

TRADER TALK

Global Markets

Trading in financial markets this week was influenced by the re-emergence of concerns about the outlook of the US economy and the global credit markets. Bleak quarterly earning results from Bank of America and an increase in initial jobless claims coupled with weak housing data, raised fresh concerns about another upheaval in the US credit market and a possible slow down in the US economy that could drag for the next 12 to 18 months.

The possibility of a slow down in the global economy was further heightened by the rise in the oil price – the NYMEX light crude November contract setting an intraday record high of \$90.02, but closing at a record \$89.47. Analysts are concerned that higher energy prices could hinder economic growth. The US, European and Asian equity markets traded marginally lower on the back of this bearish news. The Dow closed flat, 0.02 percent down; the S&P declined 0.1 percent, while the NASDAQ gained 0.2 percent. The pan-European Dow Jones Stoxx 600 slid 0.3 percent, the FTSE 100 declined 0.2 percent, the DAX 30 and CAC-40 also declined 0.4 and 0.3 percent respectively.

In Asia, the Nikkei 225 closed 1.7 percent lower, while the ASX 200 fell 0.9 percent.

SA Markets

Despite the bearish sentiments driving the US and other international equity markets, the JSE traded relatively higher, buoyed by strong commodity prices. The market saw several retracements alluding to possible corrections,

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however strong buying continued keeping the ALSI in positive territory for most of the week. However, at the end of Thursday trade, the ALSI shed 0.17 percent, pulled lower by banks and financials which were 1.44 and 0.98 percent down, as the index followed in the footsteps of the overseas markets, which had traded lower on the back of fresh sub prime credit crisis fears.

Local economic data out this week included retail sales growth which was reported to have risen to 6.9 percent YoY in August from 5.2 percent YoY in July, indicating continued consumer resilience despite the recent interest rate hikes. It will be interesting to see if this will help argue the case for another interest rate hike by the SARB in December. S.A inflation (CPI and PPI) figures for September are out next week on the 24th and 25th respectively.

Kind Regards,

The Global Trader Team

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