Richard Cluver Predicts

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

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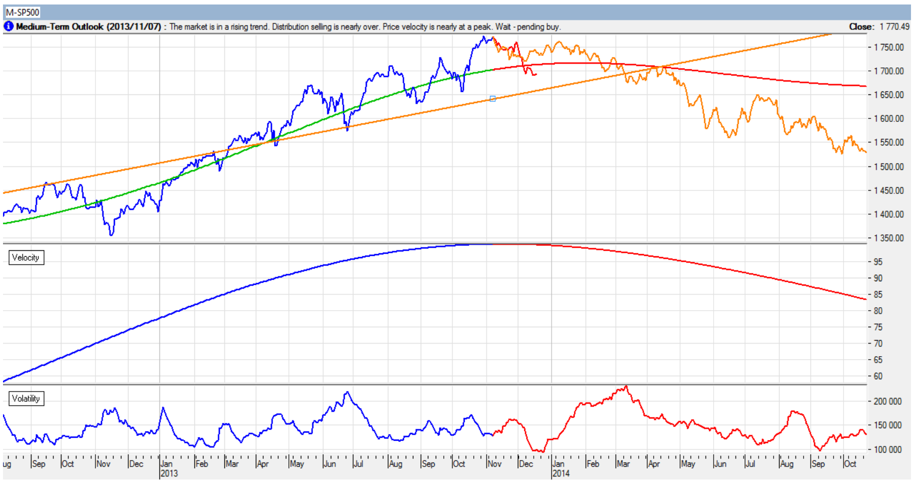
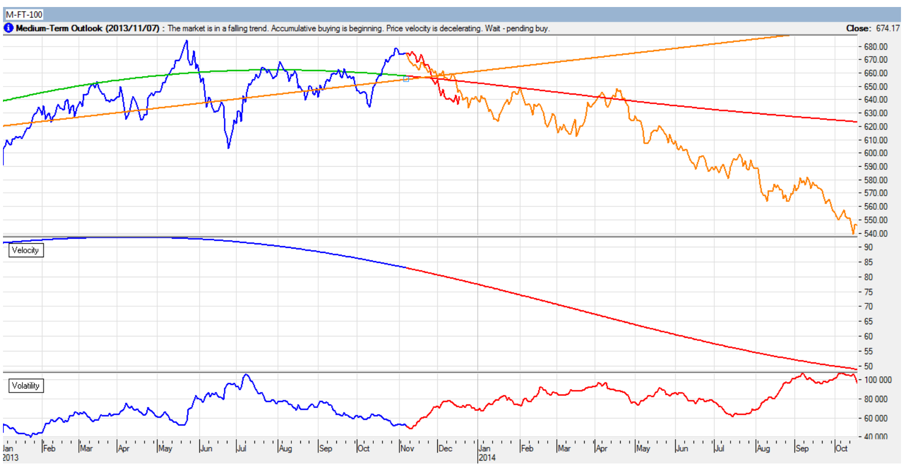
If you are one of the scores of readers who have contacted us asking to test the beta version of the new ShareFinder 6, I have to apologise for the length of time it is taking to contact each one of you individually and install the new software. My mistake…I never expected such an overwhelming response!

Today, if I am reading the signs correctly, could prove with hindsight to have been the peak of the current Wall Street boom. Slightly obscured by the exciting launch of Twitter yesterday as it surged to an improbable high, the rest of the New York exchange turned down on the pessimistic assumption that today's unemployment figures will be gloomy.

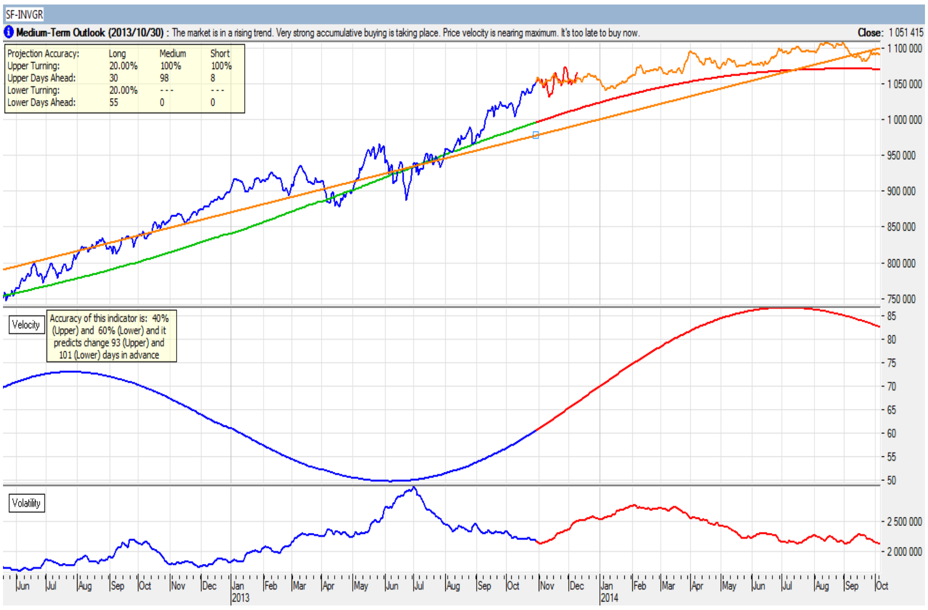


And, as ShareFinder's projection graph on the right suggests, it could be all downhill from here for most of 2014. Ironically, yesterday's Wall Street decline – the 11th worst so far this year - came after the release of data that disclosed that US GDP grew faster than economists had predicted, raising investors' fear that the Federal Reserve would taper sooner than previously expected. The Dow closed down 153 points, to 15,594 the S&P 500 finished down 23, points to 1,747 and The Dow Jones Industrial Average and the S&P 500 both finish down roughly 1%. The drop came after GDP grew faster than economists had predicted. The Dow closed down 153 points, to 15,594. The S&P 500 finished down 23, points to 1,747.

In essence then, much of the world's collective share market outlook could hang on what happens today. If the market opens weak and continues the decline after the unemployment data is released, it could well write "Finish" to a bull market that has taken the Dow up 19%, and the S&P 500 up 22.5% so far this year.



In London too, the outlook is for declines as depicted in my second composite. If ShareFinder's present calculations are correct, then Wall Street is likely to eradicate all its 39% gain since June 2012 while London is likely to lose the 30 percent it has gained in the same period.



Now I find it very hard to believe that if these events unfurl South Africa can escape unscathed, but in this case ShareFinder's usually extremely reliable predictions sense an unfazed market continuing upwards in exactly the fashion that it has. Compared with the British and US gains, South African investment grade shares have risen 38% since June 2012 and, as suggested by the Fourier projections on the right of the graph above, ShareFinder calculates that by October next year they will be up a further 10.25%.

I will continue to monitor these projections carefully over the next weeks and months in order to alert readers to any change in the outlook. But I would nevertheless caution you to use these profitable times to sell out of any questionable shares that you might be holding right now. In the event of a worldwide firestorm, only the bluest of blue chips – though they tend to be beaten down like the rest in the short term - will live to tell another day.

The month ahead:

New York's SP500: I correctly predicted last Friday that this week might have seen the beginning of a substantial correction. From here it looks like a slide at least until Christmas.

London's Footsie: I correctly warned that this week might mark the beginning of a long slide and now I sense declines until at least December 25.

JSE Industrial Index: I correctly predicted some short-term weakness which I continue to see lasting until November 12 before a recovery again sets in.

Top40 Index: I correctly predicted declines before a recovery into early December. And the weakness that began on Wednesday looks likely to continue until the 13th.

ShareFinder Blue Chip Index: I correctly a sideways to slightly rising trend. Now I see declines ending early in the week with a recovery trend until November 19.

The Rand: I correctly predicted weakness which I now see continuing until continuing until Monday when a three-week recovery is set to begin.

Golds: I correctly predicted declines which should end on Monday followed by a recovery which I expect to last the next fortnight.

Bonds: I correctly predicted weakness which I now see lasting until the first week of December.

The Predicts accuracy rate on a running average basis over the past 479 weeks has been 82.04%.

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