

TRADER TALK

Global Markets

In what can only be described as a turbulent week, the global economy saw new highs, all time lows and price swings that would make even the likes of George Soros uneasy. The dollar, after a weak start to the week dropping 2.5cents, has strengthened by some 4.5cents on the back of better than expected financial results in the states. On Sunday, the FED unexpectedly cut the discount rate by 25 basis points allowing the central banks to borrow cash from the government at a discounted rate, which as of Mondays open decreased the value of the dollar. A further cut of 75 basis point (this one however, expected) on Tuesday looked set to decrease the value of the Greenback further. However with many analysts predicting a 100 basis point cut, the market pushed back and we have seen the dollar recovering strongly ever since.

The Indices have been just as turbulent. Cue liquidity problems at Bear Sterns, the 5th biggest investment bank in the states, an emergency rate cut (as mentioned previously) by the FED and a cut price buyout by JP Morgan, using government cash, one could call it a rough start to the week. JP Morgan launched a bid for Bear Sterns, which announced serious liquidity issues on Mondays US open. \$2 a share was to be the fee for what some are calling the deal of the century (considering just 6 months ago Bear Sterns was trading at around \$110 per share) which sent the market into a freefall. With Goldmans and Lehman Brothers data due out and rumours in the market suggesting worrying

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figures, we saw a very rough close to Mondays trade. When the very next day, Goldman Sachs and Lehmans produced much healthier results than the market expected, we saw a quick 350 point rally and right up until Wednesday, the market was up 400 points from Fridays close.

The commodities, driven by the uncertainty in the US and the volatility in the dollar were just as tough to call. Gold smashed through new highs to reach \$1033, taking Silver and Platinum with it on the back of a weaker US dollar. At the time of writing, Gold now trades \$922. That's over \$100 dollar's movement in as little as 4 days (incidentally binging about the biggest weekly decline in 25 years) and can be put down to a brighter US economic outlook and a stronger US dollar moving into the weekend.

**Kind Regards,
The Global Trader Team**

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