



News Release
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GFT TRADING MARKETS WRAP: JANUARY

The unknown quantity in the credit crisis: Chinese banks

The extent to which Chinese banks are exposed to the current credit crisis is one aspect of the world credit problem that has yet to be revealed, the CFD and foreign exchange trading group, GFT, says.

GFT's Head of Derivatives Martin Slaney believes the first half of 2008 will be characterised by continued volatility on trading markets as further credit market casualties are revealed. "Expect more big-name write-downs, particularly from Chinese banks whose exposure has been undisclosed thus far," he says commenting on activity in trading markets during January.

"We've seen a year's worth of volatility in the first month of 2008 and there's more to come. The seemingly non-stop supply of global market-moving events, corporate and economic news, and the emotional fear factor of a possible US recession have led to January being one of the most volatile months on record for financial markets."

Mr Slaney comments that while some traders are exhausted, and others are panicked, many have seen opportunities.

"CFD traders thrive on volatility because the very nature of a CFD means you can attempt to profit from every market move, up or down, for any timescale. The art of risk management has become particularly important in these extraordinary market conditions, and judging where to leave a stop loss has become a skill in its own right," he says.

Looking ahead into the rest of 2008, Mr Slaney believes that by the second half of the year, the sub-prime market is likely to have lost its dominance in the financial headlines, replaced by focus on Asian, particularly Chinese investment plays.

"We must not underestimate the impact of currency markets on equities. The tightening stance, which is likely to be adopted by Asian banks, is expected to cause substantial appreciation of the yen against the US dollar, the euro and sterling. This in turn will make Western equities and assets even more attractive for Asian buyers," he comments.



Suncorp Place 259 George Street, Level 29, Suite 04 Sydney, NSW 2000
Main +61 2 9028 7500 Freephone 1800 624 080 Fax +61 2 9028 7555
ABN: 12103508461 AFSL: 226625

WWW.GFT.COM.AU

A rewind of the past month

Here's a quick run-down of the major market-moving events we witnessed in January:

- several emergency rate cuts in the States;
- gold approaching \$950 an ounce;
- the Dow rallying 600 points in one session;
- the ASX 200 falling for 12 straight sessions, including a drop of over 7 per cent in one day to mark its biggest fall on record;
- a “rogue trader” allegedly running up hidden losses of nearly €5 billion at French Bank Societe Generale;
- a U.S. emergency rescue package of tax incentives worth \$150 billion;
- Apple announcing excellent first quarter results – “the best in our history” – and the shares slipping 19 per cent;
- fourth quarter sub-prime losses of US\$18.1 billion announced by Citigroup;
- Bank of China rumoured to be facing much larger-than-expected sub-prime related losses...

Most actively traded GFT markets in Australia for January 2008:

Australia 200 index

AUD/USD

UK 100 index

Rio Tinto

Spot Gold

CONTACTS: For further information, please phone Brian Mahoney at FCR (Financial & Corporate Relations) Sydney: 02 8264 1002 or 0413 437 627 or Martin Slaney, Head of Derivatives, GFT, UK: 0011 44 20 7170 0770 or mslaney@gftuk.com or Simon Marmot, Marketing Director / Australia, 02 9028 7525.

About GFT: *Founded in 1997, GFT is a world-leading provider of real-time CFD and spot forex trading services and software. GFT serves a global customer base in more than 100 countries, with its headquarters is based in Ada, Mich., with global offices located in Chicago, New York, Tokyo, Sydney, Australia and London (London office operated through GFT Global Markets UK Ltd.). Trading foreign exchange and contracts for difference (CFDs) on margin carries a high level of risk, and may not be suitable for all investors.*

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