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

Most stock markets are on course for a further medium-term rally.

Many people expect a retest of the lows, at least. A technical debate is raging in research departments. Those who are not bullish say, it's still a bear market; the long-term moving averages have not been broken and continue to head lower; the all-important S&P 500 shows descending triangle characteristics, while Japan's main indices, which commenced their decline way back in 1990, have yet to establish a floor. They are right. Some add, more subjectively and controversially, that cyclical factors are negative. They also remind us of the mantra, "Sell in May and go away". Fundamental analysts join the bears by saying, valuations on Wall Street remain ridiculous; in Europe they are only reasonable considering that this is a post-bubble environment; companies have no pricing power, and the global economy is still deteriorating. They are right. Consequently, if most stock markets currently have more medium-term upside than downside potential, as I maintain, other technical evidence and also the potential for behavioural/fundamental improvement must be cited.

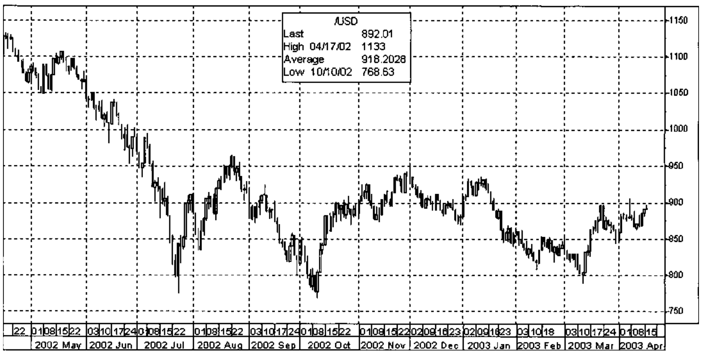
Single-day technical dynamics continue to provide the best bullish clues. I last mentioned this in FMP204. The up days on Wall Street are clearly more dynamic, on average, than the down days. In other words, ever since the July 2002 low, US indices have generally rallied more quickly than they have fallen. This has gone on for too long to be dismissed as mainly due to short covering. Demand is regaining the upper hand, relative to supply. Since this is hard to see on charts reproduced for this report, I'll post a number of indices for your perusal on my website later today. Behaviourally, the cloud of uncertainty is lifting; the war for regime change has gone better than many predicted, and the oil price is $10 off its March peak. Fundamentally, I agree that the outlook is dodgy. I can only envisage a medium-term economic rebound, but consider this. Historically, the most bullish year, on average, for Wall Street and therefore many other stock markets, is the third year of a US presidential term. Why? Because the incumbent president is focussing on re-election, or if he is already in his second and final term, on helping his party to retain the White House. With the next presidential election in November 2004, President Bush and his Administration will increasingly focus on domestic economic issues. Now that Saddam Hussein's regime has been successfully removed, the President knows that only the US economy and stock market can prevent him from winning a second term. Both face secular headwinds, for reasons previously detailed in these pages. However no effort will be spared to achieve the best result possible, under these difficult circumstances.

How to play it - We can expect further volatility, but over the medium term, the risk of being out of stock markets is greater than the risk of being invested in shares. I continue to favour high-yielding and/or quality growth shares, which have lost downside momentum and are beginning to perform. There are many to choose from.

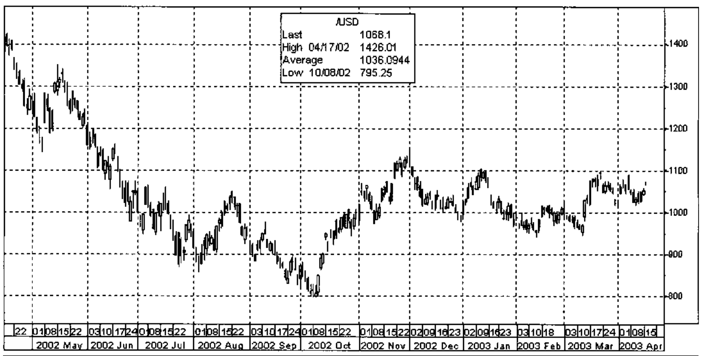
Best regards - David Fuller

Charts by Bloomberg

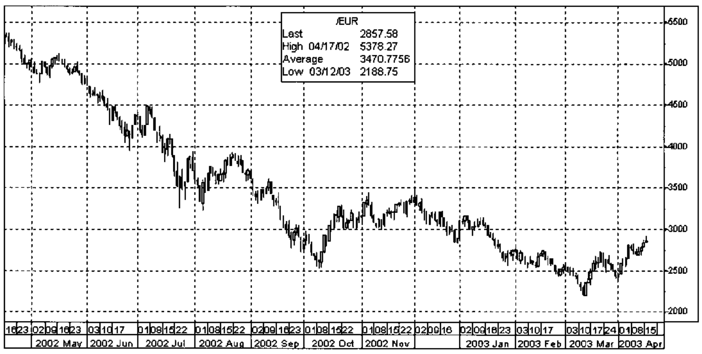
S&P 500 Index: 892 (Daily)



Nasdaq 100 Index: 1068 (Daily)



Dax Index: 2857 (Daily)



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