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SO US EARNINGS WERE MASSIVELY INFLATED AND STILL ARE ACCORDING TO S&P.

1.GLOBAL ECONOMY
S&P confirm corporate earnings are much lower than previously believed.
Despite huge mortgage refinancing it has not Stopped market declines.
Public sector pay

4. INTEREST RATES AND BONDS
US Rate cuts will lead to cuts in UK and Europe
Bonds appear to have topped for now

5.EQUITIES
Dow ,S&P and Ftse rebound but lose momentum
Nikkei still moribund

8.CURRENCIES;
Yen to falls against Euro and Sterling
Euro to strengthen vs. pound and dollar
Dollar looks ready to resume declines

9.COMMODITIES
GOLD consolidates recent bull run
OIL price weakens as tensions decrease.
SOFTS
COFFEE consolidates
WHEAT has more modest gains!
SUGAR moves ahead strongly?

Break out portfolio holds gains and moves up to 40%

Question: are corporate profits lower than most investors assume? Standard and Poor says, "Yes...much lower." That's because most companies don't include hidden costs like pension-plan liabilities and employee-option grants in their reported profits. As we noted last month, corporate pension liabilities are rapidly becoming very serious hazards for investors. All the more serious because they are somewhat hidden from view. Employee-option grants are also a very large "hidden" cost. Just how large have these expenses become? Standard & Poor's just-released 'core earnings' calculations for the S&P 500 provide a rough idea.

After deducting pension expenses, employee-option expenses and the various other expenses that most companies prefer not to deduct from their cosmetically enhanced reported earnings, Standard & Poor's calculates that 'core earnings' for the S&P 500 were only $18.48 a share for the 12 months ended June 30, 2002. That's well shy of the REPORTED earnings number of $26.74.

Many of America's largest companies that are reporting positive earnings are actually losing money hand over fist. General Motors, for example, is reporting $3.21 annual earnings, but according to S&P, it's actually losing $4.22 per share. Amazing!

IBM reports $3.21 in earnings but it's actually earning only 17 cents a share!

Apple Computer reports 49 cents a share -- but it's really losing 61 cents per share!

Finally, just look at Motorola, for example: They had these so-called one-time charges for 15 consecutive quarters. And they say those are ONE-TIME charges!? Apparently Motorola has been using this accounting mumbo-jumbo to successfully overstate its earnings by billions of dollars for nearly four years!

Wall Street strategists persist in presenting a 'small part of the truth' by basing their rose-hued forecasts on 'operating earnings,' which most strategists predict will be higher than $50 in 2003. Based on this flattering portrayal of earnings, the S&P 500 is selling for "only" about 17 times 2003 earnings. That valuation, while still high by historic standards, sounds a lot more enticing than 47 times "core" earnings.

Unfortunately for investors, core earnings are a much closer approximation of underlying economic realities than are the fluffy confections called operating earnings. And that means that the folks hoping that the stock market has bottomed may be disappointed.

The odds of a new bull market starting from 17 times earnings are slim. A new bull market starting from 35 times earnings (based upon the reported earnings number) is even more improbable. But the prospect of a new bull market heading out the gate from 47 times earnings is simply ludicrous.

SO THE MORAL OF THE STORY DON'T TRUST THE RALLY THE BEAR IS MERELY TAKING A QUICK NAP.

ALL THAT MONEY BUT STILL NO REBOUND.

All that money! Where does it go? We refer to the $1.4 trillion that is expected to come from home refinancing in the US alone this year. The UK has also witnessed unparallel equity release levels to refinance credit cards. If that doesn't cause a boom, what would?

Good question. "*If refinancing were going to provide a boost,*" asks Martin Bukold of Northern Trust, "*why haven't we seen it?"* Instead, chain stores report lower sales and consumer confidence on both sides of the pond is falling sharply. Car sales are declining as zero financing deals merely brought purchases forward and latent demand is plunging. Indeed US new car purchases in October fell over 20% year on year and experts are warning that it may be a blue, blue Christmas for retailers. Alan Greenspan may decide it is time for another rate cut. (And judging by the success of the previous cuts which have witnessed stock market declines of up to 75% on the Nasdaq...) and the mortgage-peddlers may find even more clever ways to entice poor and desperate people toward insolvency. But if $1.4 trillion has not done the trick this year, why would another trillion or so do any better next?

PROPERTY BUBBLES

We have mentioned a number of times how we believe that domestic property may well be susceptible to a correction. In our view property prices nationally will likely top during 2002. The reasons are numerous with stockmarket losses, rising job insecurity, stratospheric prices and a reversal of property speculation.

It would appear that most people accept that the “buy to let” boom is over with city centre rents in London, Leeds, Manchester etc. falling by as much as 40% over the last 12 months. With this speculative driver removed who can believe that our over leveraged homeowners may have to batten down the hatches as prices cease to rise. Certainly the trend may have already reversed with evidence that London property prices have reversed and that the most expensive property in the south starting to stick. This is no surprise when we consider that prices have risen according to the Nationwide BS by 24% over the past year and upto 100% over the past 6years whilst stocks have fallen and wages only risen by 20%.

Houses are becoming unaffordable and a small swing in the unemployment rate and the economy (as we expect) would kill the housing market overnight leaving vast swathes of the population nursing huge losses and massive mortgages.

In a deflationary recession no asset class can withstand the ferocious erosion of price and housing has been a “one way bet” which will prove not to be as “safe as houses.” Our final word on domestic property is look at what happened in Japan a similar overcrowded small island with a so-called housing shortage.

NOT ENOUGH INDIANS?

Fire chiefs want a 40% pay rise. Not far behind them in the queue for “the Iron Chancellors” largesse are Doctors, nurses, teachers, ambulance men, etc. etc. etc. We do not wish to comment upon the validity of the case for the above workers but it couldn’t happen at a more inopportune time as the global economy teeters on the edge of deflation.

What is even more concerning is the rise in the number of the economically unproductive public sector. The Govt and its various arms now employ 6.5 million people including a staggering 1.5 million in the NHS the WORLD’S largest single employer. Despite this colossal soviet style workforce the British people are yet to enjoy world-class healthcare never mind value for money.

The above workforce figures are even more staggering when one does the maths!

The population of Britain is 58 million of which 25 million are in work. After the deduction of the public sector workers we are left with 18 million people working to keep the other 40 million in clover. The UK Govt has to appreciate that it is only the industry and taxes of the private sector that pays for everyone and everything else in the country. The current creeping “socialisation” and beaurocratisation of the British economy is in danger of strangling the all-important productive sector that we all rely upon whether they are firemen or nurses. The Govt and its employees need to realise that they can only prosper as a result of the money earned and the taxes paid by the productive area of the economy.

We also wonder what all these 6.5 million people actually do? It is a new employment high and yet we no longer have the following nationalised industries; Coal, shipbuilding, Leyland, power, gas, BT, and many many more.

Additionally, **Public sector pensions** are invariably index linked and guaranteed. Where at present most private pension schemes are closing or underfunded, those working for the Govt enjoy an enviable and extremely valuable benefit that is overlooked when pay claims are made.

Many readers will be surprised to know just how valuable a 2/3rds final salary scheme is worth at present. With index linked benefits and perhaps special early retirement options such as policemen and firemen enjoy, a pension of £20,000pa at age 60 would cost in the region of £500,000. Much more if the retirement age is 55. What is that worth in the current economic and investment climate?

JAPAN(the old US?)

The mayor of Tokyo Ishihara, says get your money out of Japanese banks!

It is mind-boggling that the Governor of Tokyo would say something like this. As we have no comparable mayors in the UK (Ken Livingston could hardly be counted at a source of fiscal prudence and as a defender of capitalism) it's like Michael Bloomberg, Mayor of New York City, saying US banks are so unsafe that he would yank the City's money out and move it into Japanese banks.

But the Japanese banks are in such terrible condition, we can't blame Ishihara. We would do the same thing. The Japanese banks are drowning in loans that have no chance of being repaid. Just recently, some of the major Japanese banks wrote off $21.5 billion in bad debts -- but so many more loans went bad that they ended up with more bad loans than they started with.

And it's no wonder! Nearly 1,600 Japanese companies went bust in August alone. And that's just the beginning because Japanese retail sales -- the driving force in any economy -- are falling, down a whopping 5.7% in July compared to last year. That's the 51st consecutive decline and one of the worst declines ever.

Imagine if your business' sales went down 51 months in a row. Many would close the doors, and go home and cry.

The Ginza shopping district in Tokyo is like a ghost town. Huge stores are nearly empty of customers. Other, smaller retail shops lining the Ginza are boarded up. On the famed Ginza subway line -- with its main stop in the heart of the shopping district -- you can almost hear a pin drop.

It's already spread from the retailers to construction companies and manufacturers. Huge Dai Nippon Construction went belly-up in July with $2.3 billion in debt ... giant rope maker Tesac Corp. -- $353 million in debt ... and machine tool maker Hitachi Seiki -- bust with $426 million in debt.

It's no surprise to us that the Nikkei just crashed last week to near a 20-year low. The next leg down in Japan's stock market may have begun and it may turn into a rout. Under this mountain of bad news, the critical support in the Nikkei at 9000 cracked. Now, we would not be surprised to see the Nikkei fall yet further if the ground above 9000 is not regained quickly. The Nikkei could slice to beyond 8600, 7600, even down to 7000! The bear in Japan has lasted over 12 years and shows no sign of ending. The travails of Japanese investors is a warning to the rest of the world of what can happen if a secular bear market grips an economy. The message should ring very loud and clear in the US and in moribund Germany.

TRUST THE RALLY? WELL WE WOULDN'T AS WALL ST ANALISTS ARE POSITIVE!

If you look at the market through the simple lens of price to earnings, we've probably got a long way to go before this bear market reaches its nadir. At the current level of 900, roughly 35 times earnings, the S&P 500 will have to fall under 500 - an additional drop of about 40% just to reach an 'overvalued' P/E of 20.

Intel is a typical example of the market's overvaluation. Despite Intel's complete lack of earnings growth, the stock is trading for about 36 times earnings. Even in the big growth years, from 1988 to 1996, big PC growth years, the P/E was as low as 10.7, with a high of 14.2

The stock market is well on its way to a third straight losing year, which means that Wall Street strategists are well on their way to completing three straight years of devastatingly misguided forecasts.

Like the French and German commanders at the bloody Battle of Verdun, the Wall Street strategists are standing well behind the front lines of course and are still urging wave after wave of investors to charge into a perilous stock market. The ensuing slaughter of innocents has been unnerving to watch. The worst part is that the slaughter may not be complete. Merrill Lynch's chief strategist, Richard Bernstein, for example, provides one very compelling reason why the stock market sell off may continue for a while: the Wall Street strategists are STILL bullish. Berstein's "*Sell-Side Indicator*" shot up to its highest reading of the past 10 months. The indicator is based on Wall Street strategists' recommended asset allocations. In other words, the greater the strategists' enthusiastic for equities, the worse the market is likely to behave. The indicator's current reading of 69.9% is the sixth highest on record. As Bernstein observes: "*Wall Street strategists continue to believe that the current environment represents one of the best times to buy equities in the last 16 to 17 years.*"

We ask ourselves why are all those people still bullish?"

Dresdner Kleinwort Wasserstein predicts that the market sell off of the last few months will put a huge dent in consumer spending. "*The potential negative wealth effect of stock market losses on consumer spending has got markedly worse in a short space of time,*" the brokerage firm observes. "*At the beginning of April this year, the total capitalization of the US stock markets was about $14.8 trillion, slightly more than the $14.6 trillion average for all of 2001. So, although equity wealth was down from its peak in 2000, it appeared to have stabilized and was no longer doing significant damage to household net worth...However, all that changed over the last four months as stock market averages went into a deep and protracted decline. The broad Wilshire 5000 stock index is now down 20% since the start of this year...[Therefore], consumer spending could fall about $80 billion this year compared to what it would have been otherwise.*"

$80 billion is a lot of spending. As we have mentioned many times previously if the US consumer starts to save and stops spending then the global economy will enter a truly worldwide recession. The US economy continues to muddle along. Factory orders dropped 2.3% in September compared to the month before, and durable goods orders tumbled 4.9%...See what happens when Mr. and Mrs. Consumer stop consuming and start saving? The US economy simply can't tolerate that sort of prudence. Meanwhile, the screw is tightened by further US job losses. According to Challenger, Gray & Christmas, the monthly tally of announced layoffs rose to 176,010 in October, the second highest total of the year. "*There are more negative economic reports now than when the recession* *officially began,*" said John Challenger, CEO of the outplacement firm. "*Companies are simply unwilling to take risks at this point*." The economy is slipping, yet shares prices are rising. Doesn't this combination seem a little unstable? All in all, the pieces do not seem to be in place for a sustainable bull market in stocks. We suspect that as US shoppers who have almost single-handedly created the late 90's boom rebuild their shattered finances, a deflationary bust is inevitable.

INTEREST RATES AND BONDS

- **Interest rate cuts are likely but will have no effect.**
- **Long dated Govt bonds have established a medium term high.**

The Fed, the Bank of England and the ECB are all quite likely to cut interest rates yet again as industrial production and consumer sentiment figures dive. However, we see no reason why a further rate cut after the previous eleven in the US will have any effect at all. The falls in bank base rates are not feeding through to the real economy. The cost of raising money for business has risen constantly over the last 3 years as the widening of the spreads between corporate bond yields and treasuries bear witness.

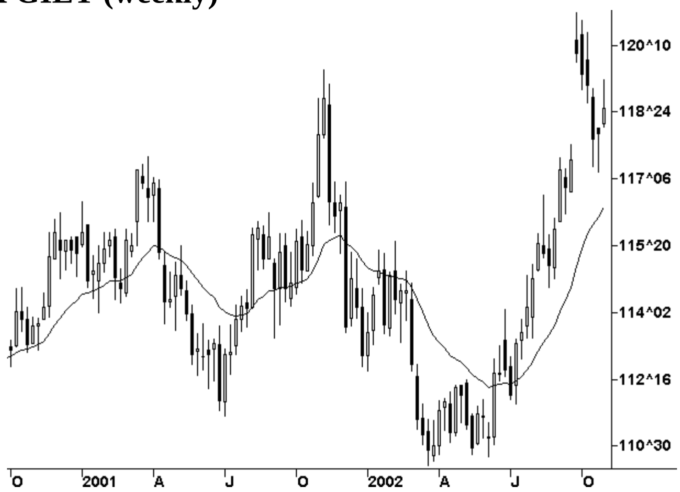
In the UK and Europe there is still scope for further cuts especially with Germany on the brink of economic implosion. Rates could easily fall another 150 basis points but such cuts are unlikely to feed through to long term mortgage rates and as such will not rescue the housing market.

US and European Govt bonds continued their dramatic advances through to the beginning of October. However, the correction since has been the steepest for over two years. The move up had shown all the signs of trend ending acceleration as battered fund managers and investors switched into the relative safe haven of bonds in response to equity declines. In the US record inflows were seen going to bond based mutual funds. The fact that funds saw record flows is a contrarian indicator by itself.

We feel that the recent highs will cap any advance for some time to come and that bonds will only make sustained new highs if the global economy slides into the grip of deflationary recession. At present the market does not expect this possibility and is more concerned by the hike in supply likely as the US Govt swings from budget surplus (of $150billion) to deficit ($100 billion and rising fast) inside 12 months. In the UK the "iron chancellor" is now also fretting away as his grandiose spending plans are undermined by the moribund UK economy.

Therefore, Govt bonds are unlikely to hit new highs until investors become more afraid of deflation than they are of supply (the 1930's revisited).

UK GILT (weekly)



US TREASURY (Dec future)

GLOBAL EQUITY MARKETS

- **Equity investment remains challenging**
- **Our predicted rally has duly arrived but the current rallies may soon lose**

momentum but at present the short term trend still up

It has been a challenging environment for all. If you have found stock markets difficult during the last few years, you're in good company, although that's little consolation. There have certainly been trading opportunities (there always are) both long and mainly short. However even the most nimble investors have found it difficult to perform, due to short-term volatility and lack of experience. Very few people had any firsthand knowledge of deflationary pressures and Japan's current example seemed culturally and economically far removed, or so people hoped. Few of today's investment managers, analysts and investors were active in stock markets during the early 1970s. Those who knew their history were reluctant to see any parallels with more recent events, because the '73/'74 market slump was characterized primarily as an inflation problem. Yes, but it was also the aftermath of a super-cycle bull market from 1948 to 1966. Thereafter, it took 8 years before equity valuations completed their cycle of reversion from one extreme of the historic mean to the other, and there had been comparatively little bubble in the late 1960s. Yes, there were some excesses but it was an innocent period relative to the late 1990s. Banks got into lending trouble, as they always do, but there was nothing like the misleading accounting, or hyping of shares by investment banking analysts, let alone the leveraging of corporate balance sheets for serial acquisitions and buybacks, to boost share prices and therefore option valuations.
Long term we expect a long drawn out process of markets slowly eroding back to below mean valuations punctuated by violent rallies which could last several months or even years.

Last month we stated that we expected markets to establish a low in October and that a strong counter trend rally would build. The rally since October 7th has now carried the Ftse up 10% and the Dow 20%. The power of the move was partly fuelled by massively oversold conditions and short covering. We are certain however that this rally does not constitute a new bull market and that the long term low is not in yet.

The US market particularly has a number of technical features that suggest that the recent strength is likely to subside during the forthcoming month. The US sentiment index is back up to the record bullish levels last seen at market highs of March 2000. The volume of shares traded during the advance has been disappointingly light. Finally, the 10-day average of the NYSE TICK (an oscillator) closed on the 4th at a 15-year high. Each high normally calls at least a short-term top, if not an intermediate high. We would be less concerned if this high was not allied to very muted market breadth that gives the rally a very muted undertone.
Thus although at present the market trend is clearly up we expect at least a short term correction during November and would not be surprised if the rally collapsed altogether.
Below in the chart review we will highlight the key chart levels to watch for to indicate further strength or weakness.

Equity chart review

The Dax has been the worst performing major market over the past 12 months and appears to have established a low of at least medium term significance. The first leg of the rebound has paused just above 3000 and a confirmed move over 3250 out of the small consolidation pattern should support a move towards the August trading range. We would then expect the market to at least retrace a fair percentage of the rally. A failure to hold above 3000 will almost certainly lead to new lows.

GERMAN DAX (daily)

The Dow Jones and the S&P500 has virtually identical charts to that of the Dax. As can be seen the index appears to breaking out of the recent two week consolidation and prices could run up to the August highs at 9000. We suspect that would then have completed an ABC corrective wave (Elliott wave count) and could well be liable to weakness from this zone. Certainly Steve Hochberg at Elliott Wave Int. expects the Dow to falter and resume the bear trend once the corrective move towards 9000 has completed.

DOW JONES

FTSE 100

The Ftse has also developed a congestion area following the initial reversal from the early October lows. A move through 4150 suggests that the index could well move on towards 4500. There is some resistance at 4250 but we would expect that this level should be overcome. Obviously, any failure to hold on to the break above 4150 would be extremely bearish especially if the 3900 level were to be breached. But, despite the poor global economic backdrop the chart pattern suggests higher prices in the short term. If the market makes the 4500 region be ready for a reversal as the bear may re-awaken.

The Japanese market has been falling for over a decade and the recent declines have driven the market back to levels last seen when Duran Duran were in the charts.

The most recent declines are quite consistent and a rally that broke beyond 9250 would probably signal a further contra-trend rally to at least 10,000.

NIKKEI (weekly)

FOREX

- **The Yen remains the weakest link**
- **Both the Dollar and Euro crosses look likely to spring to life shortly**

Hayami can still slow the yen's devaluation but he can't prevent it. Deflation is foremost the consequence of monetary policy, as is inflation. Japan's persistent deflation is due entirely to an inadequate monetary policy response from the BoJ, once the property and stock market bubbles of the late 1980s burst. As BoJ governor, Masaru Hayami is responsible for Japan's unrelenting deflation over the last three years, which may actually be worsening. How can this be when Hayami is pumping trillions of yen into the banking system, causing a number of economists to say, "The BoJ is doing all it can"? This money is propping up Japan's commercial banks, which are technically bust as everyone knows, but most of it goes straight back into Japanese Government Bonds, rather than the broader economy. Consequently there is very little money in circulation in Japan, evidenced by money supply data which has fallen back to only

3.3 percent (M2+CD), woefully low for an economy in the grip of a destructive deflation, defined as falling output, prices and profits. To make matters worse, whenever the MoF has ordered the BoJ to intervene and weaken the yen, Hayami has sterilised the excess funds, maintaining a shortage of yen in circulation.

Japan's lethal central banker has always favoured a strong yen, regardless of this policy's consequences for a persistently weak economy, which Hayami blames on the government. While the BoJ Governor's policies have helped to maintain an overvalued yen, as Vice Minister of the MoF Haruhiko Kuroda indicated recently, a further decline is just a matter of time. No economy has ever escaped the grip of a destructive deflation without devaluing its currency. Hayami's term at the BoJ expires on 20th March and his replacement will almost certainly announce an inflation target. To achieve this, the BoJ will literally print money, in a radical reflation effort, to jumpstart the economy. This would also succeed in weakening the yen. Ideally, the government would use the newly created money to purchase Japanese property and shares. Confidence would improve as they rose and once deflation was replaced by a modest rate of inflation, cash-rich savers would be more inclined to spend. This remains the least painful way for Japan to end its deflationary recession. How low could the yen go in the process? Targets are always a guess and sentiment will also be influenced by what is happening in Euroland and the US. Nevertheless, our longstanding target is at least ¥200 for both the dollar and euro. Remember, the yen was pegged at ¥360 to the dollar by General Douglas MacArthur, during post WWll reconstruction, and stayed there as part of the Bretton Woods Agreement of 1945, until effectively scrapped by US President Richard Nixon in the early 1970s. Dollar/yen last traded at ¥200 in early 1986. To ask the rhetorical question: Do the subsequent economic paths of the US and Japan since 1986 justify today's dollar/yen rate?

With currencies today, it is a question of which looks least ugly. Of the big three, the euro carried that label after its virtual launch in January 1999, before passing it to the yen in December 2000. Then it was the US dollar's turn, briefly, commencing in mid-July this year. Judging from the charts, the yen is now wearing the ugly label, despite Hayami. If so, there will be less interest in euro/dollar, as we have seen over the last three months, during which the trading band centred on 98 has continued to narrow. Inevitably and eventually, something will give. We'll see it first on the chart, and that will author a new script for currency traders to espouse. While trying to anticipate a breakout is usually a mug's game, I'll have a go. Technically, we maintain the euro is consolidating against the dollar in its first step above the base. While this pattern should eventually support an additional upward break, there is at least a 50/50 chance that it will first take out recent lows near $0.96 and retest the base, as more traders abandon their long positions established earlier in the year. In this event, the euro would fall a little further, but probably not much below $0.94, before rallying back up into the current pattern. The script? Dismay over Euroland's economic performance and possibly US success against Saddam Hussein. A failed break below $0.96 would most likely be followed by a move above parity. If this held for several days, sentiment towards the euro would improve once again, helping it toward our eventual target in the $110 to $115 range. What might the script be? Concern over the US economy due to a drop in consumer spending, and debt

Chart review

The yen chart against the Euro is the strongest chart with the Euro appearing to be breaking up and out of the recent consolidation. Scope for future advances would be delayed if the 119 level were to be breached. However, if the cross moves beyond 123 we expect a powerful move toward 128.

Euro/Yen: ¥121.94 (Daily)

The Dollar/Yen cross is not quite so clear cut with the Dollar potentially breaking its recent up trend and falling back toward the 84 (118) region. Certainly a move beyond 80 (124) is required to confirm the dollar bull against the yen. If the cross were to fall beyond 86 (major support) then the dollar would be in real trouble.

DOLLAR/YEN (inverse weekly)

The pound appears to be digesting the recent advance in an orderly fashion and may have placed a key doji reversal day today (5th Nov.) Support around 190 should hold and a move over 193 will probably signal an advance towards 200.

STERLING/YEN

The Dollar appears to be in retreat versus the Euro. The clear break out of the multi-month triangle could and should lead to an immediate advance by the Euro to at least 105. There is slight resistance at the summer high at 102 but only a move below 99 would negate immediate upside potential.

EURO/DOLLAR (daily)

The pound is trading within a clear triangle and looks ready to burst out of the pattern. A move beyond 1.575 would signal a dramatic break that should be powerful enough to carry the pound considerably higher against the dollar. Traders could take sterling longs on any break out.

STERLING/DOLLAR

The Euro sterling cross has been trapped within a huge triangle for two years with still no real clue as to the direction the eventual break might come. We suspect that the flat-bottomed nature of the triangle signposts a period of Euro strength but a move out of the triangle in either direction should prove to be explosive.

The key levels to watch are 1.55 and 1.60. We would not trade this position until a break has occurred, as trading ranges are generally destructive of capital.

EURO/STERLING

COMMODITIES

- **Oil still looks to be tossed about by attack on Iraq fears**
- **Golds rally has been checked at $330 but the multi-year base is close to completion**
- **Plenty of action in our soft positions**

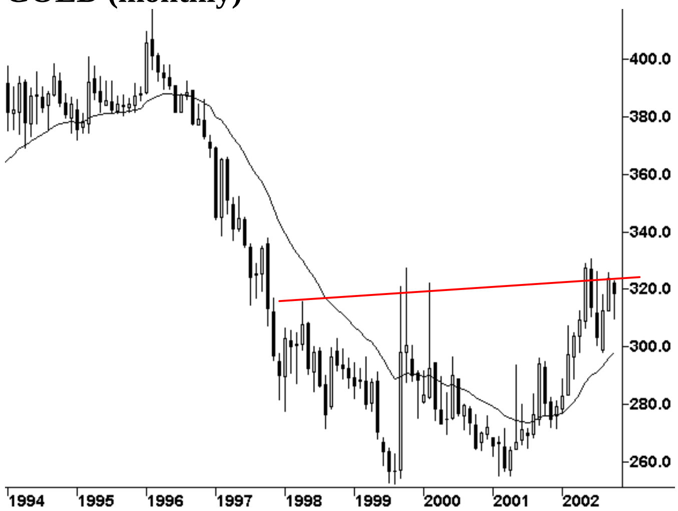
Crude oil has lost a little of its war premium as the immediate prospect of war has receded. Oil is not a sensible trade at present because the price will zoom either up or down depending upon war/political events. The charts are of little help in this situation as normal market forces are not fundamental the price action.

Currently, the weekly chart below indicates that a short-term top and resistance has been established at $30. We would however expect some support to be encountered at $24. A fall below is unlikely (while tension persists) but if $24 fails then a move toward $18 is possible.

BRENT CRUDE (weekly)

We have used a monthly chart to gain perspective of golds current action. A huge multi-year reversal pattern appears to be building with $325/330 being key. Any, strength beyond these levels could see gold rally as far as $400. We think this may well occur but probably not yet. Indeed short-term prices may well trade back toward support at $300. A move below $300 is required to negate scope for a resumption of the bull for some time. Gold is the ultimate store of wealth and we are certain that as the global recession grinds other asset prices into the dust gold will prove to be a faithful companion. This may well be because of a strong rally or via holding its' value as other assets crumble.

GOLD (monthly)



Wheat has apparently broken upwards from the recent consolidation phase. This move has now in turn developed into a clear trading range between $395 and $420. Although we have been bullish of wheat, which has enjoyed backwardation recently, we would council caution at present until wheat breaks beyond $420 at which point new longs could be established. Wheat's bull market does appear to be intact and a failure below $360 would be needed to negate it.

WHEAT (daily)

Coffee as regular readers are aware has been a long-term favourite of ours. The recent action has boiled over at $72 and looks set to consolidate the recent gains. A move below $55 is required to question the nascent bull. New long positions could be established on short-term weakness that carries prices toward $60 with $55 as the stop.

COFFEE (weekly)

Cotton has resumed the recent bull run. Last month we commented upon the orderly nature of the recent consolidation and suggested new longs on a move over $47.5. We now think this was a little bit cautious and new positions could have been initiated on the first upward dynamic witnessed two weeks ago. However, we suspect that cotton has further to run and would suggest a stop at $42.5

COTTON (weekly)

Sugar as highlighted last month has continued to advance on the back of strong technicals. The Backwardation is still present and although many readers are sat on good profits we would advise merely moving a trailing stop to $7.oo to protect profits. Some resistance may be hit at the $8.00 level and we would use this as an initial price target.

SUGAR#11 (weekly)

FINALLY

As usual we welcome all your comments on the various markets and the many alerts we receive. Our readership response is wonderful as it acts like having a myriad of extra eyes and ears researching and watching market action on our behalf

As a conclusion on all the markets discussed we would suggest that people watch the Forex markets closely over the next few weeks as we suspect that they are about to awake from their relative slumber

AN ANNOUNCEMENT

Many readers have long followed our “playing Ftse” equity portfolio, which has enjoyed strong gains of over 39% (and 20% in the last year) since launch in Oct 2000. This compares with equity market declines of around 40%.

We have now decided to provide a full investment management service for both investors and IFA’s whereby we will replicate the management philosophy (stop loss etc) that has helped to provide such strong returns.

If you wish for further information and or you wish to invest in the fund please just send an e-mail to info@bpr.co.uk

Regards
Andrew McCarthy
Andrew Bartles