Richard Cluver Predicts
In our 26th year of service to the investing public of South Africa

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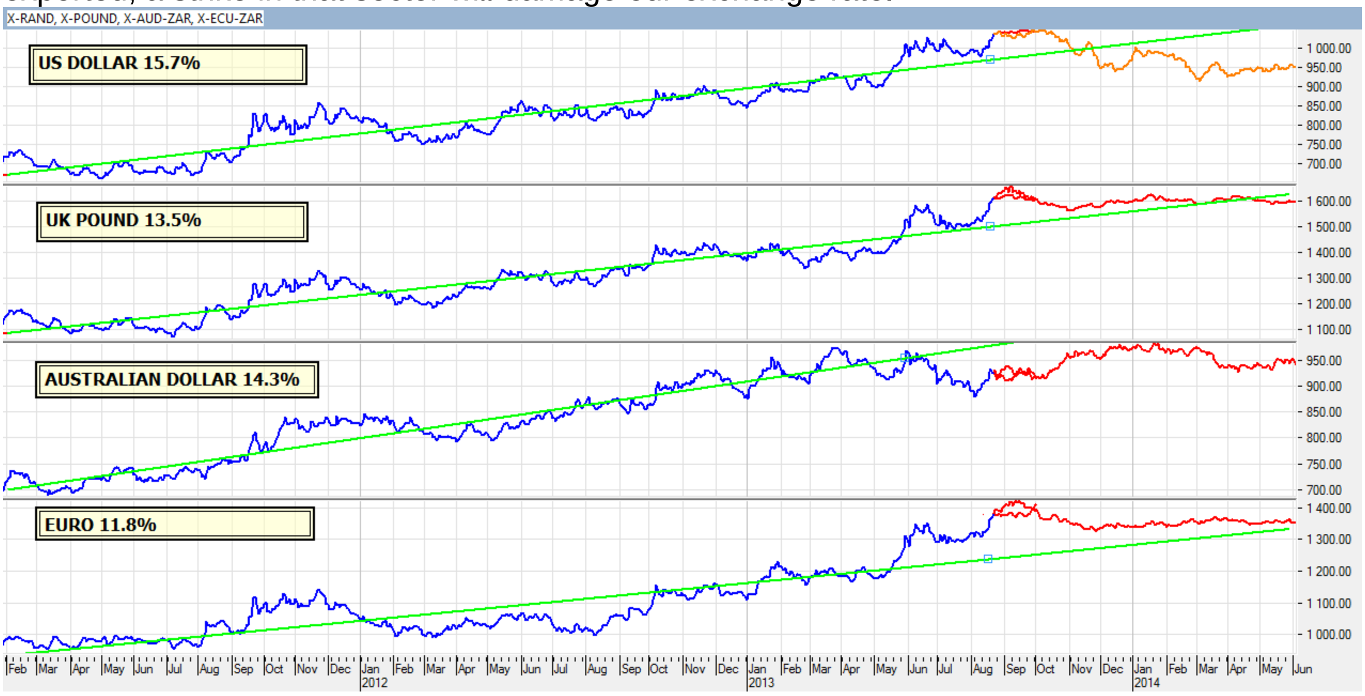
Under strain in recent months, the Rand has taken an even more severe pounding this week in the wake of the gathering round of industrial strikes.

Internationally, labour strikes are almost a long-forgotten phenomenon of a more prosperous past; a luxury which few nations can afford to indulge in at a time when unemployment tops most international political agendas. But it does not require a Phd in higher mathematics to understand that, for example, when more than half our local motor vehicle production is exported, a strike in that sector will damage our exchange rate.



International investors were, of course, already beginning to move away from the Developing World this time last year because of a growing perception then that the US was beginning to recover from the Great Recession and that Wall Street thus offered more attractive investment growth opportunities. Then the Merikana massacre captured world headlines and people with only a dim background knowledge of this country were subjected to intense public debate about the wealth inequalities and political challenges that are daunting this country and, suddenly, the higher investment yields South Africa offered no longer appeared worth the risk.

The upward spike in the Rand's exchange rate last August was very significant then. But it is almost lost in the graphs above until you really study them. And I have no doubt that the present upward spikes will similarly become largely un-noticeable in the future. What is, however, very plain to see to every investor into this country is the steady upward march of my green trend lines which heavily underscore that, relative to most of the world's leading currencies, the Rand is losing ground at a frightening average of greater than 14 percent. The implication is that any money invested in this country will HALVE in its purchasing power every five years.

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Add to that equation the fact that the switch from a Withholding Tax to a 50 percent increased direct tax on dividends has more than neutralized any dividend gains investors might have experienced, and it becomes plain why we are no longer the flavor of the month where foreign investors are concerned. Add to that a growing awareness that with social dependency levels doubling every five years and the Government's constantly emphasized and steadily-increasing budget balancing problems, and it must be blindingly obvious to everyone that this is NOT a country to invest money in!

In the short-term my red Fourier projections suggest that, unless we get another wave of bad international publicity, there is a cyclic probability of the Rand regaining some of its strength during September and October, but that is just a short-term move in a steadily-weakening long-term trend.

The month ahead:

New York's SP500: I correctly predicted a decline which I predicted would extend until August 27 and I continue to expect a recovery from that date.

London's Footsie: I correctly predicted a decline which I now see lasting until September 2.

JSE Industrial Index: I correctly predicted a near-term positive trend followed by a decline which I expect will be over by August 29 followed by a brief recovery until September 4.

Top40 Index: The decline I was shorter than I expected but the current recovery is unlikely to last much beyond August 27.

ShareFinder Blue Chip Index: I correctly predicted that this week would see the end of the recovery. Now I see steady declines throughout September with brief upward spurts along the way.

The Rand: I correctly predicted further weakness which I now expect to last until the mioddle of next week.

Golds: I correctly predicted weakness the recent gains to be short-lived. Now I see declines lasting at least until the third week of September.
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Bonds: I correctly predicted declines which I now expect to continue until mid-September.

The Predicts accuracy rate on a running average basis over the past 485 weeks has been 81.95%.

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