

TRADER TALK

Global Markets

‘...buying what is beaten and selling what is winning...’ This is perhaps the best way to describe what has been happening in the global financial markets. Continuing from previous weeks, the markets have been dogged by volatility and uncertainty. Amidst positive macro and micro-economic data which possibly could have overshadowed the negative data released this week, international equity markets continued to register more losses towards the end of the week. The sub prime issue is not new to the markets, and analysts and investors alike have come to appreciate and welcome write-down announcements by banks exposed to the debt-market woes because this at least sheds light on how big a monster the sub prime issue is. Thus one would assume that after all the U.S rate cuts, positive U.S. inflation data and better than expected U.S. retail figures, the global equity markets would be more optimistic and bullish in outlook.

However, concerns over the health of the global financial markets continue to linger on, dragging markets lower. On Thursday, the US markets closed lower for the third consecutive day on the back of increased weekly jobless claims and credit-related anxieties. The Dow and the

SEMINARS

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Numbers are limited.



NASDAQ both fell 1 percent, while the S&P 500 was 1.3 percent lower. In Europe, the weak performance of the banking sector pulled the FTSE 1.1 percent lower. Market activity in Asia was more dramatic as the Hang Seng declined 4.1 percent, nearly 1,200 points. The sharp fall on the Hang Seng was triggered by reports that China intends to clamp down on illegal fund flows from bank accounts in Shenzhen in the south of China, into the Hong Kong equity market. This will reduce the daily turnover on the Hong Kong market, which had already started shrinking.

SA Markets

The ALSI finally succumbed to pressure exerted by international markets and gave away more than 1500 points following a period of resilience. Of particular interest, SAB Miller (SA's third largest company by market cap) came out with earnings 0.48 percent below analyst expectations sparking a 5 percent sell-off in the stock that confounded many. CFO Malcolm Wyman alluded to concerns in Irish operations but fundamentals remained sound with emerging market operations firing on all fronts and the CR Snow brand (SAB's Chinese offering) poised to become the world's 2nd largest beer brand by the end of 2007.

Investec also came out with much anticipated results writing 36 million pounds off on sub prime related exposure and a Capital Markets division reporting a 23% decline in earnings. SA and Australian businesses continued to thrive however, and if the group can enforce disciplined risk control measures to hedge future

write-downs the group looks well placed going forward with the diversified earnings strategy paying off in current turbulent conditions.

Kind Regards,
The Global Trader Team

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