

Market bullet points as we enter 2004.

Stock markets - Still no evidence that the rally is over but loss of momentum and sector rotation are typical of a cycle in its latter stages. Technical evidence that is still bullish includes rising lows for stock market indices, generally small reactions and continued upside leadership by emerging Asia, which has dominated performance. A concern is the NASDAQ's loss of upside momentum over the last four months. It is currently near the upper side of its range but needs a sustained break above 2000 to allay fears over possible top development, which would increase below 1875. Elsewhere, the strong performance by cyclical issues such as mining and steels is a late-cycle development, as is the recent strength of defensive stocks, higher-yielding companies and shares that benefit most from the dollar's decline, in preference to financials and techs which are early leaders. Conclusion: we have seen the best of this global rally by far, in terms of gains and probably time.

Long-dated government bonds - The secular bull market ended in June. Upside potential is now limited to small rallies during an extended phase of top formation development, before prices eventually resume their bearish trend, which is likely to persist, intermittently, for many years.

Currencies - The US dollar's decline is not over. However, further weakness will increasingly tempt other countries to stem rises in their currencies, by intervention and monetary measures.

Precious metals - This secular bull market is still in its early stages. The combined performance of gold, silver, platinum and palladium should outperform the S&P 500, most other stock market indices and also currencies in 2004. However corrections can be expected when the dollar experiences technical rallies.

Industrial metals - A spectacular year in 2003, and further gains will follow. The fundamentals of supply and demand remain exceptionally bullish. However, this is a volatile sector and there will be periodic sharp corrections, not least after Wall Street peaks in 2004. Some of the recent gains look

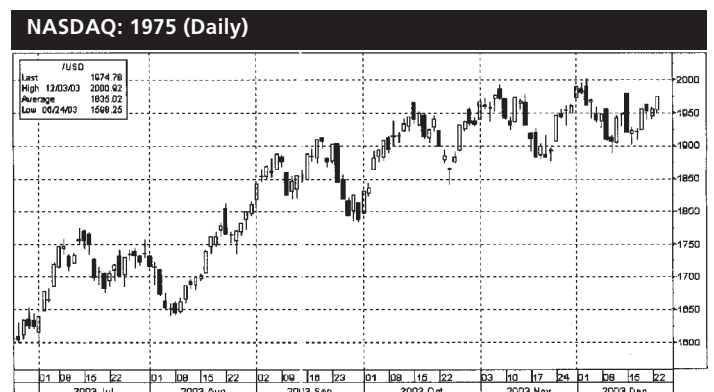
temporarily overextended, increasing the prospect of reactions within the overall uptrends.

Fullermoney Issue 234 delay - I regret the long delay in completing this issue, mainly due to an earlier bout of flu and especially a persistent sacral injury, which affects my concentration, so necessary for writing articles. I am receiving treatment for this. Fortunately, I have been able to post short comments, charts and articles on the website, and record the Subscriber's Audio. The Audio remains the fastest and most efficient means for me to communicate my thoughts on the various markets, plus my personal investment strategies.

2003-2004 - The year now ending has been bountiful in terms of investment and trading opportunities. Among those perceived in this analysis and acted upon, were the euro's excellent runs against the dollar and yen up to mid-year, although I personally allowed too much profit erosion to occur during the pullback commencing in June. There was the wonderful stock market recovery starting in March and April, with emerging Asia's potential clearly shown by superior base development and relative strength. The continued recovery of most precious metals has also been profitable. I suspect 2004 may be more challenging but it too will provide opportunities, although some of these may not be in areas generally expected. I look forward to the challenge, and to communicating with you via this letter, the website and Audio.

Seasonal greetings and best wishes for a happy, healthy and prosperous New Year.

David Fuller



Charts by Bloomberg

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