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

A roller coaster year for stock markets in 2002

Brokers predict an up year for global stock market indices, but then they always do. There are some very good bull points. Interest rates are historically low and lots of liquidity is sloshing around in the developed economies, Japan excepted. The US's main stock market indices have not experienced more than two consecutive down years since 1973/74, following an earlier 18-year bull market. There was more capitulation selling in 2001 than we had seen since 1987 - prior to that, 1974. We should see a US-led economic recovery this year, judging from currently known factors. Corporate profits in 3Q and 4Q (YoY) should be generally good, not least because of last year's write offs. Now for the bad news. A long-term cyclical bull market ended in 1999/2000, and these have always been followed by many years of trading within broad bands, during which up and down years occur in line with interest rate cycles. The next significant move in short-term rates will be upwards and it could commence late this year. Legacies of the last bull market are too many leveraged balance sheets, mergers/takeovers of questionable benefit and historically high valuations. The global recession has exposed fault lines from Argentina to Japan. Where does this leave equity investors? In a buy-low-sell-high trading environment, during which sentiment will swing between relief over bullish factors similar to those mentioned above and concern due to bearish considerations. During medium-term cycles of improving confidence, such as we have seen since 21st September, high-beta issues should outperform. Conversely, they will also lead on the downside, as investors rebalance portfolios in favour of defensive issues. Overall, the safest equity investments will be stocks with low multiples, positive cash flow and above average yields. As for stock market indices, I would not be surprised if the yearend 2001 levels prove to be near the middle of 2002's ranges. That said, I estimate the scope for negative over positive news at 60/40, although some of this has been partially discounted. As for the 21st September lows holding, I rate this at 70/30, Japan excepted. However these odds are unlikely to improve and they would deteriorate, given any negative "events" of consequence, which surprise investors. We should monitor trend momentum and consistency particularly closely in the environment described above. Currently, many indices are testing the upper side of trading bands following earlier recoveries and several Asian markets have extended their uptrends by rallying above last month's highs. However, short-term overbought conditions are developing.

A new website from Stockcube - www.sharestar-uk.com. Designed with the private investor in mind, this is both informative and fun. If you are interested in the UK stock market, have a look.

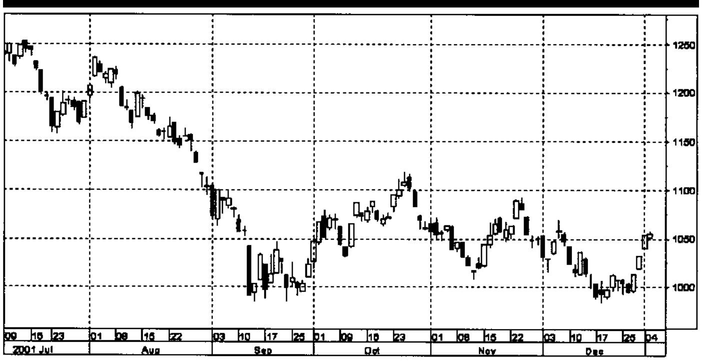
Best regards - David Fuller

Charts supplied by Bloomberg.

USA Nasdaq 100 Index: 1675 (Daily)

Germany Dax Index: 5267 (Daily)

Japan Topix Index: 1055 (Daily)



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