

Efficient Research

Oil Price Plummets

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The JSE took another beating yesterday and the all share dropped 642 points (-2.3%) to close on 27,079, after starting the month above 30,000 points! From its record high close of 33232 points on 22 May 2008 to yesterday, the market lost 18.5% - very close to the 20.0% drawdown which theoretically will place us in a bear market (as already seen in most of the major global financial markets). Resources and the construction sector led the downside yesterday, losing around 3.5% each. Within the resources sector, sentiment was strongly mixed with platinum miners plummeting almost 8%, while gold miners jumped 5.4% higher. Platinum heavyweights, Anglo Platinum (-9.4%) and Impala (-7.6%) were both severely beaten as the price of the metal lost \$54 per ounce. The opposite was true for gold miners as the metal's price proved more resilient and Anglo gold jumped 7.4%, while Goldfields climbed over 5%. Financials (-0.8%) remained under pressure with the bank index losing 0.4%, while industrials was down 1%. Amongst retailers (-1.4%), Pick 'n Pay, Shoprite and Spar each lost around 2%, while JD group (-4.3%) and Woollies (-3.6%) also recorded relative large decreases. The rand weakened slightly overnight, but remained on relative stronger levels this morning compared to the major currencies (the rand was trading well above R/\$8.00 in mid-June). The price of oil recorded its second largest one-day drop ever seen, following the statement by Mr Bernanke that the U.S economy faces the dual threat of slowing growth and inflation, which points to lower U.S. demand for oil. Intraday the drop amounted to \$6.44 per barrel (-4.5%), while compared to yesterday morning, the cooling was somewhat softer at \$5.4 per barrel (-3.8%). The Dow Jones remained under pressure and dropped 0.8% to below the 11,000 points level. This came as Mr Bernanke painted a gloomy picture for the US economy including troubled financial markets, declining house prices, a weaker labour market and higher oil prices (in general). Other negative news for the market was that US retail sales remained almost stagnant in June (despite the tax rebates from government), while PPI rose faster than expected. The Nasdaq managed to edge marginally higher despite the negative sentiment. European markets closed lower, with the FTSE 100 the CAC 40 and DAX each losing around 2%. The Nikkei was flat this morning. The market in Australia is somewhat of a positive outlier and was trading 0.7% higher earlier, after Australia's largest retailer Woolworths reported a 7.5% rise in fourth quarter sales while the index also gathered some support from banks, after their recent beating. On the domestic front the retail trade figures for May are scheduled to be release this morning and we expect another contraction of around 1.0% y:y, following the 0.3% drop in April.

Local Markets				Exchange Rate			
	Index	Points	%		Points	%	
All Share	27079	-642	-2.31	R/\$	7.64	0.01	0.10
Top 40	26050	17	0.06	R/€	12.17	0.02	0.16
Indi 25	17644	-183	-1.03	R/£	15.33	0.10	0.63
Fini 15	6006	-52	-0.86	\$/€	1.59	0.00	0.07
Mid Cap	25263	-301	-1.18	\$/¥	104.64	-1.30	-1.23
Small Cap	24583	-65	-0.27	Interest Rates			
Financials	15820	-97	-0.61	REPO	12.00	0.00	0.00
Resources	62393	-2317	-3.58	Prime	15.50	0.00	0.00
Gold	2453	125	5.39	R 153	11.27	-0.10	-0.84
Platinum	106	-9	-7.91	R 157	10.27	-0.14	-1.30
Construction	62	-2	-3.54	Commodities			
Banks	26318	-94	-0.36	Gold \$	971.40	-0.80	-0.08
Retail	18320	-264	-1.42	Platinum \$	1953.50	-54.50	-2.71
IT	11507	-156	-1.34	Oil \$	138.30	-5.40	-3.76
International Markets							
	Index	Point	%		Index	Point	%
Nikkei 225	12739	-15	-0.12	CAC 40	4061	-89	-2.15
Australia	4946	36	0.73	Dow Jones	10963	-93	-0.84

FTSE 100	5172	-129	-2.42	Nasdaq	2216	3	0.13
DAX	6082	-119	-1.92	S&P 500	1215	-13	-1.09

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