

TRADER TALK

Global Markets

Uncertainty gripped the markets towards the end of the week, as investors awaited and digested crucial economic data out of the U.S. and Europe. The most anticipated economic data included the ECB and Bank of England (BoE) interest rate decisions, which saw rates unchanged by both central banks at 4 and 5.75 percent respectively. The unchanged European interest rates confirm that credit crunch worries are still a concern, as central banks are willing to run the risk of lagging behind on the inflation curve in a bid to ease liquidity pressures in the money markets, as well as prevent any possible slow down in economic growth. Also widely anticipated, has been the U.S. change in non-farm and manufacturing payrolls, U.S. unemployment rate and U.S. consumer credit, out this Friday. Analysts expect an increase in the number of September non-farm payrolls after the unexpected fall in the number of jobs in August, which ignited fears of a wider economic slow down. The unemployment rate is expected to increase from 4.6 percent to 4.7 percent.

The U.S. spot and futures markets were marginally up on Thursday as investors waited for employment data. The European markets however, rose for a fourth consecutive day by Friday early trade, as interest rates remained unchanged as expected by the market. The FTSE 100 edged 0.4 percent higher, the DAX 30 gained 0.2 percent and the CAC-40 rose 0.1 percent. The Asian equity markets were mixed at the close of Friday trade. The Hang Seng was the biggest gainer, rising 2.5 percent, recouping its losses from the previous two days of trading,

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the Nikkei closed flat, while the ASX 200 rose 0.5 percent.

SA Markets

The local bourse recorded four highs during the week led by financials during most of the week and particularly gold mining stocks in early Friday trade. The highs however, were against a background of negative economic data. Growth in SA's manufacturing sector slowed to its weakest in 20 months for the month of August, implying that higher interest rates were easing demand in the economy. The purchasing managers index (PMI), which measures manufacturing activity, recorded a drop for a second successive month from 54.3 to 51.4 in August. Furthermore, demand for credit by the private sector fell slightly in August, but M3 (money supply) was reported to have quickened, increasing the possibility of a further interest rate hike next week.

Local economic data to look for next week:

09/10 – Consumer confidence

10/10 – Manufacturing production figures

11/10 – Interest rate announcement by the SARB

Kind Regards,
The Global Trader Team

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