

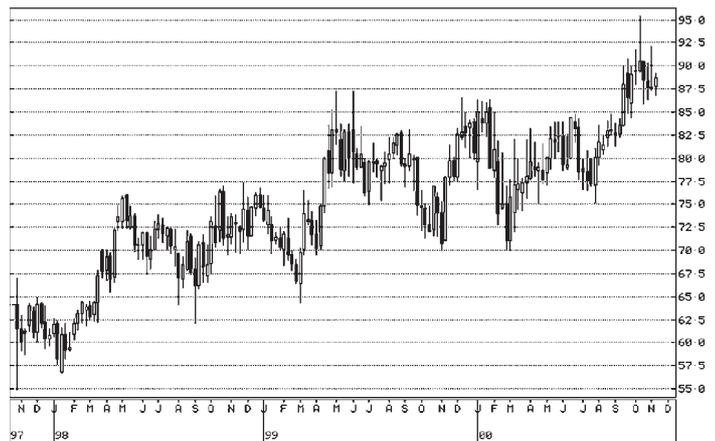
Wall Street has discounted a Bush victory in today's election. If Gore wins some key stocks may be hit.

"Big oil", pharmaceuticals and Microsoft are Gore targets if the campaign rhetoric is to be believed - Exxon, Merck and Microsoft are sector leaders. The first two remain in long-term uptrends and reached new all-time highs last month. Microsoft has rebounded strongly from its October low. The recent rallies have coincided with Bush's narrow but persistent lead over the last few weeks. However if the latest polls are accurate this will be the closest US presidential election in 40 years. Wall Street would be 'surprised' by a Gore victory and the initial response could be negative, particularly for leading stocks in sectors targeted by the Vice President's populist campaign. On a longer-term view, I like Exxon, Merck and Microsoft. However in this choppy market environment I maintain that it is risky to buy any stock after a good rally.

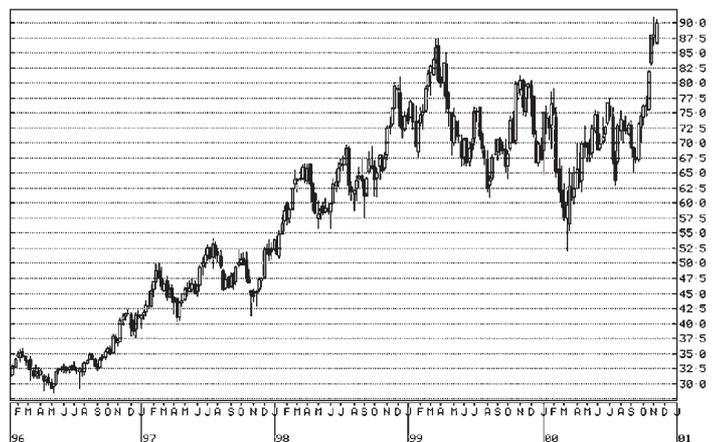
US dollar correction - amateurs in charge at the ECB - FM197 concluded that the US dollar's advance against the euro and other weak currencies was temporarily overextended on the charts but that it would experience no more than a medium-term reaction within a primary, multiyear bull market. This technical correction is underway and the dollar has also backed away from lateral resistance against the yen, to extend its base for a while longer. The flipside of the dollar's pullback is a technical rally for the euro, helped by the prospect of further multilateral intervention as the single currency tested its medium-term lows, which I have long maintained would be in the 83¢ to 79¢ range. I would not be surprised to see this level retested because talk of the US economy slowing while Europe chugs along is unrealistic. The US's third-quarter GDP figure of 2.7% was slower than most economists forecast and it certainly has bearish implications for Europe's growth, evidenced by today's Industrial Production figures for Germany, -1.6% for September (MoM) and only +4.5% (YoY), against the consensus forecast of +5.9. Also, the ECB's tactics remain inept - publicly trying to persuade the US to abandon a strong dollar policy (no chance) and by intervening unilaterally after the euro has rallied, rather than buying near the lows where they can squeeze short positions.

Best regards - David Fuller

Exxon (XOM) : \$88.688 - 10 Nov 2000 (Weekly)



Merck (MRK) : \$90 - 10 Nov 2000 (Weekly)



Microsoft (MSFT) : \$69.5 - 10 Nov 2000 (Weekly)

