



Richard Cluver Predicts

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



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The good news that the US is listening to the world and hesitating about playing policeman in Syria, has sent Wall Street soaring and, with it, local blue chips have been shooting out the lights this week.

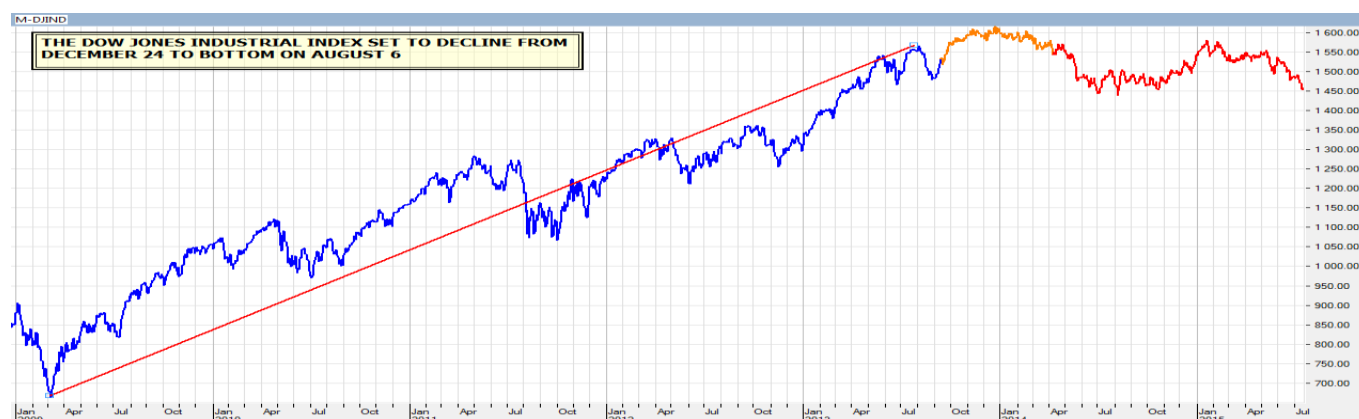
Following the May-June market decline that followed the first discussions about the likelihood that the US Federal Reserve would begin tapering off its "Quantative Easing" buying of US treasuries, our own Blue Chips began recovering from June 24 to make their first new high on August 1 then climbed steadily until August 6 before retreating in the face of the Syrian "invasion" threat. However, by August 28 confidence began to re-assert itself and the ShareFinder Blue Chip index reached a new all time high last Friday... and it has continued climbing since. From here ShareFinder's artificial intelligence systems suggest that the final peak of 2013 will be reached on November 14 before heading for a holiday season consolidation that will be marked by a modest retreat until January 14; all of which is illustrated in the graph below:



This graph comes in stark contrast to the Wall Street outlook as depicted in my second graph below which sees the S&P500 Index peaking on October 21 at the start of a year-long retreat that will only reach bottom on or about next September 4 following a decline that could cost the average US investor some 13% of their recent gains. I should add that closer-focus short-term analysis suggests this weakness could begin as early as October 10.



These projections are based upon an analysis of Wall Street's Standard and Poors 500 Index which is the broadest measure of the overall performance of New York Stock Exchange listed shares. A slightly different picture is presented by the Dow Jones Industrial Average which is concentrated on a much smaller sample of traditional blue chips determined by market capitalization. As is to be expected, the Blue Chip market sector is always the last to take strain in a downward market correction. So it is interesting to note in the graph below that ShareFinder's projection sees the Dow only beginning its decline on Christmas eve and then heading down to bottom on August 7 after falling around 11%.



We have been measuring the accuracy of these projections on a weekly basis since January 2002 and while the current moving average measurement sets the probability of these predictions occurring at 82.02 percent, it is important to note that the nature of artificial intelligence is to steadily improve as the computer system learns from its past mistakes. Thus the average accuracy rate of the first 300 weeks of observation was just 75.7 percent while the most recent 100-week average accuracy rate has been 89.95 percent and the past 50 weeks has climbed to 90.2 percent

The month ahead:

New York's SP500: I correctly predicted the start of a whip-saw which I now see continuing until October 9 before a substantial correction appears likely.

London's Footsie: The brief decline which I predicted was shorter than I expected but the probability is high that there will be another starting today and lasting well into next week.

JSE Industrial Index: I wrongly predicted weakness until September 17 but I continue to foresee that date as the bottom of a short bout of weakness to be followed by four days of recovery and then fresh weakness into mid-October.

Top40 Index: I failed to see this week's gains but now I see declines until early October.

ShareFinder Blue Chip Index: I prematurely predicted the brief decline which I believe is imminent before the market climbs to a peak on September 25 and then starts a gradual decline.

The Rand: The brief weakness I predicted is over and we are likely to see gains until October 4.

Gold: I correctly predicted a bumpy uphill ride which ended on the 9th and I now foresee declines until the 26th.

Bonds: I correctly predicted brief weakening which expect to be over by September 17 ahead of a recovery trend well into October.

The Predicts accuracy rate on a running average basis over the past 487 weeks has been 82.01%.

Richard Cluver