

An unresolved election is the worst result in terms of market sentiment

It's unfortunate but only a short-term problem -

Inevitably, investors do not like uncertainty, especially when the dilemma is unexpected. Of all the presidential election forecasts, no one predicted that the outcome would be unknown nearly a week after the vote, let alone dragged into the courts. This election is particularly relevant for portfolio strategists because Gore waged a populist campaign, targeting specific industries including "big oil", pharmaceutical and tobacco companies. The result could also affect antitrust legislation for which Microsoft is the current focal point. Moreover, the markets had discounted a Bush victory but no one monitoring the current impasse can be certain of the outcome. Against this background, it is hardly surprising that investors in the US market are reluctant to buy. Since the other main story concerns slower GDP growth and corporate profits downgrades, selling pressure has the upper hand. Sentiment in all other stock markets can only be influenced by the trend on Wall Street.

This is not a constitutional crisis and stock markets should rally when one of the US presidential candidates concedes -

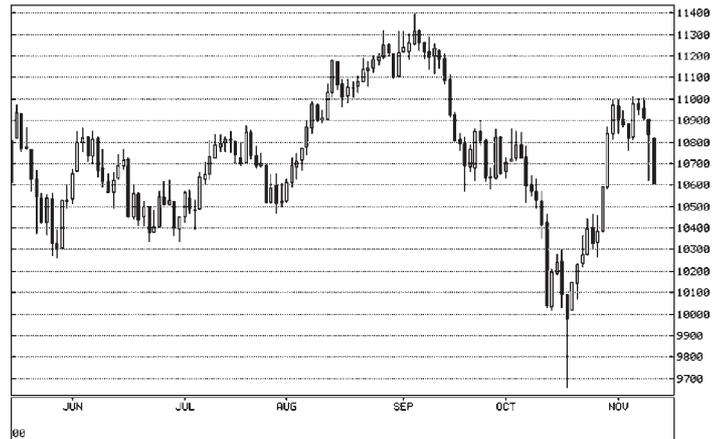
The current uncertainty is a short-term problem for stock markets but it is unlikely to be prolonged, let alone become a constitutional crisis as some commentators have suggested. The US is a mature democracy, resolving a particularly close election. Democracy in action is often chaotic but the fact that important issues can be resolved in full public scrutiny is testimony to the system's strength. The politicians are answerable to the electorate. US public opinion will not allow this situation to drag on much beyond Friday 17th November, the deadline by which all postal ballots must be received. Once either Gore or Bush concedes, a stock market rally should occur in proportion to the prior sell off. The more bullish short-term result would be Bush as president elect.

Best regards - David Fuller

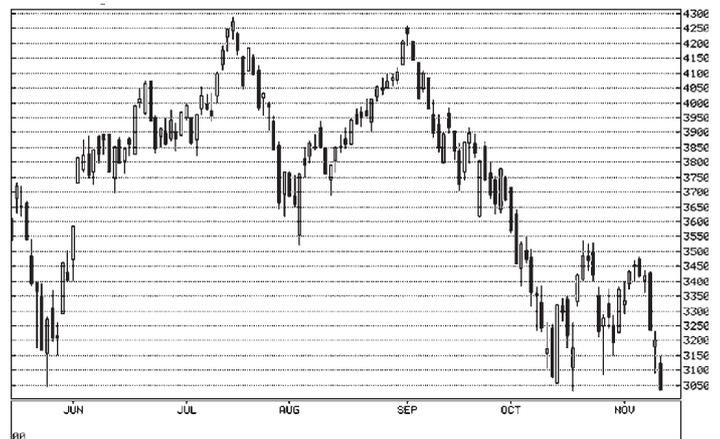
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NASDAQ Composite Index : 3028 (Daily)



UK FTSE 100 Index : 6322 (Daily)

