

The recovery in some global equity markets following Monday's steep declines appeared to continue early in today's European sessions, as investors tentatively cheered the announcement that the US Senate had agreed to hold a vote – after 19:30 EST this evening to take account of today's Jewish holiday of Rosh Hashanah – on the proposed US\$700 billion financial rescue plan. The initial rejection of the plan by the House of Representatives on Monday is regarded as the main cause of the market slump at the beginning of the week.

Dick Hoey, chief economist at The Bank of New York Mellon was optimistic the legislation will be adopted. "It's very, very likely there will be a substantial vote this evening in the Senate in favour of the bail-out bill," he said. Following the Senate vote, the legislation will return to the House of Representatives for consideration by it. This represents a reversal of the order in which monetary legislation is usually considered.

Mr Hoey explained that the political dynamics affecting the bail-out bill remain the most important influences. He said: "Senators tend to be less partisan, as they require a broad level of political support. When the bill passes to the House tomorrow, it's unlikely to be quite so clear cut. A substantial proportion of retiring members was happy to vote in favour of the legislation last time, but those who are looking to remain in post were more cautious.

"Despite this, I think it's probable we'll get a positive vote in the House. If it looks as though the bill is going to be thrown out again, I suspect the vote will be held open and negotiations will begin to attempt to push it through."

Meanwhile in London the Prime Minister Gordon Brown's reassurance that he was confident the planned acquisition by Lloyds TSB of its rival HBOS would proceed sent the target's price soaring, initially leading the FTSE 100 index up by around 1.5%. However, these gains were subsequently reversed on the opening of the New York session, where the announcement of the upcoming vote on the financial bail-out appeared to unnerve investors. At 16:18 GMT, the S&P 500 index was down 1.89%.

Mr Hoey added that the adoption of the financial bail-out plan (known as the Troubled Asset Relief Program or 'TARP') would have the important and beneficial effect of enabling the Federal Reserve to "flood" the market with liquidity. "It is starting to feel as though the worst may be behind us, certainly for the US", he said, adding "but if the fever doesn't break there's still scope for more pain."

It was also announced that the US government is to seek to improve bank depositor protection guarantees. The bill being voted on in the Senate tonight will include a proposal to increase the rate of Federal Deposit Insurance Corporation (FDIC) cover from US\$100,000 to US\$250,000. The move comes after a similar action by the Irish government.

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