

TRADER TALK

Global Markets

"The bears are in town...." Global markets have been slumping throughout the week, with almost panicky selling being encountered on the equity markets. Commodities also came off their highs on the back of lower energy prices, a slow down in the US economy and above all heavy profit taking after previous rallies. Concerns about a US recession continue to cloud the markets and the sub prime woes continue to unfold as more write downs and depressed earnings are reported across the board.

Merrill Lynch was the latest bank to announce a \$11.5 billion write down, culminating in a loss of \$9.83 billion. Also, earlier in the week Citigroup wrote-off \$18 billion. At a Congressional hearing held on Thursday, the Fed Chairman, Ben Bernanke admitted that the tumbling house prices, increased energy costs, falling consumer spending, increasing unemployment and a weak stock market performance are more than likely to drag down US growth in the foreseeable future. Bernanke endorsed the provision of a \$100 billion stimulus package offering a variety of tax breaks, rebates and unemployment benefits, proposed by the Bush administration. Bernanke also indicated the likely possibility of another 0.5% cut in interest rates.

SA Markets

The local markets have not been spared by the volatility and panic gripping the international markets. The Alsi March contract dropped 7.4% during the week, with at least 700 point swings being recorded during intra day trading

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The JSE gold and platinum mining indices fell 2.7% and 0.15% respectively, while the industrials, financials and banks shed 0.53%, 0.62% and 0.78% correspondingly. The rand continued to weaken against the dollar, trading above the R7.00 level for most of the week.

Kind Regards,
The Global Trader Team

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