

Fullermoney Plus

Issue 210
25 June 2003

Global Strategy and Investment Trends by David Fuller

<http://www.fullermoney.com>

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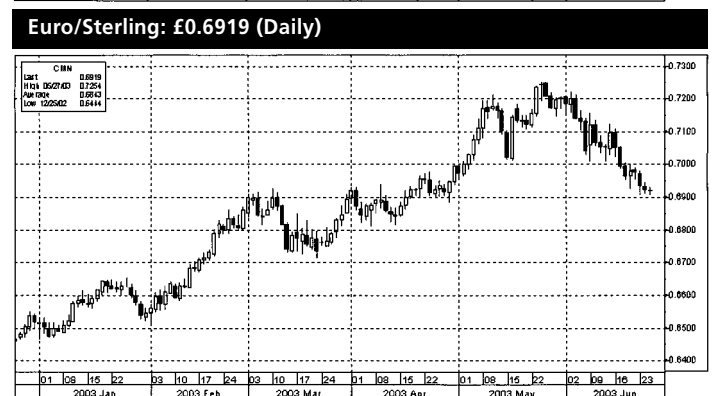
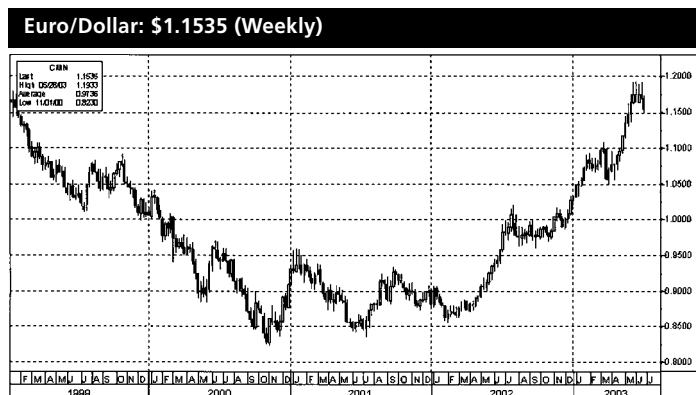
When the strongest market stops advancing, it often becomes the weakest for a while, even within primary trends. The reason is profit taking. Everyone in forex was long euros in May. Then after a strong run, the single currency encountered psychological resistance near \$1.20 and ¥140 against the dollar and yen. Warnings of currency-aggravated economic weakness within Euroland contributed to this month's correction. Also, the euro had strengthened prior to the ECB's widely anticipated 50 basis point rate cut on 5th June, and weakened shortly thereafter. Similarly, the dollar has firmed prior to today's expected rate cut by the Fed and may ease shortly after the decision, in another case of 'buy the rumour, sell the news'.

There is nothing to suggest that the euro's primary uptrend has ended. While the single currency's gains in April and May were strong, there was no climactic acceleration. More importantly, there have been no significant downward dynamics to date. The weekly euro/

dollar chart shows three similar-sized upward steps, and the early-2003 correction was equal in size to the mid-2002 correction, although of shorter duration. Similar-sized corrections over an equal or exponentially shortening time frame are not uncommon with strong trends. Therefore the euro has probably seen most of its correction and it is also near potential support against the dollar, yen and sterling. I look for new highs against the first two in the next few months, as currency traders look beyond a modest economic recovery for the US and refocus on credit creation (printing money), Bernanke's earlier statement and the recent deflation-fighting comments of Koenig and Dolmas from the Dallas Fed - see www.fullermoney.com. Further MoF/BoJ intervention, if necessary, will prevent the yen from appreciating against the dollar. The euro is likely to see smaller gains against comparatively high-yielding sterling, but should at least test its May high. I hold sterling/yen, am repurchasing euro/yen and Swiss/yen, and may add other positions. Note: for clarity, I'll post more euro cross-rate charts on my website this evening.

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

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