

TRADER TALK

Global Markets

The topical issues throughout the week were; the oil price, sub prime losses, and the seemingly increasing possibility of a US recession. Though analysts and investors alike have been pushing for crude oil to reach the technical level of \$100 a barrel, the fundamentals have definitely halted the price surge, at least for this week. Crude oil for January recorded a new high of \$99.29 during Tuesday trading on NYMEX, before easing to \$98.94 a barrel. On Thursday however, oil traded as low as \$96.37 on the back of an increase in OPEC's daily crude oil shipments by 2.9 percent in the next four weeks to 8 December. Market reports also highlighted that slowing demand in the US perpetuated by the credit crunch, threatens to bolster US oil stockpiles, thus lowering the oil price. The US markets were closed on Thursday for the Thanksgiving holiday.

The European equity markets traded marginally firmer on Thursday, largely on the back of M&A activity, with the FTSE 100 being the greatest mover, up 1.4 percent. The Asian equity markets traded mixed, with the Hang Seng being lifted 2.1 percent by bargain hunters, while

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the Shanghai Composite dropped 4.4 percent, and the S&P/ASX traded 0.2 percent down. Japanese financial institutions have had to write down \$2.13 billion in sub prime losses. It is speculated that all Japanese financial institutions combined, are holding approximately \$11.1 billion in assets linked to the US residential mortgage market.

SA Markets

Locally, markets were extremely volatile with the VIX Index (a measure of volatility) back near 52 week highs. Flight from emerging market risk saw the rand depreciate slightly resulting in upside for rand hedge stocks such as Remgro (up 3% for the week). Nampak came out with results inline with analysts' expectations with earnings increasing by over 20% on the back of increased demand for beverages. The group will however have to keep close tabs on input costs that have risen in line with other commodities.

Johncom also posted a pleasing set of results (with the exception of the Gallo business). Local economic data to look out for next week include the October inflation figures (CPI – 28/11 and PPI – 29/11). The targeted inflation index CPIX is expected to be 7.1 percent, higher than the September figure of 6.7 percent. The South African Reserve Bank's target lies between 3 and 6 percent.

Kind Regards,
The Global Trader Team

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