Richard Cluver Predicts

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

Volume: 26
Issue: 29

01 November 2013

I am back in harness having sat in the Caribbean for the past three weeks watching newscast after newscast reporting on incredible things happening in the government of the world's richest nation…. and still share markets have continued climbing.

For months Sharefinder's systems had been predicting that on October 21 the world's major stock exchanges would begin declining in a bear market which could cost them up to a third of their capital value. There was nothing on the horizon to explain why a bear market was due to begin, other than the fact that global share price valuations have been dangerously high. But then common experience is that market corrections are phenomena looking for an event to trigger them. Thus when the Tea Party grouping within the US Congress forced America into a government shut-down, it seemed to me that this was precisely the event that ShareFinder's systems had been predicting…except that the markets did not fall.

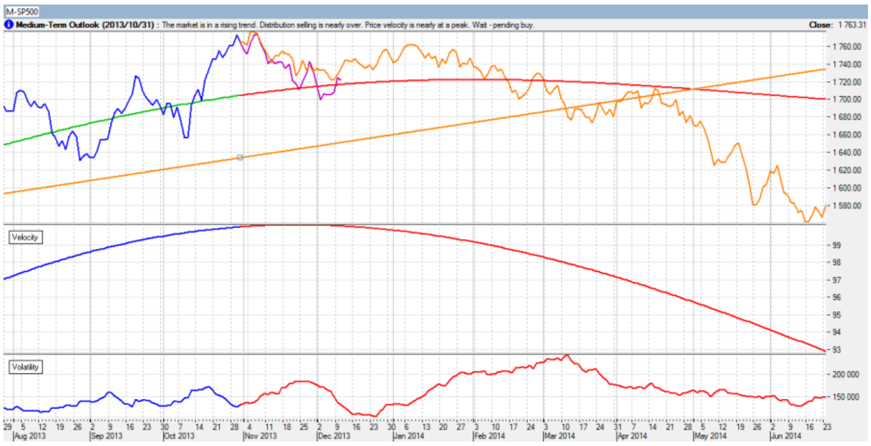
So where does that leave us now? Well nothing has changed. The attitude of ordinary Americans whom I spoke to during the shut-down was more of irritation with their politicians in general than any panic at something which, to the average outsider, must surely have appeared an earth-shattering event. The fact that the same Tea Party group of Republicans is now threatening to block the next debt ceiling raising and simultaneously to bring the US Federal Reserve to its knees by blocking the appointment of Janet Yellen as the new chairman of the US Federal Reserve, is also being dismissed as a childish spat between politicians. To them it is all something of a soap opera rather than a real event which will seriously affect their lives.

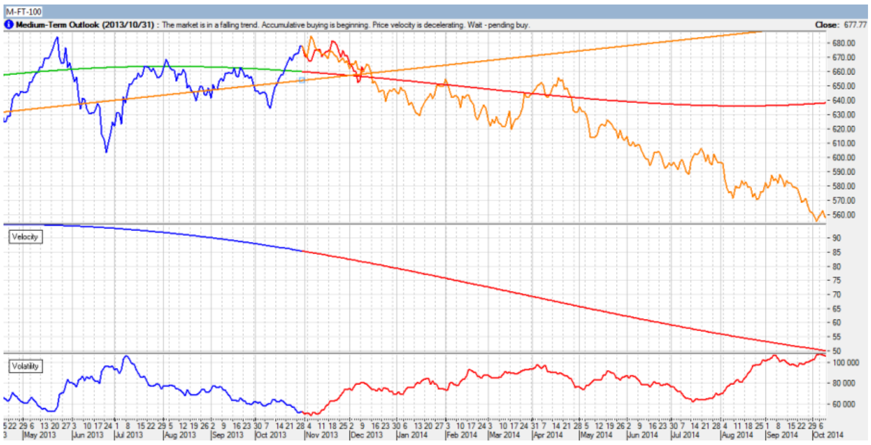
The central issue is of course the intended national health scheme for all Americans which has been labelled Obamacare because it is the determined brain child of President Obama. The price which ordinary Americans will have to pay for the scheme has long been rumoured as being untenable but only a few weeks ago was the actual cost to individuals finally unveiled and that really has ordinary folk steamed up. Likely to cost around 20% of the average pay check, few Americans believe they can afford it and most can barely grasp the fact that Obamacare is already law…which is why the Tea Party group has been forced to adopt such drastic measures to try and stop it.

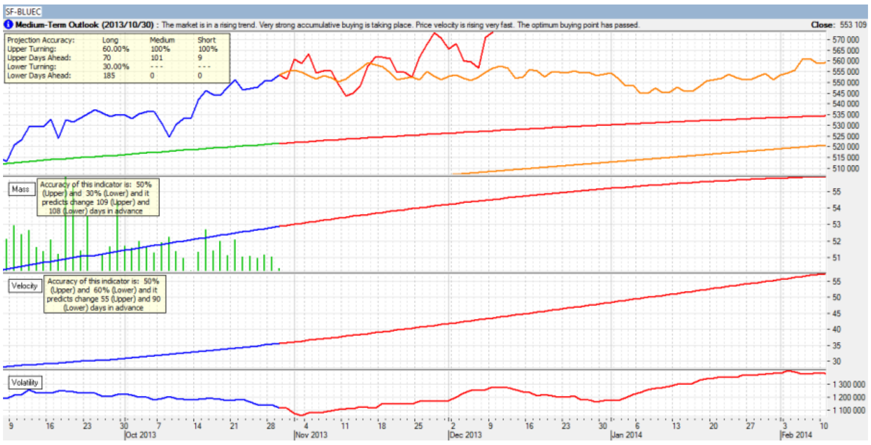
None of which have, of course, any direct bearing on the stock exchanges of the world except inasmuch as items like Obamacare are simply desired dreams of politicians who obviously cannot grasp the fact that their deeply indebted governments cannot afford such luxuries and whose debt is in fact gravely endangering the health of the world economy. What is driving markets upwards is, as I have so often in the past pointed out, the fact that the US, Britain, the European Central Bank and now Japan have been printing money in massive quantities which is threatening the world economy with total destabilisation.

With global industry sluggish because of global recessionary pressures, there is nobody able to make productive use of this excess money supply and so it is flooding into the world's security markets. Ironically it is making the rich much richer and dramatically widening the gap between rich and poor which cannot be good for social stability in the long run. But the world has obviously come to terms with instability and recession and ordinary folk have become resigned to the fact that there is little they can do about it other than pay down their debts as most Americans have been doing.

So what is the immediate market outlook? Since October 21 most markets have stood on the brink of a significant downturn and nothing appears likely to change. This is the edge of the precipice and the world is still waiting for something to trigger collapse. The big question is not what will happen but when. As the graph projections on the right well illustrate, a decline is imminent. The only question is when. My first graph tracks New York's broadest measure: the S&P500 Index which might already have begun its descent.







My second tracks the British FT100 Index which has similarly begun to descend. And my final graph tracks South African Blue Chip shares which, happily appear to be facing a volatile few weeks but with no indication of a major decline in sight!

The month ahead:

New York's SP500: I correctly predicted continued gains within an upward whip-saw which I saw continuing until between October 17 and 21 before a substantial correction appeared likely. Now it might have begun.

London's Footsie: I saw that from October 18 there was a very strong probability of the onset of a significant decline.   Again it might have begun.

JSE Industrial Index: I wrongly predicted a decline for most of October. Now I see some short-term weakness until November 12 before a recovery again sets in.

Top40 Index: I wrongly predicted weakness until the end of October. Now I see a week of declines before a recovery into early December.

ShareFinder Blue Chip Index: I wrongly a predicted a long decline from September 25. I now see a sideways to slightly rising trend until early December.

The Rand: I correctly predicted gains. Now I see the current weakness continuing until November 19.

Golds: I correctly predicted declines until mid-October. Now I see the current recovery ending mid-week.

Bonds: I correctly predicted a recovery trend which I said would last until the end of October. Now I see weakness until December.

The Predicts accuracy rate on a running average basis over the past 478 weeks has been 82.01%.

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