

## Gore will have to concede, ending election uncertainty

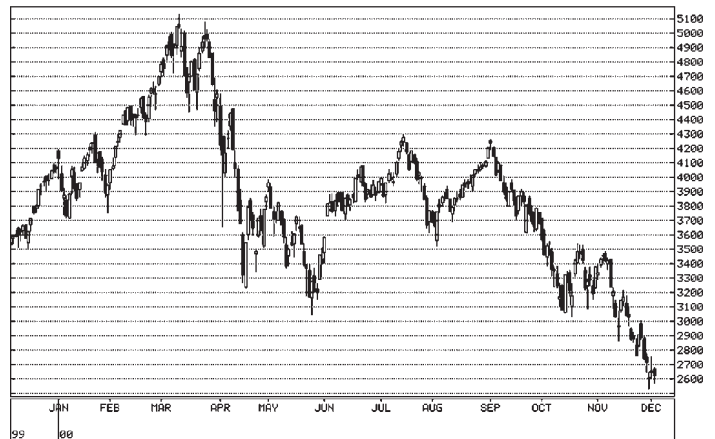
**NASDAQ to lead technical rally on short covering but profit concerns will remain** - Yesterday's decisions by the US Supreme Court and Judge N. Saunders Sauls of Leon County have virtually closed the door on Vice President Gore's legal challenge to the Florida result. While the latter decision is being challenged, it is difficult to see how the Florida Supreme Court could overturn this ruling, since it would have to fault Judge Sauls' procedure rather than his opinion. Gore's other remaining chance depends on a maverick decision in Seminole County, where a private citizen is seeking to throw out thousands of absentee ballots. Even if successful, a ruling favourable to the Vice President would almost certainly be reversed on appeal, or circumvented by Florida's Legislature. I expect Gore to concede within a week and the markets are already discounting Bush's victory. With the election uncertainty removed we should see a further short-covering rally, led by the NASDAQ. However this would need to move above 3000 to erode supply and 3500 to provide clear evidence of a sustainable floor. While the latter level may remain out of reach for a while, given justifiable concern over slower GDP growth and corporate profits generally, I think some of the recent, extreme downside forecasts for the NASDAQ are a sign that the overall decline is near an end, even though some additional, panicky selling could be seen as markets often overshoot. This is most likely to occur in the event of major bankruptcy or debt default, as often occurs during an economic slowdown. Nevertheless investors can be reasonably certain that the US Federal Reserve and other central banks will lower short-term interest rates over the next few months. That will be bullish.

**Quality government bonds are temporarily overbought but remain a buy on reactions** - These issues have had a good run over the last three weeks, with long-dated bond yields completing top formations. Since some of this demand represented a 'flight to quality', we may see a little profit taking over the near term. However I maintain that any reaction is a buying opportunity for quality government bonds and would not be surprised to see yields decline another 50 basis points by mid-2001. I remain long US Treasury, UK Gilt and Euro-bund futures. My strategy is to protect core positions with loose trailing stops, lighten a little on the strongest rallies and increase longs on small reactions. I also like Canadian, Australian and New Zealand long-dated government paper but would not touch JGBs or bond funds that are globally weighted.

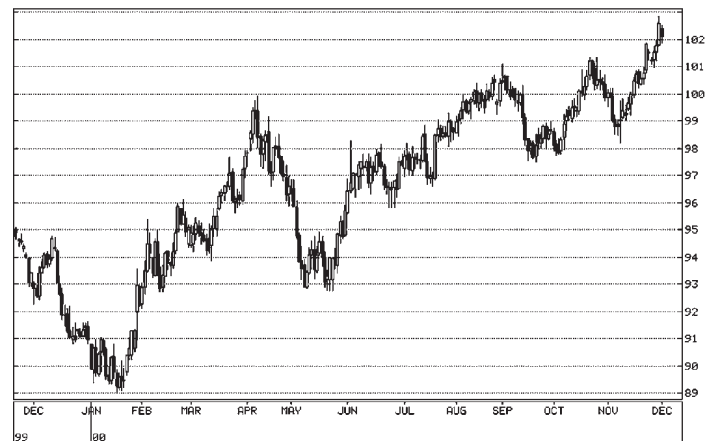
Best regards - David Fuller

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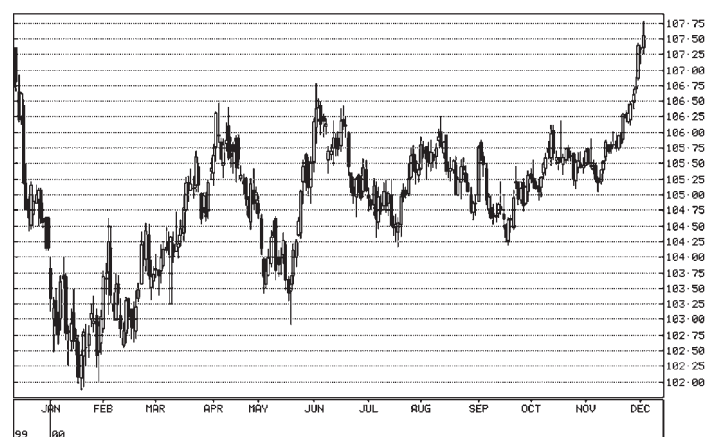
NASDAQ Composite Index : 2615 (Daily 1 Year)



US T-Bond Futures - 1st Month Continuation : 101-20



Euro - bund Futures - 1st M Continuation : 107.32



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