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Global Strategy and Investment Trends by David Fuller

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Still no worse than a summer consolidation for stock markets and there are some signs that it is ending.

Thailand and India lead on the upside and there has been little technical deterioration elsewhere. My feet are barely back under the desk after 6 market days away from the action. However I have seen enough to conclude that we are experiencing no more than the primarily sideways consolidation forecast by this letter. Many who have called for a significant correction continue to do so and the bulls are a little more cautious, in line with the sideways trading by share indices. Consequently sentiment favours upside breakouts and a resumption of the medium-term rally in coming weeks. My two favourite stock markets - Thailand* and India* - reached new highs for the year today. More importantly, no national stock market index that I follow has broken downwards and reactions to date remain less than 10 percent, even for the NASDAQ, despite strong gains since the March lows. Theoretically, markets could still drift lower as there is no conclusive evidence that the US-led summer consolidation is over. This requires sustained breaks above the June-July highs, not least by the S&P 500 Index, which tested lateral support recently. However, I maintain that there is no known reason for a significant sell off at this time, provided that US government

long-dated bond yields do not spike upwards once again. That is a risk, but hopefully not for a while, as prices for 10-year futures contracts have steadied. Meanwhile, stock market chart action continues to suggest that more people wish to buy than sell. Yes, most indices have broken their short-term uptrends, but these were too steep to be maintained. Yes, we have seen a loss of upside momentum but this is inevitable after strong gains.

Bottom line - the last significant action by global stock markets was the March to June rally. There is little evidence that this is over, beyond a pause. Therefore the current trading ranges are consolidations, unless sustained breaks beneath lateral support occur for a number of leading indices, including those of the US. Meanwhile, of the 4 indices shown, 2 have resumed their uptrends and 2 are testing lateral resistance, including the UK's FTSE 100. I think it will break upwards before long because big-cap stocks such as BP are beginning to move. I'll put these charts on my website later today.

* I participate in these through two UK-quoted investment trusts (closed-end funds), first mentioned in FMP202 on 7th March 2003 - Aberdeen New Thai and JP Morgan Fleming Indian.

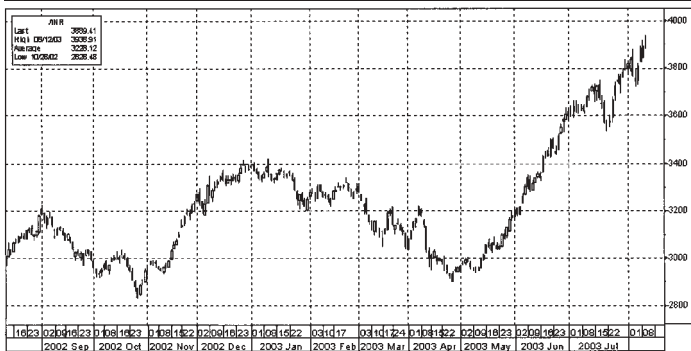
Best regards - David Fuller

Charts by Bloomberg

Thailand SET: 513 (Daily)



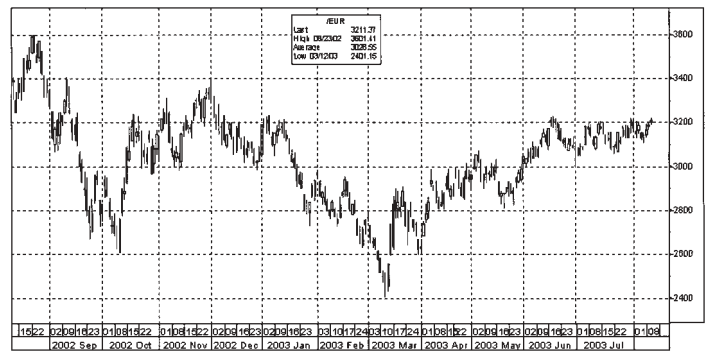
India SENEX: 3889 (Daily)



UK FTSE 100: 4194 (Daily)



France CAC: 3211 (Daily)



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