evident following the climactic, albeit temporary lows last July, has been for up days to be larger than down days. This occurred even though there were fewer up days, due to ranging markets, generally with a downward bias. These upward dynamics are particularly evident on the all-important US indices, such as the S&P 500 and NASDAQ. Initially, these strong upside days were mainly due to short covering. More recently they reflect demand from people who don't want to miss the rally.

Why should the war be bullish, when winning the peace is likely to more difficult and will certainly take longer? Because uncertainty concerning the timing and difficulty of the war deterred buying, which is now occurring. Uncertainty was also negative for the global economy, as petroleum prices rose and commercial decisions were deferred. Global economic activity was generally weak prior to the war and this problem is likely to persist for a while, as people travel less, watch the news and ponder knock-on effects following regime change in Iraq. Also, the SARS scare is temporarily affecting economic activity in Asia. Nevertheless, there is an immediate and substantial "peace dividend", which markets are already discounting - cheaper oil. Crude oil reached an interday high of \$39.31 (spot NYME) on 27th February. Today it is below \$28 and falling. If it declines to \$20 or below in the next few months, as I expect, no other factor could be more beneficial for global economic activity.

How to play it - We can expect further volatility, but I believe this is a tradable rally. I favour high-yielding and/or quality growth shares. I suspect fund managers will opt for name companies, at least initially. Stocks that have shown relative strength over the last month should continue to outperform. Futures provide quick access and liquidity for

institutional investors and speculators. Among futures, my NASDAQ short and UK gilts long were closed on 1st April. This was mentioned in that day's Audio and also in the website Comment for 2nd April. The Audio, which is available to all Fullermoney subscribers at no additional cost (login name required and obtainable via the site email facility), is the most efficient way for me to convey timing calls and tactics.

Best regards - David Fuller

Charts by Bloomberg



Fullermoney a division of Stockcube Research Limited Suite 1.21 Plaza 535 Kings Road London SW10 0SZ UK

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

You are strongly advised to read the following: This report has been produced and compiled by Stockcube Research Limited ("Stockcube") which is regulated by the Securities and Futures Authority Ltd, according to the requirements of the Financial Services Markets Act 2000. It is distributed by Stockcube and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy. While all reasonable care has been taken to ensure that the information contained herein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time Stockcube and any of its officers or employees may, to the extent permitted by law, have a position or otherwise be interested in any transactions, or investments (including derivatives) directly or indirectly the subject of this report. Also Stockcube may from time to time perform other services (including acting as adviser or manager) for any company mentioned in this report. The value of securities can go down as well as up, and you may not get back the full amount you originally invested. Derivatives in particular are high risk, high reward investment instruments and an investor may lose some or all of his/her original investment. If you make an investment in securities that are denominated in a currency other than that of GB Pounds you are warned that changes in rates of foreign exchange may have an adverse effect on the value, price or income of the investment. The investments referred to herein may not be suitable investments for all persons accessing these pages. You should carefully consider whether all or any of these are suitable investments for you and if in any doubt consult an independent adviser. This report is prepared solely for the information of clients of Stockcube who are expected to make their own investment decisions without reliance on this report. Neither Stockcube nor any officer of Stockcube accepts any liability whatsoever for any direct and consequential loss arising from use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Stockcube.