# Fullermoney Plus

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


## 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.

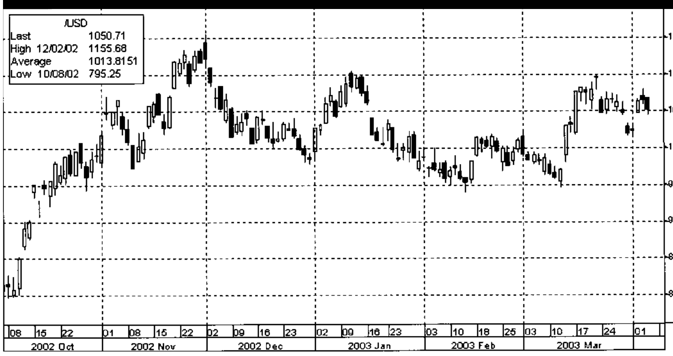
**How to play it -** We can expect further volatility, but I believe this is a tradable rally. I favour high-yielding and/or quality growth shares. I suspect fund managers will opt for name companies, at least initially. Stocks that have shown relative strength over the last month should continue to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

**S&P 500 Index: 878 (Daily)**


**NASDAQ 100 Index: 1050 (Daily)**




**FTSE 100 Index: 3935 (Daily)**



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