

12 December 2011

The long awaited European summit took place with mediocre results. Although similar debt crises will be avoided in future by the new fiscal union, the current crisis is not yet resolved by a long shot. Still, after a tough year it seems as if the bears are getting tired and markets may have a small little Christmas rally.

The Past Week

WTI declined by 2.4% for the week. The decline can mainly be ascribed to persistent fears that the European debt situation has not been put to bed.

On 5 December WTI formed a bearish "shooting star" formation and reached a high of \$102.5, before declining and falling below \$100 on 7 December. After declining below \$100 WTI tried unsuccessfully to once again close above the level. We now see \$100 and \$101 as resistance. Although we believe \$101 may be tested intra-day, we expect the decline to continue and look for support at \$96.5 to be tested.

We expect a range of \$95-101 for the rest of the week.

The Rand lost 1.5% as market participants lightened on risky assets in the run-up to the European announcement. All trading is headline-driven at the moment. Should the dust settle in Europe, we expect the Rand to strengthen significantly. If not, we may see a dramatic decline in thin volume towards year-end.

As mentioned last week, the Rand is setting up a nice "head & shoulders" formation. A break of the neckline at R7.8/\$ (close-below) will see it strengthen significantly. A significant bounce off the R8/\$ level will however indicate that the formation has failed. This will be very bearish for the Rand and as mentioned above can see the Rand weaken significantly in thin volume.

We expect a range of R7.8-8.3/US\$ for the rest of the week.

Indicator	5-Dec-11	12-Dec-11
WTI	101.40	99.00
ZAR	8.02	8.12

Economic Indicators and Outlook for the Week

The Dow gained 1.5% for the week. It is likely that we will move higher still in the coming week, testing the high of the year before Dec 31. **We expect a range of 12000 – 12600.**

The Euro declined 0.5%. Most analysts are calling the Euro lower in the coming 12 months. Since currencies are notoriously hard to call we have a good mind to be contrarian and become Euro bulls. **We expect a range of Eur1.32-1.35/US\$.**

Gold is down 3%. As risk aversion subsides, gold bulls are taking profits before year-end. **We expect a range of \$1680-1720/oz.**

The Top40 traded sideways and ended the week flat. We expect a close-out rally this week. **We expect a range of 29000-29800.**

Indicator	5-Dec-11	12-Dec-11
Dow Jones	12019	12184
Euro/\$	1.3404	1.3338
Gold	1744	1691
Top40	29187	29169

Conclusion

WTI is taking it's queue from Europe. We wait to see what will happen this week.

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Local Diesel Price

On Friday the over recovery on 0.05% (500ppm) diesel was 2.485 c/L.

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