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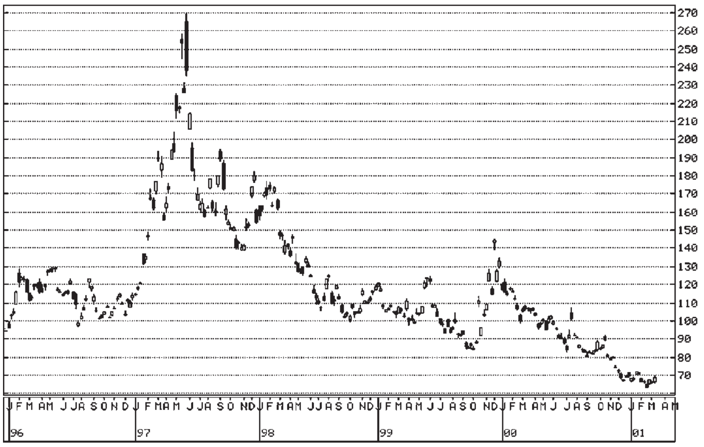
Global Strategy and Investment Trends by David Fuller http://www.fullermarkets.com

Shades of the early 1970s

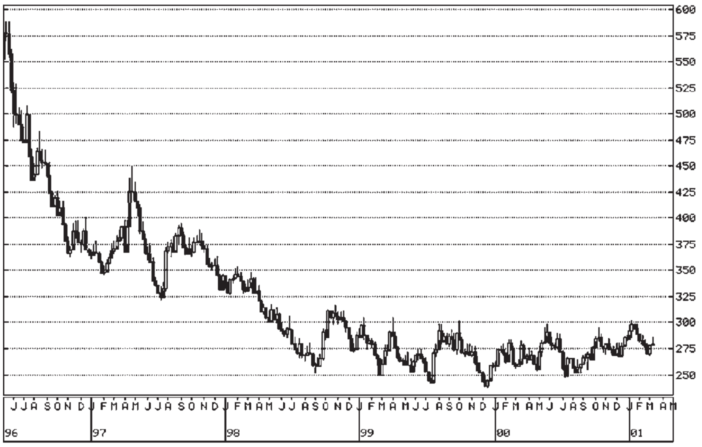
Too many parallels to ignore - Economic cycles are never repeated precisely, if only because they are not trapped in an evolutionary time warp. Nevertheless broadly similar circumstances and trends inevitably reoccur, so some historic perspective can be helpful. I was part of that tide flocking to careers on Wall Street in the mid to late 1960s. After years of booming markets everybody knew that stocks were the best game in town. However valuations were historically high and the Elvis generation was about to discover that equities often move along a two-way street. We could also lose money, and we did. When GDP growth flagged, central banks responded by printing money, especially the Fed. Only the German Bundesbank and Swiss National Bank maintained sound money policies. With all that liquidity sloshing around the DJIA didn't fall too much, 1973/74 excepted, but it couldn't break above 1025 for many years. Weakened by the Vietnam war, the US canned Bretton Woods, uncapping the gold price, and embarked on a competitive devaluation. Prices of all raw materials began to rise from historically depressed levels. OPEC responded to a loss of income, due to the dollar's decline, by cutting production. There was a Middle East war and global recession. People who made big money in the markets were short dollars and long commodities. OK, mercifully there is no equivalent to the Vietnam war today, although I would not take peace for granted with Israeli/Palestinian and Indian/Pakistani tensions simmering, while China attempts to coerce Taiwan back into the PRC's control. I do not see the dollar weakening much, although many disagree. However I believe the yen will fall a long way - in response to Japan's ongoing slump, if not a government policy of competitive devaluation. OPEC is squeezing global GDP growth once again. Led by the Fed, most central banks will pump up liquidity, although the ECB may demur too long, resulting in slower growth within Euroland than officially forecast. As in the early 1970s, commodity prices are beginning to rise from historically low levels, led by livestock contracts and cocoa among the agricultural sector. Further stock market woes would increase speculative interest in commodities. We are entering an interesting seasonal period for corn, wheat, soybeans, cotton and coffee, which extends from late March through July. Any weather-related problems would produce sharp rebounds in these markets, which currently show signs of bottoming out. I have increased my activity in commodities, using the Baby Steps tactic taught at The Chart Seminar, designed for markets that appear deeply oversold and/or in a base development phase. This includes buying lightly and only on easing, and either reducing positions somewhat on rallies, to offset contangoes, or introducing trailing stops on evidence of a clear trend.

Best regards - David Fuller

Coffee (CSCE) 2nd Month Continuation (Weekly) - 67.9 s¢



Wheat (CBT) 2nd Month Continuation (Weekly) - 278.25 ¢



FullerMarkets a division of Stockcube Research Limited Suite 1.21 Plaza 535 Kings Road London SW10 0SZ UK ***Website:*** www.fullermarkets.com
Email: research@fullermarkets.com ***Tel:*** +44 (0) 20 7351 5751 ***Fax:*** +44 (0) 20 7352 3185