

Fullermoney

Global Strategy and Investment Trends by David Fuller

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Please note: This is a compilation of Comment of the Day for Subscribers, which appeared on the www.fullermoney.com website during the last week. Subscribers are encouraged to login at their convenience, to read the daily coverage and use the many other site facilities, including the Library of charts.

Monday 10th November 2008

Mrs Fuller is recovering - [My wife joins me in thanking all of you for the many thoughtful messages of concern, good will and best wishes that we have received during the last two weeks. They are much appreciated. I provide a summary of recent events because a few of you have met Mrs Fuller and veteran subscribers may recall that as a psychoanalyst, her behavioural insights have helped me to develop my analytical approach over the last 43 years.](#)

[I have also described the warning signs for aortic stenosis in some detail because according to cardiologists, some of the seemingly healthiest people are not aware of it before their sudden and untimely death. We were very lucky. The condition is easily identified by a specialist but unfortunately, in this country most standard medicals do not include an ECG.](#)

[As an active cyclist, Mrs Fuller had enjoyed good health. Some of you will recall that she celebrated her early 60s by cycling the length of the UK, from John O' Groats to Lands End, on three consecutive years, always opting for hilly, scenic routes.](#)

[Fortunately, as it turned out, we did not have a cycle tour in 2008 due to the birth of a grandchild in August. With hindsight, I recall that my wife experienced an increasing shortness of breath over the last year, although the seriousness of this condition was not apparent to us because in the words of a doctor: "Her excellent health allowed her body to compensate and tolerate it for a very long time."](#)

[That changed in late September, when we were on holiday, and she collapsed on a tennis court in Biarritz. We thought this was due to the unaccustomed heat. However a nephew, who is an A&E doctor in Colorado but was with us at the time, said it was a coronary problem and that she should see a cardiologist as soon as we returned home.](#)

[He probably saved her life by alerting us to the danger. However the appointment was not made until three weeks later because she accompanied me to the States for the Contrary Opinion Forum, and then headed to Moscow for a week, where she trains Russian psychoanalysts four times a year.](#)

On return, we were both shocked to discover on 29th October that she needed an immediate aortic valve replacement, which was originally scheduled for tomorrow at London Bridge Hospital, as this short delay would have given her time to explain the situation to patients and colleagues. However when leaving for my office the next day, I discovered that she had just collapsed while seeing a patient.

An ambulance took us to Hammersmith Cardiac Centre where an emergency angiogram confirmed what the specialist described as "the worst stenosis I have seen." This was due in part to a congenital bicuspid valve, previously unknown to us. Heavily calcinated, it was placing enormous strain on her heart. We were told that: "Fainting at rest due to aortic stenosis is a pre-terminal event." The valve was successfully replaced and I brought her home this afternoon, where she is under the watchful eye of my visiting sister.

For the medically inclined among you, Mrs Fuller's 'cow product' replacement valve came from Edwards Lifesciences. It was described as "C-E Perimount Pericardial Bioprosthesis Aortic". In other words, simply the most desirable internal fashion accessory of the year. She should make a full recovery as other damage to her heart was minor and most likely temporary. The medical team at Hammersmith Hospital Cardiac Centre was superb.

Please note - I should be back in full swing tomorrow. Meanwhile, markets seem to be performing in line with last month's post climactic projections, closely monitored and thoroughly assessed by Eoin subsequently.

Additional Commentary by Eoin Treacy

China's \$586 Billion Stimulus Boosts Stocks, Metals - This article by Li Yanping and Chia-Peck Wong for Bloomberg covers today's announcement of the spending plans being put in place to stimulate the Chinese economy. Here it is in full:

China, the biggest contributor to world growth, unveiled a 4 trillion yuan (\$586 billion) plan to sustain its economy, spurring gains in stocks, metals and oil.

China's cabinet pledged "fast and heavy-handed investment" in housing and infrastructure through 2010 and a "relatively loose" monetary policy, according to a State Council statement yesterday.

Copper jumped more than 8 percent and Asian stocks rallied on optimism the package will limit the depth of a looming global recession and encourage coordinated efforts to revive growth. President Hu Jintao will join crisis talks with world leaders this weekend in Washington, where President-elect Barack Obama has pledged to pass stimulus measures.

"This plan is, by all measures, too large to be ignored," said Kevin Lai, an economist at Daiwa Institute of Research in Hong Kong. China may "help the

rest of the world by creating more demand for foreign goods and services."

China's CSI 300 Index of shares closed 7.4 percent higher, the biggest increase in seven weeks. Copper gained as much as 8.4 percent in London. Crude oil, the MSCI Asia Pacific Index of shares, and some Asian currencies also climbed.

China accounted for 27 percent of global economic growth last year, according to International Monetary Fund estimates. The government didn't say how much spending was previously allocated and indicated some will be private investment.

'Diplomatic Initiative'

"If the Chinese use this as a diplomatic initiative, it could be an important step toward a more coordinated response," Simon Johnson, a senior fellow at the Peterson Institute for International Economics and former chief economist of the IMF, said in Boston.

China's gross domestic product grew 9 percent in the third quarter, the slowest pace in five years, as export orders and industrial production waned and property slumped.

"Over the past two months, the global financial crisis has been intensifying daily," the State Council said in yesterday's statement. "In expanding investment, we must be fast and heavy-handed," it said, adding that the central bank will pursue a "moderately loose" monetary policy.

The central bank has already cut interest rates three times in two months, reducing the one-year lending rate to 6.66 percent, and Governor Zhou Xiaochuan flagged yesterday that more reductions may be on the way.

'Urgent' Action

Group of 20 nations, including China, are ready to act "urgently" to tackle the global slump, finance ministers said after a weekend meeting in Sao Paulo.

China's extra spending may boost the nation's economic growth by 2 percentage points next year, said Xing Ziqiang, an economist at China International Capital Corp. in Beijing.

Before yesterday's announcement, UBS AG and Credit Suisse AG forecast GDP would rise no more than 7.5 percent next year, the smallest increase in nearly two decades.

"There is still a risk that an increasingly market-driven economy corrects faster than the fiscal package can be implemented," said Ben Simpfordorfer, an economist at Royal Bank of Scotland Group Plc. "We need to see evidence in the coming months that the fiscal package is either spurring demand or bolstering sentiment."

China's plan is the equivalent of about 80 percent of government spending last year. The package earmarks 100 billion yuan of central- government spending this quarter for low-rent housing, infrastructure in rural areas, roads,

railways and airports. Investment by local governments and companies may boost that to 400 billion yuan, the State Council said.

Cutting Taxes

The government will also allow tax deductions for purchases of fixed assets such as machinery to stimulate investment, a move that will reduce companies' costs by an estimated 120 billion yuan.

Grain purchase prices and subsidies for farmers will be raised, along with allowances for low-income urban households. The government also said it had scrapped loan quotas, which limited lending by banks, to help small businesses.

China's move comes as central banks around the world slash interest rates to revive their economies. The Federal Reserve, the European Central Bank, the Bank of Japan and the People's Bank of China have all lowered rates in the past two weeks. Taiwan, which counts China as its largest trading partner, cut rates late yesterday for the fourth time in two months.

Chinese manufacturing contracted by the most since at least 2004 in October and export orders dropped to their lowest, according to CLSA Asia Pacific Markets. Home sales have plunged in major cities including Beijing and the stockpile of unsold new vehicles was at a four-year high in September.

“The golden years have shuddered to a dramatic halt,” said Stephen Green, head of China research at Standard Chartered Bank Plc in Shanghai.

My view - We can expect an increasing number of countries to announce stimulus packages over the coming year. However, where China differs from the USA, UK and most European countries is that it has the cash with which to make its investments. Investing further in infrastructure projects and encouraging the domestic economy will send a clear signal that the authorities are doing what is needed to help manage the slowdown.

The [Shanghai A-Share](#) Index remains in an overall downtrend. [Today's](#) positive action puts a short-term floor under the market and has the potential to turn into a failed downside break. However, we will not be able to claim that the downtrend's consistency has been substantially impaired until the Index has sustained a move above 2500, breaking the progression of lower rally highs.

When we look at the potential for markets to recover, China stands out. The stock market has already fallen considerably more than other markets. The government is about to start spending large sums of cash on supporting the economy. The Chinese Sovereign Wealth Fund has said it is buying bank shares. In a global environment where liquidity is king; the Chinese coffers are awash with cash. The base building process is going to be lengthy for some countries and less so for others. Keeping an eye on charts will be one of the few ways to monitor the winners and losers in any nascent recovery.

Email of the day (1) - [on China](#):

"I bought Gartmore China Opportunities fund last week and took my 13 percent profit on Monday morning. I bought against the advice of people I know in the retail business in Beijing who say its bad now, but expect it to get far worse next year.

"I wonder in view of your connections what your view is of china now and for 2009."

My comment - [Congratulations on a profitable trade](#). In response to your question, the first thing Mrs. Treacy said was "China is not based on the moon, so if the global economy is in recession China is bound to slow too" Friends and family in Beijing still complain that everything has gone up in price, but wages have stayed the same. It's little wonder that retail sales are slowing. The greater question is how long it will take for the effects of the stimulus package to be felt on Main Street. I'll keep subscribers posted on anything we hear.

Forget Corn: Mushrooms May Hold Key to Energy Crisis - [This article by Frances Schwartzkopff for Bloomberg covers the continued drive to develop sustainable energy sources from biological resources. Here is a section:](#)

A solution to the world's energy problems may lie in a Chinese mushroom growing in Novozymes A/S laboratories.

The Danish company's scientists in China, Brazil, Denmark and the U.S. are testing mushrooms and lichen to find one that will turn corn cobs and sugarcane stalks into biofuel. An affordable alternative to gasoline made from plant waste would end concerns that global hunger for energy is driving up food prices worldwide.

Novozymes said it will find the answer by 2010, getting to the market before its closest rival, Danisco A/S. "We're not going to solve today's energy shortage with food," said Per-Henrik Graesberg, a DnB NOR ASA fund manager who directs almost \$200 million in renewable energy investments. Graesberg is considering buying Novozymes shares after selling off earlier this year. Second-generation biofuel "is one of the main reasons" to invest in the sector, he said.

Fungi like mushrooms and lichen make enzymes to eat rotting logs and decaying leaves. Biofuel producers use the proteins to break down the complex carbohydrates in plant cells into a soup- like mixture of simple sugars that yeast can eat. In a process much like making beer, yeast ferments the mixture, producing ethanol. Enzymes now on the market can't break down the tougher parts of plants effectively enough to be affordable.

Record Prices

Earlier this year, record-high prices for corn and wheat undermined

government support for biofuel, which depends on subsidies, and caused shares of enzyme makers to drop. Novozymes, the world's largest maker of enzyme products, lost almost half its value from August 2007 to mid-April in Copenhagen trading. The shares are down about 30 percent for the year.

Finding the right enzymes is "the major bottleneck" in developing fuel from non-food sources, the Paris-based Organization for Economic Co-operation and Development said in July. Novozymes stock pared its loss earlier this year after DuPont Co., the third-largest U.S. chemical company, said it planned to build a pilot plant with Danisco to make second-generation biofuel. Since then, a European Union panel has approved new biofuel standards and the Food and Agriculture Organization of the United Nations called for more research into the energy source. The stock rose 4.5 kroner, or 1.1 percent, to 410.50 kroner at 10:56 a.m.

"In 2010, we will have enzymes commercially available and a process that will allow our customers to produce at around \$2.50 per gallon," Novozymes Chief Executive Officer Steen Riisgaard said in a September interview in Copenhagen.

My view - The race to find the best biological catalyst for turning biomass into ethanol continues despite the credit crisis. The hopes for the bio-energy industry stand to become a viable system are in no small part based on such a technological breakthrough. The first company to find a viable solution stands to benefit enormously.

Novozymes broke its progression of high lows in November 2007 and fell to around DKK400. It has been consolidating for much of the last year around this level but fell as low as DKK325 in October. A sustained move below that level would be needed to question scope for some additional higher to lateral ranging.

Danisco peaked in May 2006 as the uptrend lost momentum. A sustained move below DKK 400 completed the Type-3 top and it remains in a relatively consistent downtrend. The share found support near DKK225 in October but needs to sustain a move above DKK350 to break the progression of lower rally highs.

Email of the day (2) - on the Euro / Norwegian Kroner cross rate:

"The Norwegian Kroner has fallen sharply against the Euro lately. What is your take on the future of the Euro-NOK cross technically and fundamentally?"

My comment - The Norwegian Kroner has fallen considerably against a number of currencies, not only the Euro. This weakness, at least in part, is due to the oil price. As oil topped out from late July, a number of commodity-related currencies also came under pressure. These overlay charts of oil with the Norwegian Kroner, New Zealand Dollar, Australian Dollar, Canadian

[Dollar](#), [Russian Ruble](#) and [South African Rand](#) suggest a correlation between the Dollar's relative strength and weakness in commodity related investments.

Against the [Euro](#), the Norwegian Krone traded in a relatively tight range from early 2005 until late September. It accelerated lower following the successful break below 12¢, before finding support near 10.75¢ in late October. It rallied well in the last few weeks and is now retracing part of that advance. A sustained move to new reaction lows would be needed to question scope for some higher to lateral ranging.

Against the [Pound](#), where there is more back history, the Kroner has been trading in a range between 7.5 and 10p for much of the last twenty years. It encountered resistance near the upper side of the range from April and broke down from that region in September. The rate has unwound some of its oversold condition over the last few weeks and a sustained move to new lows would be needed to question scope for some additional higher to lateral ranging.

Email of the day (3) - on UK £ denominated fixed income investments:

"With regard to Thursday's e-mail o the day (1), perhaps the UK listed iShares Sterling Corporate Bond ([SLXX](#)) might be of interest. I'm not sure how "safe" it is, but many of the companies issuing the debt are now backed by governments so that may reduce the risk somewhat. It has a gross redemption yield of 8.54% and the annual charge is only 0.2%. The top ten holdings are bonds issued by the following companies: Banca Intesa, UBS, Barclays, Glaxosmithkline, Walmart, ING, Lloyds TSB, BP, Rabobank & Citibank.

"Could you please add this to the Library along with iShares Euro Corporate Bond ([IBCX](#)) and iShares Dollar Corporate Bond ([LQDE](#)). These have gross redemption yields of 6.11% and 8.21% respectively.

"I don't own any of these or any other corporate bond investments, but if I did, as a small investor, I would consider these ETFs to be my best option because I would not like to pay a 1.5% p/a fee to a fund manager for a fixed income investment.

"Thank you for the fine work you produce."

My comment - Thank you for your thoughtful comment and for these interesting contributions, all of which can now be found in the Chart Library.

Email of the day (4) - on additions to the Chart Library:

"Good morning gentlemen, would you please add the following UK authorised funds to the chart library:

"Artemis Capital ([PKACC](#)) - last bid price 557.71 BlackRock [UK Acc](#) (MYMGWA) - last bid price 222.60 BlackRock UK [Small Cos Acc](#) (MYUKSA) - last bid price 234.30 Fidelity [Global Special Situations](#) (FIGSSA) - last price 1135 Fidelity [Special Situations](#) (FISS) - last price 1280 Investec [UK Smaller Companies A Acc](#) (GMTBUA) - last price 845.47 Old Mutual [UK Select Mid Cap A Acc](#) (PCOMUS) - last bid price 92.56"

My comment - Thank you for these suggestions which have now all been added to the Chart Library.

Last week's signups for the Free (Abbreviated) Comment of the Day - For the week of November 2nd new signups, including subscribers and pre-subscribers, live in the following countries or regions: Australia, Cambodia, China, the Dutch Antilles, France, Hong Kong, India, Ireland, Singapore, Thailand, the UK and the USA - 12 in total. In descending order, which topped the list in terms of the last week's new signups? It was the USA, UK and Singapore.

Thousands of people around the world receive Fullermoney's Free (Abbreviated) Comment of the Day, and their numbers steadily increase. Why do so many sign up? It is primarily due to word of mouth or word of press mention, from people who like Fullermoney's global perspective and our Empowerment Through Knowledge theme. Incidentally, on receiving our free daily email, you will not be contacted or solicited with advertisements and other marketing material. No one else will have access to your email address. We respect your privacy.

Tuesday 11th November 2008

Tim Price: Facing the music - This latest [letter](#), published by PFP Wealth Management, is superb in my opinion. Here is a brief sample which was preceded by some apt verse from Irving Berlin:

Human beings are good at enduring extreme conditions and surviving in a wide range of habitats. We have mastered tools, speech, fire-making and the wearing of clothing. But our brains are insufficiently evolved to be able to handle financial markets easily. That goes doubly so for bankers. Words are admittedly cheap relative to actions, but the late Sir John Templeton summarised the issue neatly:

"To buy when others are despondently selling and sell when others are greedily buying requires the greatest fortitude and pays the greatest reward."

Prepare for rewards. The problem, and it is a critical problem through our inability to handle longer term planning easily, is that those rewards will not accrue overnight, but will take time and patience to be delivered to investors with Sir John's brand of fortitude. We are hard-wired, sadly, for the short term.

In James Montier's authoritative "Behavioural Investing? (John Wiley, 2007), the author points to evidence from neuroscience "that real pain and social

pain are felt in exactly the same places in the brain. Eisenberger and Lieberman (2004) asked participants to play a computer game. Players think they are playing in a three-way game with two other players, throwing a ball back and forth.

"In fact, the two other players are computer controlled. After a period of three-way play, the two other "players" began to exclude the participant by throwing the ball back and forth between themselves. This social exclusion generates brain activity in the anterior cingulate cortex and the insula, both of which are also activated by real physical pain.

"Contrarian strategies [such as buying quality stocks now, just as deleveraging investors are tossing them into the waste bin] are the investment equivalent of seeking out social pain. In order to implement such a strategy you will buy the things that everyone else is selling, and sell the stocks that everyone else is buying. [There is not much evidence of the latter at present. This is called an opportunity.] This is social pain. Eisenberger and Lieberman's results suggest that following such a strategy is really like having your arm broken on a regular basis.."

Notwithstanding the huge losses incurred in almost every asset class during 2008, there is good news, of sorts, in the form of comparably huge government intervention. Legg Mason's Michael Mauboussin suggests that the scale of what he calls global government mobilizations will make this downturn more akin to those of the early 1970s, early 1980s or early 1990s than to the Great Depression. Quite how bad the downturn will be is impossible to say. It is dependent, not least, on the hopes, fears and actions of millions of people currently having the wits scared out of them by media coverage of the markets that is little short of irresponsible.

Mauboussin also makes a good case in the income argument for stocks. It is worth recalling some historic data on the topic. Two centuries of investment returns from Anglo-Saxon markets indicate that annualised real returns amount to between 6% and 7%. More than half of that return comes from compounded dividend income. And as Mauboussin points out,

"The current dividend yield on the S&P 500 is only about 25 basis points below the yield on the 10 year Treasury note. You have to go back to the early 1960s to find a similar relationship. If you add in share buybacks, the yield is about 400 basis points above the 10 year note yield, and that's with buybacks down sharply this year. And excluding the financial sector - and that's a big exclusion - corporate balance sheets remain in decent shape."

My view - Tim Prices' forecasts have been extremely accurate over the last year, so I monitor them closely and also commend them to you.

By most measures stock markets are cheap. We have certainly seen extremes of sentiment and price trend, and valuations are much improved. Reactive and crisis oriented central banks are no longer targeting the inflation which they helped to create, because it has been in rapid retreat since July. Urged on by their respective governments, CBs are now attempting to cushion

a steepening global economic decline. Having embarked on this journey, they will not desist until conditions improve. Additionally, governments are now using fiscal policy to fight a disinflationary recession.

I certainly hope that Michael Mauboussin is correct in his historic comparisons above. If so, those who are nibbling at quality stocks on weakness should be handsomely rewarded over the next few years. However while deleveraging continues and more of America's best know companies face insolvency, we have reason to think we are living through an epochal event. As the venerable Richard Russell points out: "Mattel makes toy cars. Mattel is now worth more as a company than General Motors." It gives one pause for thought.

I often feel confident in my analysis, sometimes justifiably so, and sometimes naïvely or rashly so. Today, I have far more questions than answers. An important reason for this is that too many of the price trends intrigue rather than entice me. I see the climactic action in many charts, but not the base formations to support sustained recoveries. The performance of many financial stocks remains a concern.

Looking ahead, I suspect we will not be able to fault our politicians for effort. However there is certainly no unanimity regarding the solutions. Consider this interesting comment from Kim Evans:

"Those studying The Great Depression make the ubiquitous mistake of looking at the symptoms and not the cause. There is ZERO evidence anything FDR did solved the problems. He had a second-class mind, but a first-class temperament as one wag commented. The Genoa Conference in 1922 created the First Gold Exchange Standard to be a medium of exchange for the industrial world. The key idea to grasp (Statists in particular miss on this one as of course they "know better" than the great unwashed) was the failure of this exchange system in 1929 AFTER which global liquidity imploded, the Crash occurred, and corporations globally had difficulty getting financing. Sound familiar? We are seeing a breakdown in the \$ exchange standard as we speak with equally profound and chaotic implications as events go increasingly discontinuous in power curve fashion as we've long written. Recessions follow a predictable path and that is CB's take away the punch bowl just as the party starts going good and inflation appears. Financial collapses come about through monetary system failure, and that's the idea only a tiny handful grasp! We are in that situation now, a totally different situation and FDR failed to grasp that idea too. Shortage of aggregate demand and Keynesian nostrums didn't attack the real problem. There was no global exchange standard. Congress exacerbated the situation with the Smoot Hawley and global trade spiraled down, so we need to watch for trade restrictions now. The Columbia free trade situation will be an acid test of the Obama presidency. As the Great Depression unfolded, global consumers and corporations didn't have the money to buy US goods. Overproduction in the US and slowing global consumption fed into trade restrictions and declining domestic consumption from the disappearance of global liquidity and subsequent job loss. The US alone could NOT solve this problem with the attempted nostrums during the 30's as countries globally engaged in beggar thy neighbor devaluations after FDR confiscated gold with the subsequent US

devaluation. The failure of the abortive Tripartite Agreement in 1937 ushered in that leg of the depression as trade couldn't occur with no exchange standard. The depression wasn't over until the Bretton Woods agreement in 1944 allowing gold to be used to back the global monetary system. This 2nd gold exchange standard collapsed in 1971 when Nixon closed the gold window and that's what has us in this mess today. It allowed for unfettered printing and credit expansion. Yes, we have a credit bubble, but the critical idea to grasp is how it happened and that goes back to 1971! We are witnessing the collapse of the \$ exchange standard and that is the essence of the problem creating the implosion of credit. Bailing out GM won't touch that problem just as FDR's nostrums failed until Bretton Woods."

With all the uncertainties, I maintain that it will take time to restore confidence. Personally, I am going to wait until I see some reassuring bases before investing the cash that I hold. It is quite likely that some of these formations are in the early stages of development, not least among Fullermoney themes, although I have thought that before only to see the downtrends resume. My own hunch is that this has more to do with forced selling than valuations or long-term potential. Meanwhile, it is good to be back and watching, which I will continue to do with considerable interest.

Gideon Rachman: The Bretton Woods sequel will flop - [This is an interesting article](#) by the Financial Times leader writer. The full article may require registration but here is the opening:

I blame it all on Dean Acheson. The long-dead American statesman was a big figure at the original Bretton Woods conference in 1944 and later helped invent Nato. Acheson gave his memoirs the modest title Present at the Creation and, in so doing, he inadvertently fed the grandiose fantasies of the leaders of the Group of 20 leading economies who will assemble in Washington next weekend. Perhaps they too can achieve near God-like status by reordering the institutions of the world?

Some of the leaders who are heading for Washington are surprisingly frank about the fun they are having. Nicolas Sarkozy, France's dynamic president, has congratulated himself on his "luck" in having the chance to remake the global financial system. Gordon Brown, Britain's prime minister, has visibly revelled in the idea that he is a global intellectual leader.

But like most sequels, Bretton Woods II is not going to be nearly as good as the original. The first conference gave birth to the World Bank and the International Monetary Fund. Its successor will be duller and less consequential.

The first reason for this is that the global financial crisis - bad as it is - is hardly the second world war. The war destroyed the established order and so the statesmen who drew up the postwar institutions had a blank piece of paper on which to doodle.

Second, there is not enough time. The original Bretton Woods conference

benefited from two years of preparation, not two weeks.

Third - and rather important - the countries that are meeting in Washington this weekend disagree. The Europeans, who adore all forms of international governance, are pushing for new global regulators for the international financial system. The Americans and Chinese - more jealous of their national sovereignty - are more cautious.

Finally, unlike at the original Bretton Woods, the US has neither the power nor the inclination to impose a new set of arrangements on the rest of the world.

This last point is one that the Europeans, in particular, struggle to comprehend. Their general view is that there are two opposing ways to order the world. The first - associated with the dreaded President George W. Bush - was based on American power and "unilateralism". The second - which they hope will be embraced by the sainted Barack Obama - is based on a chastened US working with others to build a multilateral world order. Part of the European excitement going into Bretton Woods II is based on the idea that the age of American primacy is over - and a new multilateral era is dawning.

But in 1944-45, multilateral institutions such as the IMF, World Bank and UN were born out of American strength, not American weakness. One of the reasons Bretton Woods worked was that the US was clearly the most powerful country at the table and so ultimately was able to impose its will on the others, including an often-dismayed Britain. At the time, one senior official at the Bank of England described the deal reached at Bretton Woods as "the greatest blow to Britain next to the war", largely because it underlined the way in which financial power had moved from the UK to the US.

Next weekend's meeting also acknowledges shifts in global power. Fans of the G20 like the idea that it is not the tired old G8, which they see as made up mainly of clapped-out European countries bound for the knacker's yard of history. The G20 includes rising new powers such as China, India, Brazil and South Africa.

That is important. An international system that does not accommodate China, India and other new risers clearly cannot work in the long run. But bringing them into the system is no guarantee of success. The more voices around the table at Bretton Woods II - and the more equality there is between them - the harder it will be to reach agreement.

In fact, the emerging multilateral, multipolar world - long called for by those uncomfortable with American power - shows every sign of being highly dysfunctional.

My view - 'Needs must' is a powerful motivator. I remain a long-term optimist.

Many thanks - Mrs Fuller and I greatly appreciate all the heartfelt messages wishing her a speedy recovery.

Additional Commentary by Eoin Treacy

Bonus Jackpot Can Be Yours in Five Easy Steps - [Thanks to a subscriber for this interesting article by Michael Lewis for Bloomberg which highlights the possibility of underperformance by the banking sector. Here is a section:](#)

It may still take awhile before Wall Street finally accepts that it won't get paid.

At the moment, as their bony fingers fondle the new taxpayer loot, the firms appear to believe that they might still fool the public into thinking that bonus money isn't taxpayer money.

``We've responded appropriately to the attorney general's request for information about 2008 bonus pools," a Citigroup Inc. spokeswoman told Bloomberg News recently, ``and confirmed that we will not use TARP funds for compensation." But as the Bloomberg report noted, ``she declined to elaborate."

As well she might! For if the Citigroup spokeswoman had elaborated she would have needed to say something like this: ``We're still trying to figure out how the \$25 billion we've already taken of taxpayers' money has nothing to do with the \$26 billion we're planning to hand out to our highly paid employees in 2008 (up 4 percent from 2007!). But it's a tricky problem because, when you think about it, it's all the same money."

Sadly, the public is now poised to see through any ruse: This pile of money instead of that pile, stock instead of cash, options instead of stock, options on options instead of options - - none of it is going to fool anyone anymore. If Goldman Sachs Group Inc. paid its bonuses in old office furniture, there would be a story in every major newspaper the next day that examined the market for second-hand desk chairs, and calculated the cash value of the haul.

No Secrets

Just how wised-up the public has become was recently illustrated in a letter sent to Treasury Secretary Henry Paulson from Leo Gerard, President of the United Steelworkers Union. The steelworkers' boss, deploying the Black-Scholes model with elan (``Mr. Secretary, this analysis is not rocket science") correctly priced the securities bought by the U.S. Treasury in nine Wall Street firms, and thus revealed to all the extraordinary deal Paulson had just given his old pals at Goldman Sachs.

Of the \$10 billion the Treasury handed Goldman Sachs, \$5 billion counted as a fairly priced investment. The other \$5 billion was...free money. ``It would appear," Gerard wrote, ``you intend to reward the institutions that have driven our nation, and it now appears the whole world, into its most serious economic crisis in 75 years, with a gift of \$350 billion from the American taxpayers, who have watched 760,000 jobs disappear over just the past nine months."

If even the steelworkers union can parse the Wall Street doublespeak, the

doublespeak has lost its power to persuade. Too many people know too many things. The problem of how to get paid on Wall Street must be radically reframed.

My view - Resentment about the amount of money taken home by investment bankers ran at a low level as long the economy was performing and payments was seen as a percentage of profits bankers had gained in the market. However, as the ordinary man/woman in the street comes around to the idea that it is their taxes that are paying bonuses for people who have lost unimaginable amounts of cash, public outcry will make it next to near impossible for such large bonuses to be paid. Politicians are likely to be quick to support any containment measures because bankers are now an easy target and to do otherwise would lose votes.

Governments in the USA and Europe have quickly found themselves in control of large swathes of their respective banking sectors. When governments take control of industry it most often underperforms, but survives. This has occurred for mines, oil wells and utilities. I see no reason why banks should be any different. For this reason, as well as the collapse of their business models, most bank sectors will survive, but is unlikely to get back to their peak profit performance anytime soon.

Companies with access to cash today have a significant advantage over companies that rely on the money markets for funding. However, this will not always be the case. When this crisis is behind us, it is not too much of a stretch to expect some ambitious managers will attempt to take some of the banks currently receiving government bailouts private.

There is a clear difference in how the [S&P500 Banks](#) are performing relative to the [Diversified Financials](#). One sector is made up of deposit holding firms while the other is dominated by companies that have relied on access to credit and leverage to boost profits.

The S&P500 Banks Index bounced well from the July lows and tested the declining moving average. The progression of lower highs remains in place, but more two-way action has taken place over the last three months and the downtrend is now less consistent. While, the Index found support close to 150 in October, it needs to sustain a move above 180 to offset scope for some additional lower to lateral ranging.

The S&P500 Diversified Financials Index remains in a consistent downtrend, with an unbroken progression of lower rally highs. It is currently testing the October lows and needs to sustain a move above 360 to question potential for a downside break.

GM's Skid Quickens as Crunch Raises Bankruptcy Threat - This [article](#) by Mike Ramsey for Bloomberg covers the problems surrounding the US motor industry. Here is a section:

General Motors Corp., burning cash as U.S. sales slide, is being pushed closer to bankruptcy as it waits to learn whether the auto industry will win a new round of government loans.

Only federal aid can prevent a collapse by the largest U.S. automaker, analysts including Buckingham Research Group's Joseph Amatore said yesterday as the shares plunged to a 59-year low. Reorganizing in court protection also may not be possible, because the credit crunch has dried up financing.

"Strategic bankruptcy is not an option for GM," said Mark Oline, a credit analyst with Fitch Inc. in Chicago. "This is an issue of operating or not operating."

The prospect of a forced liquidation raises the stakes for GM's quest for new federal borrowing after saying on Nov. 7 it may run out of operating cash as soon as year's end. GM had \$16.2 billion on hand as of Sept. 30, down from \$21 billion at the end of June, and needs \$11 billion to pay its monthly bills.

"A bankruptcy wouldn't address our immediate liquidity concerns," said Renee Rashid-Merem, a spokeswoman for Detroit-based GM. "It's not an option for GM because it creates more problems than it solves."

GM's U.S. sales, which fell 21 percent last quarter and 45 percent in October, "would be devastated" by a bankruptcy filing, Chief Executive Officer Rick Wagoner said in a Nov. 7 Bloomberg Television interview. The "unimaginable consequence" of a bankruptcy "motivates us to really come up with cash in every way possible," he said.

Obama-Bush Talks

Wagoner, 55, is cutting jobs and shutting plants after almost \$73 billion in losses since the end of 2004. He told trade publication Automotive News that GM needs an aid package before President-elect Barack Obama takes office in January. Obama spoke with President George W. Bush about the urgency for aid to U.S. carmakers during discussions about the economy at a private White House meeting, aides to the president-elect said.

Investors may be concluding that GM won't succeed. The stock slid yesterday, chopping \$600 million from GM's market value, to about \$2.05 billion after Deutsche Bank AG said the shares may be worthless in a year.

My view - There are few certainties in markets, but one must be the inevitability of a rescue package for [GM](#) and [Ford](#). Too many jobs are at stake and the mountain of debt instruments outstanding too large, to let these companies go bankrupt. There are far more credit default swaps outstanding on GM than bonds to cover them. The Lehman Brothers bankruptcy showed us that much of the contracts written were hedged so the total liability was in the end comparatively small. This may also be the case with GM credit derivatives but no one is very keen to find out.

GM has a yield curve all of its own, which is an indication of just how much debt is outstanding. The [yield](#) on the 10-yr part of the curve hit a hit of nearly 40% since July and while it has fallen to around 36%, needs to fall considerably farther to suggest that the risk premium attached to the shares is declining. The share remains in a consistent downtrend and would need to sustain a move above \$10 to question the need for an immediate rescue package. Ford is in a similar position as it hovers near \$2.

Ruble Devaluation Concern Triggers 10% Plunge in Russian Stocks - [This article](#) by Laura Cochrane and Emma O'Brien, covers problems being experienced in the Russian markets. Here is a section:

Russia's ruble fell the most in two months and stocks tumbled after the central bank indicated it may scale back its defense of the currency as officials grapple with the worst financial crisis since the 1998 devaluation.

The ruble slumped 1 percent against a basket of dollars and euros after central bank chairman Sergey Ignatiev said the currency has a "tendency toward weakening," during a televised press conference yesterday. Russia's Micex Index plunged 10 percent, the biggest decline worldwide today.

"They're going to move the line in the sand back a little bit, where they hope they can defend it," while resisting a formal devaluation that would erode confidence in ruble deposits, Chris Weafer, chief strategist at UralSib Financial Corp. in Moscow, said in an interview today. "If people start to lose confidence in the banking system, we could have a massive run on the banks as we saw twice in the nineties, and then the game is up."

Fitch Ratings yesterday followed Standard & Poor's in warning of a possible Russian downgrade after the central bank used 19 percent of its currency reserves to stem a 16 percent slide in the ruble against the dollar since the start of August. Financial turmoil has forced the country's largest oil and steel producers to seek tax breaks, while the defense industry is failing to meet government orders.

Russia, the world's second-largest oil producer, is suffering among the worst losses in financial markets as the global economic slowdown crimps demand for its exports. Russian stocks fell 67 percent this year, compared with a 42 percent slide in the MSCI World Index of developed nations.

Government Support

Crude fell as much as 3.4 percent in New York today, extending its decline to 59 percent from a July record, on speculation the International Energy Agency may lower its 2009 oil-demand forecast. Urals crude, Russia's main export blend of oil, has slumped 61 percent to \$54.70.

If oil falls below a "psychologically important" \$50 a barrel, pressure on the ruble will intensify, Weafer said.

The ruble, which Bank Rossii manages to limit the effect of fluctuations on the

competitiveness of exports, slid as much as 1.3 percent against the dollar and 1 percent versus the euro. This has put fear into the market," said Lars Christensen, head of emerging-market research at Danske Bank A/S in Copenhagen. "It may lead to domestic Russian players leaving the ruble, triggering panic-selling."

The central bank has a policy of not commenting on its day- to-day actions in the currency market and didn't immediately respond to questions faxed to the press department.

My view - This chart of the Ruble [overlaid](#) with the CRB illustrates that Russia has suffered more than most from the turn down in commodity prices. Over the last decade, Russia has been able to pay down many of its debts as deficits turned to surpluses when commodity prices advanced. Since the rest of the economy remains weak, the health or otherwise of the commodity sector continues to have a huge impact on the rest of the economy.

The [Ruble](#) is one of the few currencies the US Dollar has made a new high against since the latter half of November. It would now need to sustain a move below R27 to question scope for further Dollar strength.

The [RTSI's](#) downtrend has lost some of its momentum over the last month, but needs to sustain a move above 900 to break the progression of lower highs and potential for some additional downside.

Russian government bond [yields](#) have fallen back considerably from the peak above 9% in late October. The rate found support above the September highs and would need to sustain a move below 6.7% to suggest that the risk premium attached to the market is returning to more 'normal' levels.

Email of the day - on additions to the Chart Library.

"At your convenience, please add Vanguard Emerging Markets ETF ([VWO](#)) to the chart library."

My comment - Thank you for an interesting suggestion which has now been added to the Chart Library.

Wednesday 12th November 2008

Martin Wolf: How Obama should face his vast economic challenges - This is a very interesting [article](#) by one of the Financial Times' outstanding columnists. Here is a section:

A bigger US fiscal deficit would offset the rise in the desired financial surplus - the excess of income over spending - in the private sector at a time of recession. In the early 1980s, the private sector surplus reached 6 per cent of gross domestic product (see chart). But the US would also probably run a current account deficit of 4 per cent of GDP at high levels of employment. Since the private, foreign and government balances must sum to zero, the

fiscal deficit may need to be as huge as 10 per cent of GDP.

Such vast fiscal deficits are only a temporary solution. So how might they end? In the US and other countries with highly indebted private sectors, such as the UK, a return to large private sector financial deficits would be highly undesirable, even if achievable. A vastly better outcome would be bigger savings and a reduction in current account deficits. Thus, the expansion in net exports that has recently been so vital for US growth must continue.

If the US external correction is to be consistent with global growth, demand must expand vigorously elsewhere, particularly in chronic surplus countries. The new administration should lead the world towards an understanding of a point that concerned John Maynard Keynes: it is hard to accommodate countries with massive and persistent current account surpluses. The counterpart deficits, if prolonged, almost always lead to financial crises. The way out is for most surplus countries to spend more at home. The expansion programme announced by the Chinese government early this week is just a beginning. Instead of toying with protection, the Obama administration needs to focus on global imbalances. The immediate way to deal with this challenge is to demand a global fiscal stimulus, with surplus countries implementing the biggest packages.

The third element in the programme to deal with the current crisis is already under way - financing of emerging economies in difficulty. The Federal Reserve has taken the lead with its imaginative expansion of swap arrangements with central banks in a few emerging economies. But this needs to be generalised. What is needed is a much expanded version of the general agreement to borrow, through which countries provide credit to the IMF for on-lending.

My view - These are sensible points but regarding US exports, one recalls what the rustic local said when asked for directions by a driver who had lost his way: "You can't get there from here." In other words, it will not be easy for the USA to increase exports significantly against the background of a stronger dollar and weaker global economy.

Obviously the USA needs to broaden its export base and also encourage inward investment. This will take time. The Obama administration might have more immediate success if it repealed the Patriot Act's unnecessarily repressive aspects and encouraged more tourism.

Meanwhile, the practical reality concerning what individual countries can do to stimulate their economies varies considerably. Those with substantial current account surpluses are in a much stronger position to stimulate their economies, through infrastructure development and personal consumption. They will also have less need to weaken their currencies.

China springs to mind although relative performance by stock market indices - not on the way down but in terms of early base development and establishment of the next uptrend - will provide the most important signals for this investor. Today, the evidence of bases is tentative, to say the least, but

this can change rapidly. Moreover, we have many of the preconditions for a bottoming out process, as mentioned previously.

Email of the day (1) - [On the Gideon Rachman article posted yesterday:](#)

"GR's piece is somewhat typical of the consensus. It celebrates the possibility of a more globalized and unified world, and correctly compares it to the (larger?) historical events of the past (WWII etc). But he feels the new order may be dysfunctional. For example, he feels that attempts by the Americans and Europeans to agree on a single regulatory framework may fail and the US is no longer Top Dog and able to push things through, as in the '40s. Maybe so.

"But I find it interesting in that it stops short of saying what is becoming clearer by the day and is far more important for the markets.

"Never in human history have ALL the nations of the world combined in a globally concerted way to face a common global enemy, with almost limitless and global economic powers at their disposal. Besides this, procedural hang ups over regulatory interference are of minimal import.

"Can any of your historian readers think of a time in the entire expanse of human history when:

- 1 a common enemy was so easy for all to identify and agree upon and
- 2 an attempt to fight it was being followed by ALL nations (in their different ways), without exception?

"I can't."

My comment - [Thanks for making these very good points. In a genuine economic crisis, which takes some time to be widely recognised, those who have reservations about the initially proposed solutions are often right. It is usually a case of too little too late, and policies that deal with symptoms rather than causes, which are far from fully understood.](#)

[As the enormity of financial problems becomes clearer, governments struggle to keep up in terms of appropriate monetary and fiscal policies. New fault lines emerge, not least regarding the excessive use of leverage. The initial sceptics are seen to be right. Their numbers grow as negative sentiment generates its own fashion trend. A consensus develops, concluding that policy makers are not only divided but also largely powerless. In markets, this despondency is usually reflected by capitulation selling such as we saw last month.](#)

[Governments recognise that deteriorating sentiment has also become a major, self-feeding problem. They attempt to counter this with more dramatic monetary and fiscal measures, and coordinated multinational efforts. This is what we are now seeing, and I maintain that it is an essential part of the long-term solution.](#)

I do not agree with Gideon Rachman's implication that the world is worse off because the USA is no longer "clearly the most powerful country at the table." An important Fullermoney theme for the current decade is that global leadership is evolving rapidly from unipolar to multipolar. Globally, this surely is a better economic background than what existed previously, when the USA was the main engine of economic growth.

Consequently, I agree with the email above. However it takes time to discover, agree on and implement solutions to potentially epochal problems. Nevertheless, the base formations that we await in stock markets will be evident long before there is a consensus that the economic crisis has passed. That has always been history's lesson.

Additional Commentary by Eoin Treacy

Financial Times: Mexico hedges almost all of its oil exports - [Thanks to a subscriber for this interesting article by Javier Blas covering Mexico's hedging operations in the oil market. Here it is in full:](#)

Mexico is taking steps to protect itself from the oil price remaining below \$70 a barrel in the clearest sign yet of the concerns of producer countries at the impact of the global economic slowdown on their revenues.

The world's sixth biggest oil producer hedged almost all of next year's oil exports at prices ranging from \$70 to \$100 at a cost of about \$1.5bn (£961m) through derivatives contracts, according to bankers familiar with the deal.

The cover is far higher than the country - which relies on oil for up to 40 per cent of government revenue - usually seeks. Last year, Mexico hedged 20-30 per cent of its exports.

Mexico's finance ministry declined to comment on Monday but said in its latest quarterly report that its oil income stabilisation fund spent about \$1.5bn on "financial investments, as part of the measures taken for risk management".

Oil prices hit an all-time high of \$147.27 a barrel in July but have since fallen to less than \$65 as the global economy cools. In late afternoon trading in London on Monday, oil fell 18 cents to \$60.86 a barrel.

Tomas Lajous, a strategist at UBS in Mexico City, said the trades appeared to have occurred in late August and early September. "The hedge is very good news??.?.?a presumed cost of some \$1.5bn is immaterial relative to risks," he said.

Signs that a big producer was hedging emerged over the summer as traders in New York noted a significant surge in options for December 2009. Mexico's programme could have added some downward pressure to spot oil prices as banks involved in the deal - Barclays Capital and Goldman Sachs - offloaded some of their risk, selling futures, traders said. Neither bank would comment. Without the hedge, the recent price falls would have been a serious concern

for Mexico. The government has already revised its budget, lowering its oil price target from \$80 to \$70.

Last month, Agustín Carstens, Mexico's finance minister, told the Financial Times in an interview that he had been stunned by the fall in oil prices. "What we have seen is amazing," he said.

However, he pointed out that the government's stabilisation fund had a \$10bn cushion. "We should be in good shape."

Fitch, the ratings agency, cut the outlook on Monday on Mexico's sovereign debt from stable to negative. Among the reasons, it cited were lower oil prices.

My view - If [oil](#) producing countries were hedging their output in July and August that, at least in part, helps to explain the remarkable consistency of oil's fall from \$147 to today's levels. The reactions on the way down have been relatively equal sized and while the pace of the decline has slowed somewhat of late, a sustained move above \$73 is needed to break the progression of lower highs.

The Mexican [stock market](#) lost momentum from August 2007; failing on a number of occasions to sustain a move above 33,000. The sustained move below 25,000 completed the Type-3 top in September and the Index accelerated lower. It found at least short-term support near 16,500 in late October and rallied well. It is pulling back at present, having failed to break the progression of lower highs but needs to sustain a move to new lows to question potential for some further ranging.

The [US Dollar](#) soared against the Mexican Peso from its early August lows before encountering resistance near MXN14. It has become much more volatile in the last month, but a sustained move below [MXN12.5](#) would be needed to offset potential for the Dollar to push somewhat higher.

Mexican government bond [yields](#) soared in mid-October but retraced almost the entire advance in the following days. The rate has since steadied near 9% and needs to push progressively lower to suggest the country's risk premium is continuing to contract.

Email of the day (1) - on feedback from the Chinese high street:

"Many thanks for your informative answer to mine in email of the day. My retail friends tell me that sales have perked up considerably from the weekend onwards and this is from Chinese buyers."

My comment - Thank you for keeping the Collective up to date with your valuable insights.

Email of the day (2) - on additions to the Chart Library:

"Thanks as ever for your essential and informative insights."

"Please can you add the following to the Chart Library:

- 1) DJ BRIC 50 (BBG ticker: [BRIC50D](#))
- 2) Rosneft GDR (BBG ticker: [ROSN LI](#))
- 3) Banco Bradesco (BBG ticker: [BBDC4 BZ](#))

"Please can you correct the company name of "China Merchant Banking" to "China Merchants Bank".

"Please can you suggest and add an appropriate Japanese Brokers Index to the Chart Library also.

"Many thanks again for your excellent product.

My comment - Thank you for these interesting suggestions, which have now all be added to the Chart Library. The title for China Merchant's Bank has also been amended.

The [Topix Securities Index](#) is probably the best sector to monitor the performance of Japanese brokers or securities companies. It remains in an overall downtrend where a progression of lower highs remains evident. The Index is quite overextended relative to its moving average, but the bounce from near 350 encountered resistance near the early-October lows. It needs to sustain a move above 460 to question scope for some further lower to lateral trading.

Email of the day (3) - [more on additions to the Chart Library](#):

"Would it be possible for the following equities to be added to the Chart Library:

[Cairn India](#)
Indiabulls Securities
[Anant Raj](#)
Sino Ocean Land
[Agile Property](#)
[Hopson Development](#)
[Shenzhen Development Bank"](#)

My comment - Thank you for these interesting suggestions, most of which have been added to the Chart Library. I'm afraid that Indiabulls Securities and Sino Ocean Land are privately held so there are no charts available.

Email of the day (4) - [even more additions to the Chart Library](#):

"I couldn't find the following chart. Can you put it up please - it's [LYXJPN](#) GT Equity, a European based Topix ETF?"

"Many thanks"

My comment - Thank you for pointing out this omission which has now been added to the Chart Library.

Please note - I will be away from the office until Monday because I am in London to host The Chart Seminar. I will update the indicator which depicts the divergence of the S&P500 and Dow Jones from their respective 200-day moving averages on Monday.

Thursday 13th November 2008

Human frailty caused this crisis - At this stage of the credit and solvency crisis readers know most of the story, so it is unusual to learn something new. However this [article](#) by Richard Thaler and Cass Sunstein for the Financial Times is a welcome addition, for its behavioural insights. Note: the link may require registration but I have reproduced the copy below:

Mea culpas are rare these days. In a debate with John Kerry in 2004, President George W. Bush famously could not name a single mistake he had made in his first term. So it is both noteworthy and commendable that Alan Greenspan, the former US Federal Reserve chairman, fessed up that he had failed to anticipate the financial crisis.

"Those of us who have looked to the self-interest of lending institutions to protect shareholders' equity (myself especially) are in a state of shocked disbelief," he said. Mr Greenspan had faith that banks were prudent enough to make sure they were not lending money cheaply to people who could not pay it back. Yet that is what happened. As Mr Greenspan says of securities based on subprime mortgages: "To the most sophisticated investors in the world, they were wrongly viewed as a 'steal'."

Why did Mr Greenspan, along with the rest of the world's regulators, fail to foresee that this could happen? We think their mistake was to neglect the role of human nature. To prevent future catastrophes, regulators should focus explicitly on how to provide safeguards against two all-too-human frailties explored by decades of work in behavioural economics: bounded rationality and limited self-control.

The standard (non-behavioural) economic model has greatly influenced regulators. In that model, economic agents (econs for short) choose optimally, no matter how hard a problem they face. They play chess as well as they play tic-tac-toe. The problem with this approach is that the world is populated by humans, not econs. Humans are not stupid, but when things get complicated they flounder: they suffer from bounded rationality.

This brings us to an aspect of the financial crisis that has not received the attention it deserves: the financial world has become more complex in the past two decades. Not so long ago, most mortgages were of the 30-year fixed-rate variety. Shopping was simple: find the lowest monthly payment. Now they come in countless forms. Even experts have trouble comparing them and a low initial monthly payment can be a misleading guide to total

costs (and risks). A main cause of the mortgage crisis is that borrowers did not understand the terms of their loans. Even those who tried to read the fine print felt their eyes glazing over, especially after their mortgage broker assured them that they had an amazing deal.

Yet growing complexity on the borrowers' side was trivial compared with what was going on at the banks. Mortgages used to be held by the banks that initiated the loans. Now they are sliced into mortgage-backed securities, which include arcane derivative products.

Many economists have argued that even if individual consumers suffer from bounded rationality, markets will be set right by specialists who can figure out even the most complex problem. But, as Mr Greenspan now concedes, even these sophisticated investors got things badly wrong.

The second problem involves self-control. Econs do not suffer from self-control problems and so "temptation" is not a word that exists in the economists' lexicon. As a result, regulators have not thought much about the problem. But when the dessert cart comes by, we humans often cave in. The next thing we know, we are fat. This crisis was fuelled by the seemingly irresistible temptation to refinance the mortgage rather than pay it off. Falling interest rates, rising home prices and aggressive mortgage brokers made refinancing (and second mortgages) seem like the apple in the Garden of Eden. When home prices fell and interest rates increased, the party ended.

Regulators therefore need to help people manage complexity and resist temptation. A potential response to complexity would be to require simplicity - for example, by allowing only the standard 30-year fixed-rate mortgages. This would be a big mistake. Eliminating complexity would stifle innovation. A TiVo is a more complicated product than a VCR, but it is also better.

A superior approach is to improve disclosure. One reason a TiVo is better than a VCR is that it is easier to use. Regulators can reduce the chances of a future meltdown by making it easier to understand financial products. Aggressive steps should be taken to improve disclosure - for example, with mortgages, fine-print disclosure should be supplemented by machine-readable files enabling third-party websites to translate hidden details of the terms. Mandatory transparency for investment banks and hedge funds would also help.

The government and the market should try to deal with temptation. We hope that lenders will ask families to have done some saving in order to qualify to buy a home. Conscientious lenders could also nudge people to get off the refinancing merry-go-round, by suggesting that the term of the loan be shortened when a loan is refinanced. More ambitiously, private and public institutions could try to reintroduce an old social norm: try to pay off the mortgage sooner rather than later, and at the latest by the time you retire.

Greed and corruption helped create the crisis, but simple human frailty played a vital role. We will not be able to protect against future crises if we rail against greed and wrongdoers without looking in the mirror and understanding the

potentially devastating effects of bounded rationality and limited self-control.

Richard Thaler is professor of behavioural science and economics at the Graduate School of Business, University of Chicago. Cass Sunstein is Felix Frankfurter professor of law at the Harvard Law School. They are the co-authors of 'Nudge' (Yale University Press)

My view - More bluntly, I maintain that the credit and solvency crisis was not least an ethical problem in terms of corporate and regulatory governance. There was also cronyism. Alan Greenspan was eulogized by bankers, so he was more likely to return the compliment. In recent White House administrations, the Treasury Secretary has come from the banking sector, and returned to it following their term in government.

They did not want to listen to [Brooksley Born](#).

Email of the day (1) - [On chart reading](#):

"Shame on me.....After years of following charts I fell in love with a number of long term stories. I went thru 400 charts today and in my opinion most of them are in downtrends and I see basing going on in about 1%. I like you think it's too early to buy and too late to sell. I am filled with reaffirmation of my long lost religion. Charting....."

My comment - Thank you for these wise words, which I am sure will benefit the [Collective](#), particularly newer subscribers. It is humbling, but we stray from the trends at our peril. This realisation should also be reassuring as it can protect us from our wildest fantasies and excesses of ego.

Before Saving the US - My thanks to a subscriber for this informative [article](#) by Xiang Songzuo for China Business News, subsequently translated and posted on [ChinaStakes.com](#):

The nature of the current global financial crisis is the biggest debt crisis in America's history. The issuer of the world's reserve currency, the US has been borrowing for quite a long time without any limit. America's trade, international payment and fiscal deficits have existed for over 40 years (a fiscal dividend once occurred during Clinton's administration but deficit soon returned). Statistics show that America's internal and external debt exceeds \$60 trillion, over 400% of the country's annual GDP of a bit over \$14 trillion. Of that total, family debt (including mortgages), financial and non-financial firms' debt, and municipal and national debt come to about \$15 trillion, \$17 trillion, \$22 trillion, \$3.5 trillion, and \$11 trillion, respectively, though it is hard to tell how these debts have been split up among foreign governments, financial firms, companies, and individuals.

To relieve the crisis, the US must repay its debts, and to do that it needs to

live a more frugal life instead of asking others to continue lending it the money to maintain its over-consumption.

The first thing the government needs to do is reduce spending and the deficit. Correspondingly, the US needs to cut military disbursement, stop its global expansion and the robbing of oil resources from other countries. Companies should also become thrifty and avoid highly leveraged operation. Families and individuals should stop anticipating their income to buy houses and travel globally. Instead, they should warmly welcome foreigners to travel to and spend money in the US.

China Should Raise Conditions

But if the US must ask China to buy some portion of its national debt, what kind of conditions and principles should China we raise?

The principle should be the same as the basic principle upheld by the US and IMF when "saving" other countries in crisis: cut fiscal disbursement and both the government and the people should save money. Besides that, there are six points: first, the US should cancel the limits on high-tech exports to China, and allow China to acquire advanced technology and high-tech companies from the US; secondly, the US needs to open its financial system to Chinese financial institutions, allowing all Chinese financial firms to open branches and develop business in the US; third, the US should not prevent Europe from canceling the ban against selling weapons to China; fourth, the US should stop selling military weapons to Taiwan; fifth, the US should loosen its limits on numbers of Chinese tourists and allow them to travel freely to the US; and sixth, the US should never restrain China's exports to the US and force RMB appreciation in the name of domestic protectionism and employment pressure.

If the US should refuse to agree to the six principals, that only means it doesn't really need China to save its market and buy its national debt. Then China's choice is quite simple: rationally adjust the structure of its foreign exchange reserve assets and avoid the risk of the US national debt according to market rules.

What is worth special attention is that the prerequisite for China's purchase of US national debt is that China has enough foreign currency to meet the exchange demand when hot money is flowing out in large scale. Otherwise China will have to sell US debt to relieve its lack of foreign exchange currency, which will lead to sharp depreciation of China's dollar assets. What is even worse, China may immediately suffer a financial crisis led by the lack of foreign currency.

So if the US wants China to help save its market, the US government and the IMF must admit China's right to manage its foreign exchange independently. Once large scale hot money outflows occurs, China has the right to take effective measures to restrain the speed and amount of hot money outflow, and the US and IMF can't blame China for it. This is the most important prerequisite, even more important than the six principles mentioned above. If

the US can't agree to it, China may trap itself when saving the US. When exchange crisis happens in China, who can promise the US and the IMF won't hit China when it's down?

(The author is a professor at Central China University of Science and Technology. The piece is translated from his article on China Business News)

My view - It would be surprising if this article did not reflect views within the PRC's ruling cadre.

It also reminds us of the changing balance of power, discussed so often by Fullermoney over the last eight years. China has the savings and also a growing manufacturing base. Manufacturing in the USA has been shrinking as a percentage of GDP for decades and this loss cannot be made up by platform companies (Nike is a good example of these) alone. Consequently the USA needs China even more than China needs the USA.

But what about investment opportunities?

As a developing economy, China will always be high beta. However, the USA remains the epicentre of global economic risk, as Fullermoney concluded with sadness several years ago. I assume that there will be policy mistakes in China's command economy, as Jeremy Grantham [cautioned](#) recently. However the USA is no stranger to policy mistakes.

In terms of selecting investments, Fullermoney will always encourage subscribers to retain the decision making process, and we aim to provide many of the charts and articles to help you do so effectively. This is what our Empowerment Through Knowledge theme is all about. After all, no one is in a better position to determine what is appropriate for you, than you yourself.

Therefore this investor can only speak for himself. In terms of capital appreciation, I would much rather invest in the high-growth, high-corporate profits and high-savings economies on the way up, than the slow-growth, lower-profits and low-savings economies on the way down.

But timing is everything. The best time to invest in a favoured high-beta market is when it is cheap, and commencing the next recovery. I have done this before with China but my more recent mistake was to become infatuated with the theme. As a consequence and as president Bush said in a different context: I underestimated downside risk once China's accelerating stock market index (the Type-1 ending as taught at TCS) eventually lost upside momentum.

If considering growth rather than yield, many Fullermoney themes tempt me today. However China will probably be my next purchase, suspecting that it could lead the eventual recovery. This daily [chart](#) of the Shanghai Composite Index shows a potential downside failure, which will be part of the base building process. These longer-term charts ([p&f](#), [monthly](#) & [weekly](#)) confirm that China is at an interesting level, although the bottoming out process may

take time, especially without support from the USA and other influential stock markets.

When I do increase my investment in China, I will select from the funds and trackers listed in this [section](#) of the Chart Library. Meanwhile, I am content to receive a compounding yield in my main cash account (see item below).

Email of the day (2) - [On the website](#):

"You and Eoin do a remarkable job on the Fullermoney website, which has been a great source of insight through these troubled times. Many thanks for the great efforts you put into this."

My comment - [Thank you for this generous and inspirational comment.](#)

My personal portfolio: The latest on my cash position rollover - [Inevitably, my days of compounding at more than 8% per annum in New Zealand dollars are now over. The rate has dropped by more than 250 basis points to 5.5% for my next monthly rollover on the 17th. In seeking a higher yield and diversification from sterling earlier this year, I chose a currency that has been even weaker, although GBPNZD \(\[monthly\]\(#\), \[weekly\]\(#\) & \[daily\]\(#\)\) has been moving in my favour recently. I will chance my luck with this cross-rate for a while longer, although looking at the monthly chart above, I should consider another switch if I see NZ\\$2.50 to NZ\\$2.40.](#)

Email of the day (3) - [On FDR and the Fed](#):

"It is great for us to have you back but more important that you have Mrs. Fuller back on the road to recovery.

"I take note of certain phrases from Kim Evans' excerpt {FM 11 Nov} that diminish the credibility of his viewpoint. For one, "There is ZERO evidence anything FDR did solved the problems. He had a second-class mind, but a first-class temperament..." ZERO may be just too extreme to believe, and the declaration puts Mr. Evans in the enviable position of having the kind of mind to judge Mr. Roosevelt's intellect.

"Perhaps looking at the economic statistics of the 30's gives the impression of little progress, but did Mr. Evans live through the time? My father, who came of age during the Depression, recounted the real fear and possibility of a communist government in the USA, which may well have come to pass if people were not put to work and fed, thanks to the various programs.

"Another of Mr. Evans' statements, "Financial collapses come about through monetary system failure, and that's the idea only a tiny handful grasp!" does not sit well with me. The FED's monetary policy merely supported the spendthrift ways of politicians who, hand-in-hand with corporate supported lobbyists, deregulated the financial system until it resembled a casino. I think

we have, and continue to have, a political failure under the theme of "good/bad governance" you have emphasized over the years.

"Finally, I would listen to any critic who also proposes specific recommendations for fixing the current situation; otherwise the criticism is just angry prose."

My comment - Thank you very much, not least for these interesting points.

I believe Kim Evans was quoting or paraphrasing someone else on FDR, but take your point. My parents, who met during the Depression while acting and directing in state sponsored theatre in NYC, though FDR was wonderful. You and I also know that some of his policies were controversial.

The Communists, masquerading behind social justice issues, appealed to idealistic youths. My mother's adored younger brother, and therefore my uncle, was sucked in and persuaded to volunteer for the Abraham Lincoln Brigade. These untrained youths were sent to Spain, where they became cannon fodder in facing Franco's troops. He died there, as did most of the Brigade. Fortunately, my father found the Communists sinister after attending a few of their meetings.

I certainly agree that many of the USA's current economic problems are due to poor governance, particularly at the corporate level, often due to a lack of ethics. (*Note for new subscribers: I last mentioned this in my [Après Götterdämmerung presentation](#).*)

Please note - Eoin is away today and tomorrow, conducting The Chart Seminar.

Friday 14th November 2008

Stable Money Is the Key to Recovery - This is an interesting and informative [article](#) by Judy Shelton for The Wall Street Journal. Here is a section:

Consider this: The total outstanding notional amount of financial derivatives, according to the Bank for International Settlements, is \$684 trillion (as of June 2008) -- over 12 times the world's nominal gross domestic product. Derivatives make it possible to place bets on future monetary policy or exchange-rate movements. More than 66% of those financial derivatives are interest-rate contracts: swaps, options or forward-rate agreements. Another 9% are foreign-exchange contracts.

In other words, some three-quarters of the massive derivatives market, which has wreaked the most havoc across global financial markets, derives its investment allure from the capricious monetary policies of central banks and the chaotic movements of currencies.

In the absence of a rational monetary system, investment responds to the perverse incentives of paper profits. Meanwhile, price signals in the global

marketplace are hopelessly distorted.

For his part, British Prime Minister Gordon Brown says his essential goal is "to root out the irresponsible and often undisclosed lending at the heart of our problems." But if anyone has demonstrated irresponsibility, it is not those who chased misleading price signals in pursuit of false profits -- but rather global authorities who have failed to provide an appropriate international monetary system to serve the needs of honest entrepreneurs in an open world economy.

When President Richard Nixon closed the gold window some 37 years ago, it marked the end of a golden age of robust trade and unprecedented global economic growth. The Bretton Woods system derived its strength from a commitment by the U.S. to redeem dollars for gold on demand.

True, the right of convertibility at a pre-established rate was granted only to foreign central banks, not to individual dollar holders; therein lies the distinction between the Bretton Woods gold exchange system and a classical gold standard. Under Bretton Woods, participating nations agreed to maintain their own currencies at a fixed exchange rate relative to the dollar.

Since the value of the dollar was fixed to gold at \$35 per ounce of gold -- guaranteed by the redemption privilege -- it was as if all currencies were anchored to gold. It also meant all currencies were convertible into each other at fixed rates.

Paul Volcker, former Fed chairman, was at Camp David with Nixon on that fateful day, Aug. 15, when the system was ended. Mr. Volcker, serving as Treasury undersecretary for monetary affairs at the time, had misgivings; and he has since noted that the inflationary pressures which caused us to go off the gold standard in the first place have only worsened. Moreover, he suggests, floating rates undermine the fundamental tenets of comparative advantage.

"What can an exchange rate really mean," he wrote in "Changing Fortunes" (1992), "in terms of everything a textbook teaches about rational economic decision making, when it changes by 30% or more in the space of 12 months only to reverse itself? What kind of signals does that send about where a businessman should intelligently invest his capital for long-term profitability? In the grand scheme of economic life first described by Adam Smith, in which nations like individuals should concentrate on the things they do best, how can anyone decide which country produces what most efficiently when the prices change so fast? The answer, to me, must be that such large swings are a symptom of a system in disarray."

My view - I suspect we will hear a good deal more about a Bretton Woods 2, at least while the present economic crisis rumbles on.

Email of the day (1) - [On yesterday's Wall Street rally:](#)

"Hello David - glad to see you are back at the office. I wish Mrs Fuller a speedy recovery. I thought you might be interested in the theory below re last night's late surge on the S&P."

"Being told volumes on the late squeeze were good and possibly down to big asset switch as 10-year touched 3.71%, below the S&P yield of 3.75% for the first time since 1950s"

My comment - Many thanks, she is making steady progress.

This yield convergence is another important fundamental factor falling in place and clearly some bears were squeezed following the downside failure, which created an interesting technical signal.

Most US stock market indices registered upside key day reversals yesterday - another sign that Wall Street is trying to bottom. Consequently, closes beneath yesterday's lows are now required to reaffirm the overall downward trends. Conversely, upside follow through today and / or next week would demonstrate continued support near the October lows for these indices and any others showing the same upside key reversal: [S&P 500](#), [Dow](#), [Nasdaq 100](#), [Transports](#) and [Utilities](#).

Veteran subscribers may recall that Wall Street bottomed in [July and October 2002](#) with upside key reversals, which are also apparent at many other important lows for various markets. Yesterday's key reversals also represent the third upward dynamic within Wall Street's present range, or the fourth if you consider the tail shown on 10th October, which checked the climactic downward acceleration.

Under ordinary circumstances, these technical developments would be important buy signals in most instances. Arguably, these are not ordinary circumstances, given all the fundamental problems. Nevertheless, I have learned over the decades that we ignore clear technical signals at our peril.

Alex Seagle's The Contrary Investor: Notes from the 46th Annual Contrary Opinion Forum - Published by Fraser Management Associates, this is one of the more thoughtful and refreshingly understated [letters](#) that I read. Here is the opening:

Fraser Management Associates had the honor and privilege to host our Contrary Opinion Forum for the 46th consecutive year this past October 8 - 10 at the beautiful Basin Harbor Club in Vergennes, Vermont. About 140 guests, representing a broad range of experience and backgrounds in investment management, enjoyed outstanding presentations from our speakers and spectacular weather and fall foliage. In addition, the conference was held during the most interesting and challenging environment for the financial markets we have seen in our lifetimes.

Quite a few of our guests expressed their opinion to me that this was the best Forum in many, many years. As the Contrary Investor reflects on the event, I

believe that the reason people got more out of the conference this year was not that the weather was nicer, or the food better than in the past. I think that, for the first time in several years, people realized something important - something unprecedented - was happening, and it was happening right now.

On Friday, October 10th, as the Forum was drawing to a close, the Dow Jones Industrial Average closed at a multi-year low of 8,451.19. The average fell 3,000 points in less than two weeks; likewise the S&P 500 fell to multi-year lows, closing below 900.

Against this backdrop, our guests asked tougher questions, and our speakers' messages had more "meat on the bone". At the risk of oversimplifying, people fell into one of two camps: technical analysts and those more inclined to fundamental analysis. I believe it is fair to say that the technicians were BEARISH going forward, seeing dramatic, important chart levels under pressure. On the other hand, the fundamental folks were BULLISH, seeing the current markets as offering buying opportunities not seen in decades.

Some very smart people attend the Contrary Opinion Forum. They advise their clients on billions and billions of dollars. And they are in stark disagreement on the basic direction of the markets. Perhaps it would be helpful at this point to revisit basic contrarian principles and establish the proper context in which to make good decisions.

Humphrey Neill, the Vermont Ruminator, wrote, "The art of contrary thinking consists in training your mind to ruminate in directions opposite to general public opinions; but weigh your conclusions in the light of current events and current manifestations of human behavior. Thrust your thoughts out of the rut. Be a nonconformist when using your mind." This is clearly a time for independent thinking!

My view - The last paragraph above, in particular, will resonate with many subscribers.

The Contrary Opinion Forum was a great event. For my sins, I spoke at many conferences in earlier decades and came to dread them, not least for the commercial hype. I accepted Alex Seagle's invitation to speak at this year's Forum because it sounded different, and is held in one of the USA's most beautiful and unspoiled regions. Mrs Fuller and I enjoyed it enormously, not least the congenial meals with delegates, including a number of subscribers, most of whom I had not met previously. I have already agreed to participate in next year's Forum (7th to 9th October, 2009). Here is a [link](#) to my *Après Götterdämmerung* outline for last month's Forum.

Email of the day (2) - [Oliver Wendell Holmes, Jr. on FDR](#):

"I believe it was Oliver Wendell Holmes Jr. who said of Franklin Delano Roosevelt that he had a "second-class intellect, but a first-class temperament." "

My comment - [How interesting - thanks for pointing this out. Oliver Wendell Homes, Jr. fought in the Civil War, was nominated for the Supreme Court by Teddy Roosevelt, where he served with distinction from 1902 to 1932.](#)

Puru Saxena's Money Matters: End of the World? - [Puru Saxena is always interesting and there is plenty of lively analytical commentary in this issue.](#) Here is the opening:

BIG PICTURE - Global financial markets are acting as though the world is about to implode. Over the past four months, the investment community has dumped all assets; regardless of their underlying economic fundamentals. We have seen unbelievable wealth destruction on a global scale and trillions of dollars have evaporated and returned to monetary heaven.

The rate of decline has been astonishing to say the least and in the past twelve months, the Dow Jones Industrial Average (Dow) has seen its worst one-year performance - ever! It is interesting to observe that the Dow's recent plunge has been even worse than the 1929 decline which preceded the Great Depression of the 1930's (Figure 1). So, are we really witnessing the end of the world as we know it? Regardless of the Armageddon fears prevalent today, I would argue that this slump may turn out to be a fantastic buying opportunity for the patient, long-term investor.

Now, the mainstream media seems to be convinced that our planet is headed into a permanent global depression and investor-sentiment certainly reflects this thought process. The same cheerleaders who, only a few months ago, were gleefully shouting about the emergence of a new global economy are now forecasting eternal disaster. Furthermore, investors are liquidating all assets as images of their children living in shanty towns fill their fearful minds. 'Demand destruction' and 'de-leveraging' have replaced 'liquidity' and 'global growth' as the new buzz-words. Stocks are down significantly from the highs, corporate bonds have taken a beating and even commodities have joined the bear parade. And those who naively bought structured products from private banks have seen total losses.

My comment - [Puru Saxena shares an interest in Fullermoney investment themes, many of which are discussed in this issue.](#)

Email of the day (3) - [On funds for children:](#)

"First of all I would like to express my deepest and warmest wishes for Mrs Fuller recovery. After being through such an adventure I am sure that our lives priorities and values are given the importance they should and markets seem so secondary..!!!

"I would like to ask you for some advise regarding a fund that I am trying to create for my little boy. Do you have any stock suggestion and / or maybe a green power fund..?"

My comment - Thank you, Mrs Fuller's morale is good and she is looking forward to resuming her previous activities in due time.

Regarding a fund for your little boy, my first thoughts are: well done; he is a fortunate child. Our eldest daughter asked me a similar question, regarding her daughter who will be 3 months old on Sunday.

I asked her: Which economy do you think will have the best growth over the next 20 to 30 years? She replied: "China." I agreed and suggested she consider a tracker. I would not have attempted to dissuade her if she had mentioned India or Vietnam.

However you asked about green energy. Both Guinness Atkinson and BlackRock have alternative energy funds, which you will find in this [section](#) of the Library, along with other candidates.

Email of the day (4) - On our knowledge base (from a pre-subscriber):

"I am considering subscribing since your service seems to give access to a large knowledge base. I was just wondering, if this would include the global economics reports by Merrill Lynch, as described [here](#)."

My comment - Thank you for your interest in Fullermoney. We do post a number of reports, felt to be of general interest, sent to us by their authors or our subscribers. I have not seen the Merrill report mentioned on FT.com, but several candidates on their list of 'lowest risk' stock markets strike me as bizarre.

Such surveys and assessments are interesting, not least if they help us to think. However I suggest that we also need to remember that performance is partly the consequence of fashion. For this reason, I encourage all investors and traders to learn how to read price charts on a factual rather than theoretical basis. My favourite stock markets for the next bull cycle will be those showing the best relative strength.

Email of the day (5) - On Japanese equities:

"I find the case for Japanese equities very compelling and would be interested to get your thoughts. The Topix index recently hit a 26 year low with a Price/Book ratio of 0.83 (an all-time low) and a real dividend yield adjusted for inflation at levels not seen in the U.S. and U.K. since the early 1960s. However, despite the recent volatility, it has been outperforming most other stock indices since March of this year and the U.S. indices for the last two weeks.

"Japanese companies typically have less balance sheet leverage and more cash on hand than their western counterparts - long seen as a negative, now seen as a positive in this environment. Recently, there has been a surge in new online brokerage accounts from Japanese small investors. While this

may seem like a "dumb money" contrary indicator, the average Japanese household has one of the lowest percent of assets (17%) in stocks and mutual funds of any developed country, long preferring instead high-yielding overseas assets. This former strategy is losing luster with the great yen carry-trade unwinding.

"China is now Japan's largest trading partner. Add the just-enacted Chinese \$856B stimulus plan to \$15 trillion in Japanese personal savings and once-in-a-lifetime stock valuations, and it seems you have the rocket fuel for a bull market."

My comment - Thank you for an informed assessment, and I would not regard the surge in online brokerage accounts as a contrary indicator for the reasons you mention. It would concern me if the accounts were opened after a long bull market, but the opposite conditions apply today. Japan's stock market has suffered from the general economic malaise, plus the strong yen in recent months, which erodes its export earnings, as you will realise.

For timing, I would combine your fundamental studies with a review of some charts that you and other subscribers may find relevant.

Eoin and I have often mentioned that Japan's Second Section (TSE2) ([weekly](#) & [daily](#)) tends to lead. We have also referred to the progression of lower or equal rally highs since the peak in early 2005, which are hallmarks of a downtrend. We have seen another climactic downward acceleration in recent months, so at minimum I would expect some reversion towards the mean represented by the 200-day moving average shown on the weekly chart above.

Previously within the overall downtrend, this reversion has been mainly lateral, so for evidence of a demand rather than supply dominated environment, the lows need to hold followed by the establishment of an uptrend, characterised by higher highs and higher lows. We would see this first on the daily chart above, and a sustained push over 2060 would be a positive development. I maintain that we also need to see upside leadership from the [Topix Banks Index](#), which also looks overextended on the downside but has yet to break its long progression of lower rally highs.

My conclusion is that we could certainly buy Japan at current levels for the long term. However, many of us with cash may prefer to forgo attempting to pick the bottom and wait for evidence that the long anticipated recovery has actually commenced.

Please note - Eoin is away today, conducting The Chart Seminar.

Quote of the week - On conventional thinking:

"The conventional view serves to protect us from the painful job of thinking."
John Kenneth Galbraith

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