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THE SELL OFF IN TECHNOLOGY STOCKS IS CLOSE TO AN END BUT THEY WILL REMAIN VERY CHOPPY WHILST A FLOOR IS ESTABLISHED.

INTEREST RATES

SHORT TERM INTEREST RATES WILL GO LOWER OVER NEXT 12 MONTHS.

U.S. JUNK BONDS OFFER REAL VALUE IF FED MANAGES A SOFT LANDING.
YIELDS ON GOVT BONDS TO RANGE GENTLY LOWER

EQUITIES

US ELECTION COULD AFFECT MARKETSYET MORE VOLATILITY?

OCT 18TH DRAMATIC REBOUNDS PUT AN END TO THE DOWNTRENDS AT LEAST IN THE SHORT-TERM.

CURRENCIES

THE YEN BUBBLE IS YET TO BURST. DOLLAR COULD FACE ELECTION UNCERTAINTY. EURO IS OVERSOLD AGAIN AND MAY TRADE HIGHER.

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OIL HAS LOST MOMENTUM BUT SUPPLY SIDE SHOCK IS STILL A DANGER. IS GOLD ABOUT TO TEST ITS LOWS?

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US IS SLOWING DOWN BUT WILL CONTINUE TO OUTPERFORM. HIGH OIL PRICES ARE A BRAKE ON GROWTH. THE US SHOULD GET A SOFT LANDING.

BPR SHARE PORTFOLIO

SINCE OCT 3RD OUR RECOMMENDED STOCKS ARE NOW UP JUST OVER 7% VS 1/2% ON FTSE & MINUS 10% ON TECHMARK !

Best beloved becomes most hated.

As in most passionate romances when intoxicating love wanes it can soon turn to overwhelming hatred. Such is often the case in stock markets. **Devotion becomes revulsion** after a highly rated stock or sector has fallen from grace it will plunge to levels way below fair value. Whether this point has been reached yet is debatable but technology stocks are probably back to fair value. Any further set backs from here will be medium term buying opportunities as the market struggles with its emotions.

The technology market has lots of reasons for concern – global economic slowdown and its effect on profits, debt problems, the slump in confidence in TMT stocks, the euro, high oil and war in the Middle East. As market bubbles are seldom deflated without accidents, which can cause panic, and slower GDP growth exposes debt problems. This will further test the nerves of all investors especially those reared on “buy and hold” and “buy the dips” mentality. **NEVERTHELESS** old economy stocks have already experienced a bear market by stealth during the past two years with valuations back to the levels of late '94.

Although technology valuations are still comparatively demanding, the screamingly excessive multiples paid back in March have been corrected. The meltdown among many of the tech stock leaders looks climatic.

If I were adding to or starting to build a portfolio today, I would overweight it with leading TMT stocks that have fallen a long way from their highs.

In contrast, defensive stocks certainly have their appeal when investor confidence is low, but how many of them are likely to double or treble over the next few years? Maybe one or two but I suspect the better gains will come from today's bombed-out, sector leading technology stocks.

Thus, I would be quite comfortable to be now buying good quality technology stocks and funds with a view to a strong recovery in the sector beginning during the next 6 months.

Even if there is a debt or devaluation crisis the FED and most other central banks will be able to provide another shot of insulin in the form of lower interest rates. This would be extremely bullish for equities. **HOWEVER** the market could well provide some stomach churning lurches down (maybe to 2400 on NASDAQ) whilst establishing such a floor.

In conclusion stock markets have been passing through a storm but the medium to longer term outlook is positive for high tech stocks.

INTEREST RATES

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- Gilts and US treasuries are ranging in a base development pattern and will move higher in next 12 months
- Corporate and "Junk" bonds could fly if FED manages a soft landing

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Either way the outlook for Govt securities is very positive. The chart below shows a tightening base formation on UK GILTS with a break above the mid-summer highs signalling the completion of the base and a strong upward move.



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GLOBAL EQUITIES

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- **US election could well create extra volatility**
- **NASDAQ is nearing the end of its bear market but there maybe at least one more low yet.**
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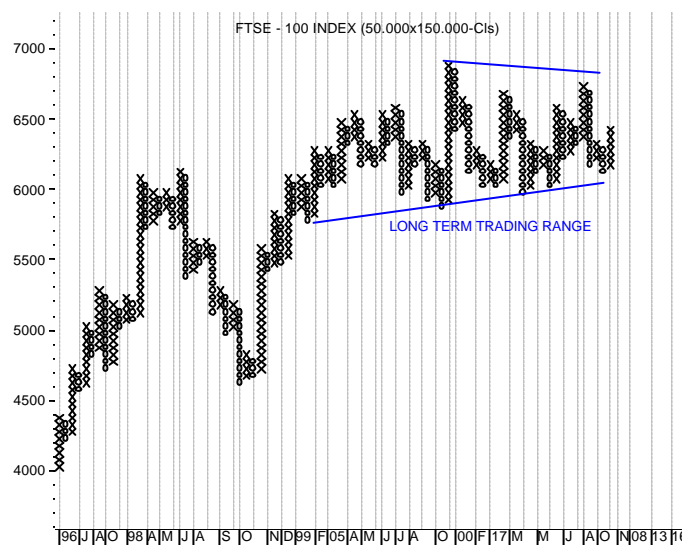
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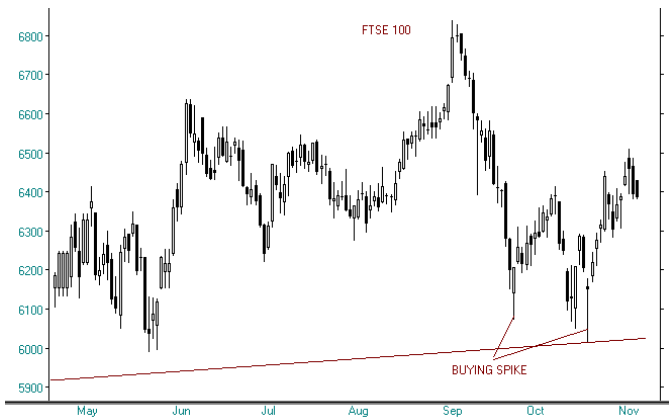
INDIVIDUAL MARKET REVIEW

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The NASDAQ seems to have been driving most markets lately. It has not maintained its nudge below its May low and a test of the overhead supply above 3500 looks likely. In our 1st issue we predicted that the 3500 level would be breached and 3000 would be tested. It may well be that the upward dynamics seen during October indicate that if we have not seen the bottom for this index yet then we have perhaps seen the penultimate low.

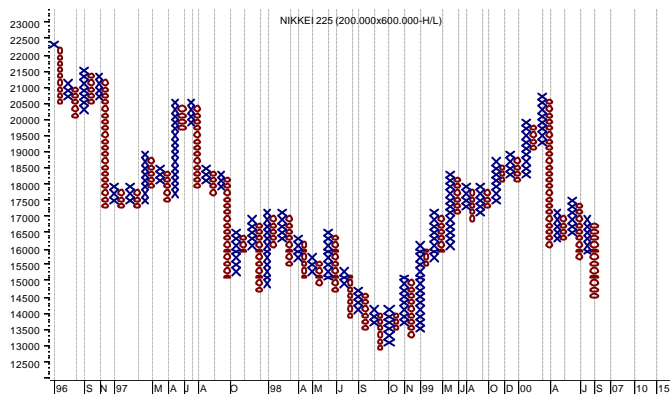


Japan's Nikkei continues its 10yr bear market and as was stated in our last issue is unlikely to recover **until** the Yen starts to fall as its current value is not only a bubble but also an impediment to recovery as it makes Japanese companies spectacularly uncompetitive. It would not be

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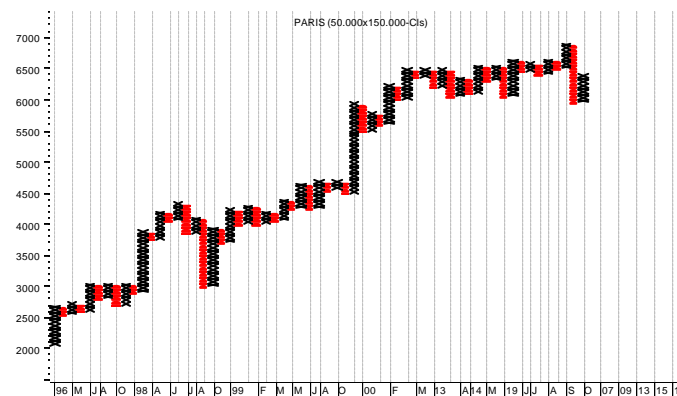
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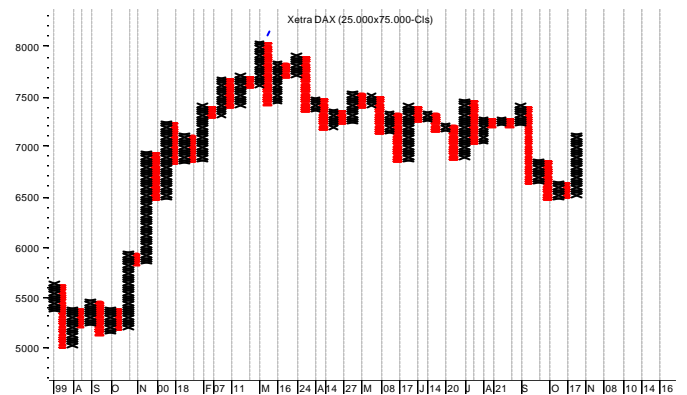


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Paris CAC



German DAX



CONCLUSION ON STOCK MARKETS.

- Most markets in trading ranges
- Watch for upside breaks
- Japan has real value but bear is not over yet
- Tech stocks like Japan have real value but may go lower yet
- Interest rates will fall which ultimately will be good for stocks

FOREX MARKETS

The Euro is fundamentally flawed but Central Banks will continue to intervene to prevent a crisis.

Sterling has retested its high against Euro and fallen back

The Dollar is temporarily overvalued against soft currencies.

The Yen bubble is propped up by a maverick central bank

The Euro is so down and out that it is like one of the bombed out Dotcom stocks, with few friends in the marketplace and the management showing signs shellshock. It will be resuscitated and restructured, which will enable some good medium term rallies relative to today's low

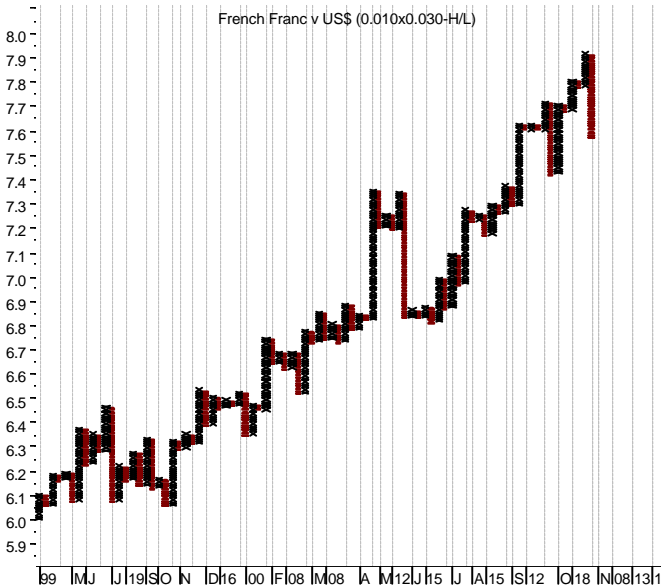
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FRENCH FRANC VS DOLLAR



The above chart shows remarkable consistency (I've used the French Franc as a proxy as all member currency's are fixed in the system) and a break of the clear uptrend will signify the end at least of the current Euro bear leg.

Against STERLING the Euro has retested the 173 level (as predicted here last issue) and the trend consistency is breaking down. However the recent choppy action is not yet predicted a Sterling devaluation vs the Euro.

AS ever watch the chart action. A break below E1.62 would lead to a deeper test of E1.55

The Yen is a basket case as its central bank. The country is saddled with a governor who doesn't understand that it is impossible to break out of a lengthy, deflationary economic stagnation while the currency remains overvalued. Because of the continued strong currency Japanese investors have been repatriating capital exacerbating the situation when they should have been exporting capital for safety and much higher yields. A competent governor would be increasing the supply of Yen until the currency commences its inevitable downtrend. Further prevarication by the BOJ will only extend the deflationary recession and increase the Yens downward scope



Watch sterling/yen downtrend as a break above the downtrend line would be a major clue that the declines are coming to an end.

FOREX TRADING STRATEGY

- **Sell the Yen against sterling/euro and dollar but wait for downtrend lines to break**
- **The carry of sterling/dollar vs Yen is over 500 basis points (you get paid 5%pa to make the trade).**
- **The dollar and Sterling are running out of upside momentum against the Euro.**

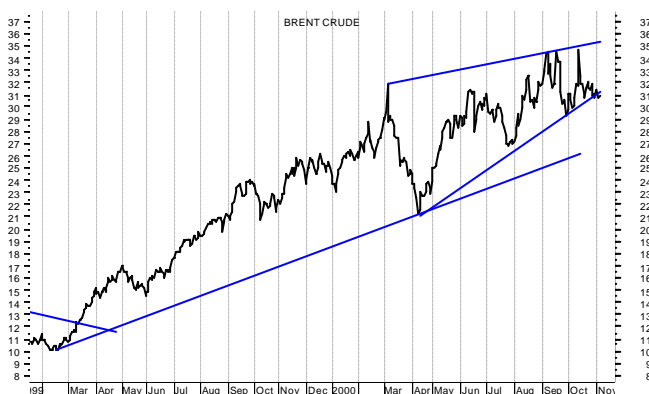
COMMODITIES

Oil supply is tight but uptrend has at least paused for time being

GOLD has broken downwards out of its trading range and may test its lows.

The oil price was unable to maintain its new highs in Oct. This failure in trend consistency and momentum suggests that the current bull leg is almost over (Saddam or bad weather in US permitting). As predicted in our last issue we feel oil will churn at these levels before dropping back to the \$25 level before a new upward leg resumes in late 2001.

BRENT CRUDE



If the price breaks \$31 it looks likely that oil prices will fall back to the bull trend at around

\$25. So far this commodity has behaved in an orderly fashion.

Oil could however have one last hurrah but I think until next year it will be short lived.

GOLD

You may recall that in our last issue we highlighted the tightening trading pattern in which gold was caught in.

This pattern was broken to the downside last week and if not reversed in the next few sessions (forming a bullish failed downside break), will probably lead to a test of yellow metals bear market lows at \$252.

- **It looks a good short with a stop loss being set at \$272**
- **New lows could ultimately be bullish with a strong down move perhaps finally ending the bear.**

GOLD



The above chart only shows a very short portion of gold's bear market which began 20yrs ago at around \$860

AND FINALLY

Anyone who has been following our chart break out service will have seen some quite spectacular performances with Antisoma gaining over 60% in 10 days.

Overall if you had purchased every single stock mentioned and used our stop loss and trailing stop strategy you would have had a **gain on your portfolio of over 7.5%!!**

When compared with the FTSE 100 which was virtually unmoved and the smaller cap TechMARK which was down over 10% this performance in only one month.

Winners have included not only small cap stocks but also Unilever, Iceland and Anglo American.

However, out of 22 stocks highlighted through the month (despite very volatile conditions) only 8 (40%) are either currently behind or being stopped out.

This percentage is consistent with our prediction on the chart break-out service that 60% to 70% of highlighted stocks will perform admirably.

What is perhaps more important our approach keeps you out of down trending stocks (M&S, BT etc.) and gets you out of losers quickly.

If you are interested in knowing more about these techniques and how to apply them please phone or e-mail and treat yourself to one of our chart seminars.

Equally if you want a second opinion on an individual stock or market simply e-mail your query to the above address

REGARDS

ANDY MCCARTHY
ANDREW BARTLES



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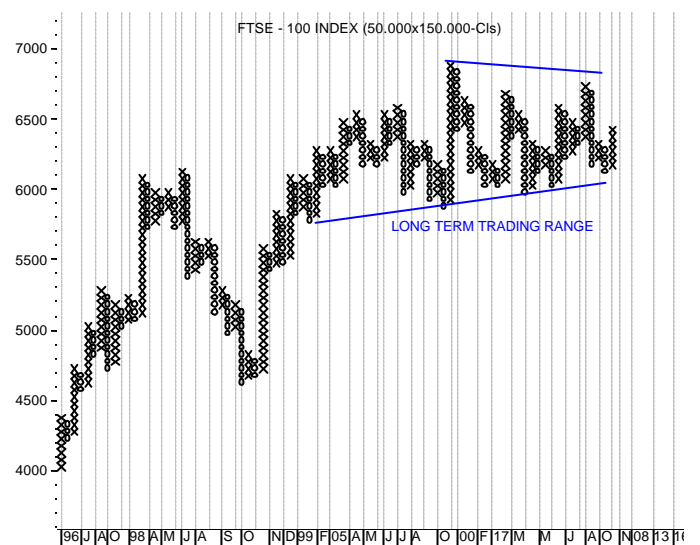
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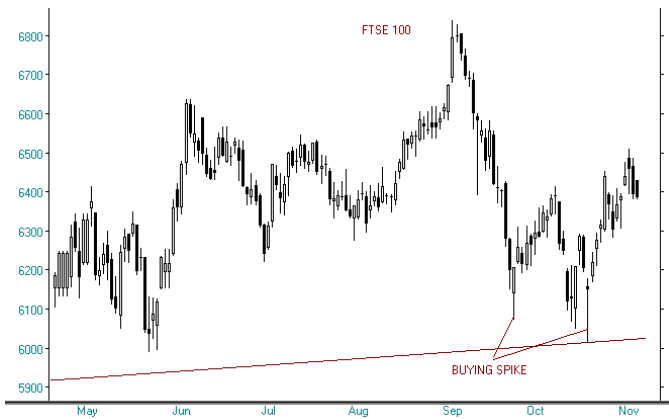
INDIVIDUAL MARKET REVIEW

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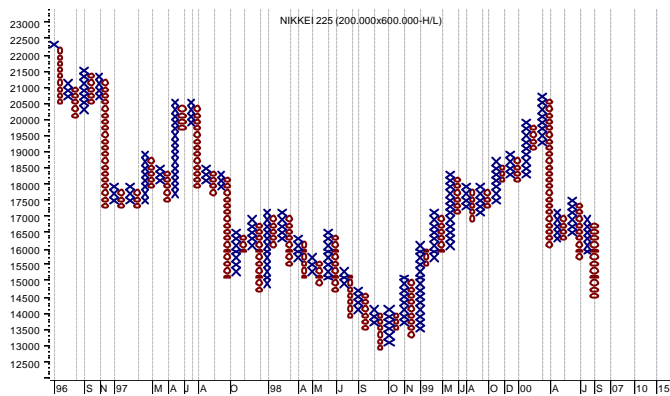


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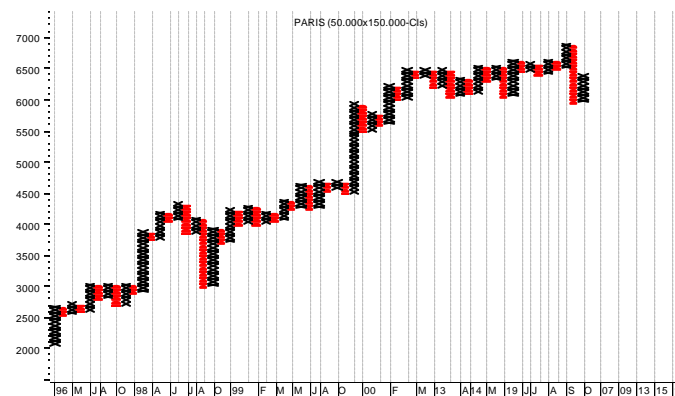
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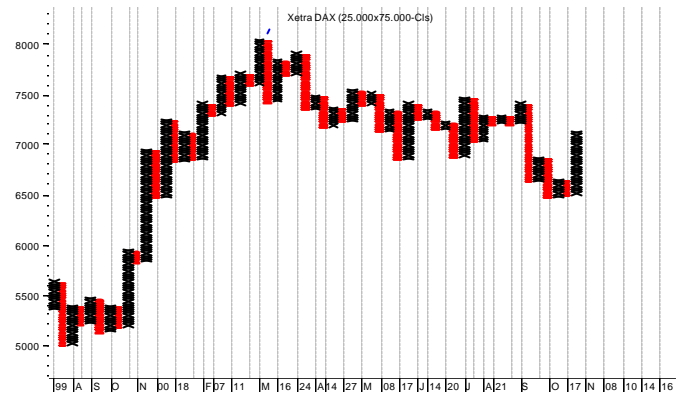


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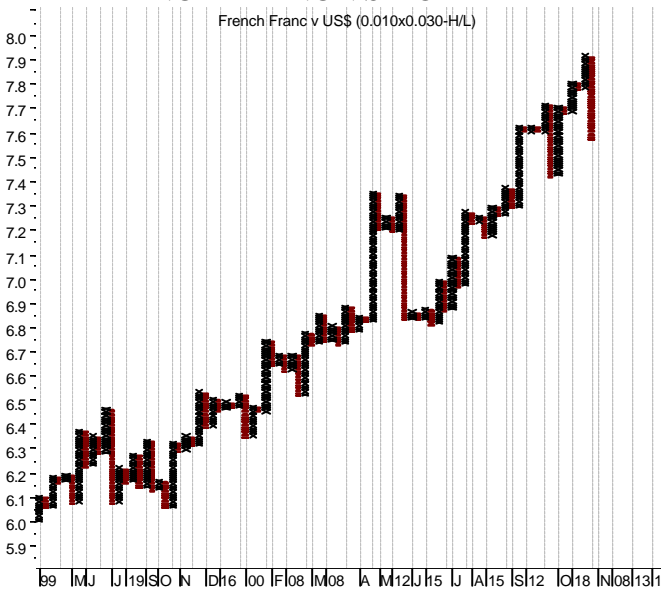
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Against STERLING the Euro has retested the 173 level (as predicted here last issue) and the trend consistency is breaking down. However the recent choppy action is not yet predicted a Sterling devaluation vs the Euro.

AS ever watch the chart action. A break below E1.62 would lead to a deeper test of E1.55

The Yen is a basket case as its central bank. The country is saddled with a governor who doesn't understand that it is impossible to break out of a lengthy, deflationary economic stagnation while the currency remains overvalued. Because of the continued strong currency Japanese investors have been repatriating capital exacerbating the situation when they should have been exporting capital for safety and much higher yields. A competent governor would be increasing the supply of Yen until the currency commences its inevitable downtrend. Further prevarication by the BOJ will only extend the deflationary recession and increase the Yens downward scope



Watch sterling/yen downtrend as a break above the downtrend line would be a major clue that the declines are coming to an end.

FOREX TRADING STRATEGY

- **Sell the Yen against sterling/euro and dollar but wait for downtrend lines to break**
- **The carry of sterling/dollar vs Yen is over 500 basis points (you get paid 5%pa to make the trade).**
- **The dollar and Sterling are running out of upside momentum against the Euro.**

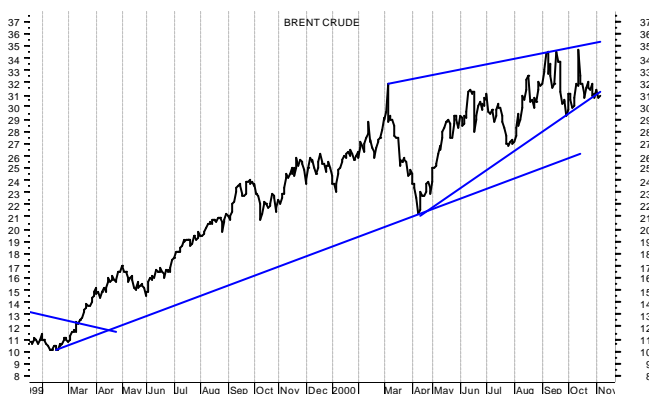
COMMODITIES

Oil supply is tight but uptrend has at least paused for time being

GOLD has broken downwards out of its trading range and may test its lows.

The oil price was unable to maintain its new highs in Oct. This failure in trend consistency and momentum suggests that the current bull leg is almost over (Saddam or bad weather in US permitting). As predicted in our last issue we feel oil will churn at these levels before dropping back to the \$25 level before a new upward leg resumes in late 2001.

BRENT CRUDE



If the price breaks \$31 it looks likely that oil prices will fall back to the bull trend at around

\$25. So far this commodity has behaved in an orderly fashion.

Oil could however have one last hurrah but I think until next year it will be short lived.

GOLD

You may recall that in our last issue we highlighted the tightening trading pattern in which gold was caught in.

This pattern was broken to the downside last week and if not reversed in the next few sessions (forming a bullish failed downside break), will probably lead to a test of yellow metals bear market lows at \$252.

- **It looks a good short with a stop loss being set at \$272**
- **New lows could ultimately be bullish with a strong down move perhaps finally ending the bear.**

GOLD



The above chart only shows a very short portion of gold's bear market which began 20yrs ago at around \$860

AND FINALLY

Anyone who has been following our chart break out service will have seen some quite spectacular performances with Antisoma gaining over 60% in 10 days.

Overall if you had purchased every single stock mentioned and used our stop loss and trailing stop strategy you would have had a **gain on your portfolio of over 7.5%!!**

When compared with the FTSE 100 which was virtually unmoved and the smaller cap TechMARK which was down over 10% this performance in only one month.

Winners have included not only small cap stocks but also Unilever, Iceland and Anglo American.

However, out of 22 stocks highlighted through the month (despite very volatile conditions) only 8 (40%) are either currently behind or being stopped out.

This percentage is consistent with our prediction on the chart break-out service that 60% to 70% of highlighted stocks will perform admirably.

What is perhaps more important our approach keeps you out of down trending stocks (M&S, BT etc.) and gets you out of losers quickly.

If you are interested in knowing more about these techniques and how to apply them please phone or e-mail and treat yourself to one of our chart seminars.

Equally if you want a second opinion on an individual stock or market simply e-mail your query to the above address

REGARDS

ANDY MCCARTHY
ANDREW BARTLES