

In recent times there have been sporadic surges in the market's value overall and with that in mind, we have seen quite an aggressive selling response. It is possible to account for this as a case of the jitters from some traders who want to quickly lock in small profits rather than hold on for a better performance in a trending market.

Importantly for the overall sentiment of the market there has been quite a resumption of strength from the finance sector which is one of the key areas that really needs to perform to push the index higher. One of the things that is worth bearing in mind is that the big miners and the big finance companies dominate the index so movements one way or the other really need to be supported by these larger companies. It is worth not losing sight of how these things work.

Some of the tight range trading seen in the last month created a great deal of frustration amongst traders. When the market is traveling comfortably and consistently in one direction or the other it certainly does make trading an 'easier' way to make a living. Outside of these times it means that trend trading strategies can become less effective than they are when the market is moving consistently.

One of the areas to look out for in the coming month is the energy sector which is facing an interesting time. The volatility being seen in this area is probably responding to the choppy nature of the oil price at the moment. Currently US Crude Oil is trading a little below the US\$69 a barrel mark. In recent months we haven't seen the price of oil remain below the US\$70 mark for any length of time before being pushed higher once more.

The reason this is quite an interesting position for traders is because of the enormous number of unforeseen factors that can move the oil price, but as I suggested, it will be a little tricky to predict. Simmering geopolitical tensions aside awareness of the impact that further serious hurricanes could have on production in the Gulf of Mexico should not be underestimated. Despite the fact that this hurricane season has thus far been quite moderate, this is a factor that could certainly change and will have an immediate effect on the price of oil should further damage occur to operations within the region.

Interestingly, we have seen many of the petroleum companies greatly benefit from the higher price of oil, there have been companies around the region completely blindsided by the higher price with the some of the most notable being the airlines. Naturally enough, pressure on the airlines has been a global phenomenon and not simply limited to Australia.

In a fashion quite similar to our overall equity market, it may seem unlikely that we will see a consistent move downward in the oil price. Indeed, over time it can find a more steady direction but there will be an ever present concern in the immediate future that supply levels may be threatened from any number of different sources which of course can have quite an immediate and dramatic effect.

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