

**View from the Bridge** an alternative look at the investment world  
By Clive Hale [www.viewfromthebridge.co.uk](http://www.viewfromthebridge.co.uk)  
Memo to Iceland - No! No! No! We said, "Send us all your cash!"



With the election hotting up faster than a pyroclastic flow someone has to get the blame for not being able to fly away from it all! Brown/Cameron/Clegg - select according to your political peccadillo.

The spread betters are now firmly in hung parliament territory. The current odds would give the Tories the most seats, but an overall *minority* of circa twenty. Labour and the Lib Dems would have around 300 between them so the SNP, Plaid Cymru and the Ulster constituencies hold the whip hand. Guess who's wishing he hadn't signed up for televised debates? Thatcher and Blair both declined as they had almost certain majorities and the belief that debates could only do them harm, as Cameron is beginning to find out. The Lib Dems must be hoping there isn't a skeleton in Clegg's cupboard; something of a recurring nightmare for them; Jeremy Thorpe and Charles Kennedy to name but two.

Our last hung parliament was in 1974 when the incumbent Tories gained 297 seats, Labour 301 and the Liberals 14. Heath tried to form a coalition with the Liberals, but failed. Wilson presided over a minority government for another 6 months before calling another election; winning by a majority of 3 seats.

The following 5 years were beset with a myriad of economic problems; the pound was devalued, interest rates and bond yields were well into double figures; as was inflation. How would the markets respond this time round? Whilst it is unlikely that base rates will move much, given the fragility of the economy, sterling is certainly in the firing line and if the "n"th Greek bailout fails the bond vigilantes will be looking for another candidate.

If the Lib Dems get more seats than currently predicted, which would give a coalition, with Labour, a working majority, then Vince Cable has the shortest odds of getting the top ministerial spot at No. 11 and I think that would spook the City. The uptrend in FTSE is still intact but Friday saw the biggest down day since the middle of February, on news that Goldman's is to be sued by the SEC, and the UK and Germany are lining up to join in - next time around I will be a lawyer...

It would not be surprising to see the market down to 5500, which is the bottom of the trend channel, in fairly short order, and an indecisive election result on May 6<sup>th</sup> would make a "little bit of ash" the least of our worries.

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