Richard Cluver Predicts

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

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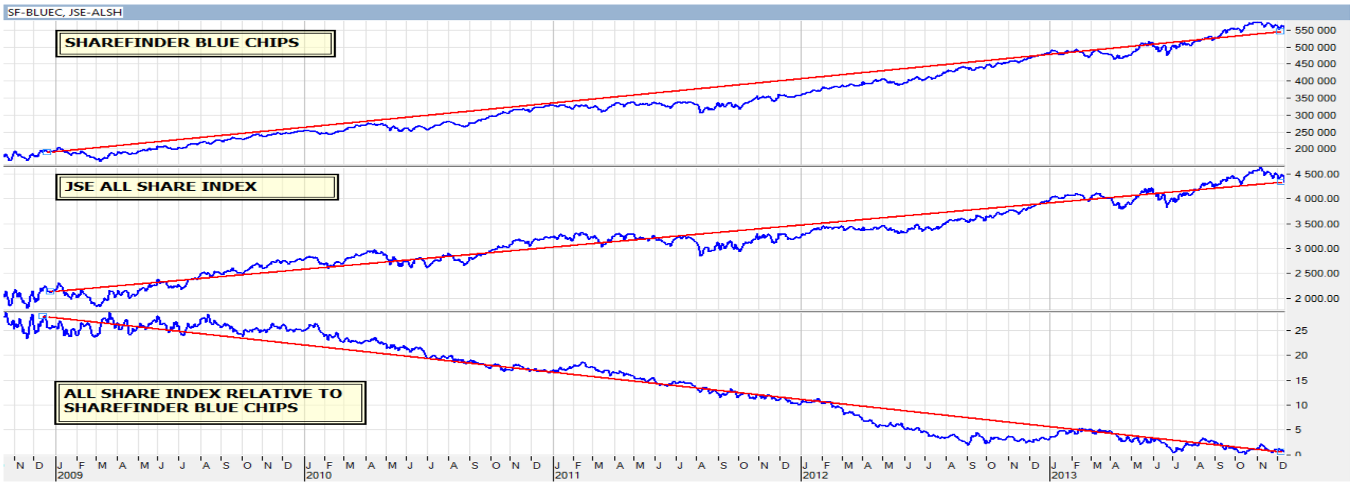
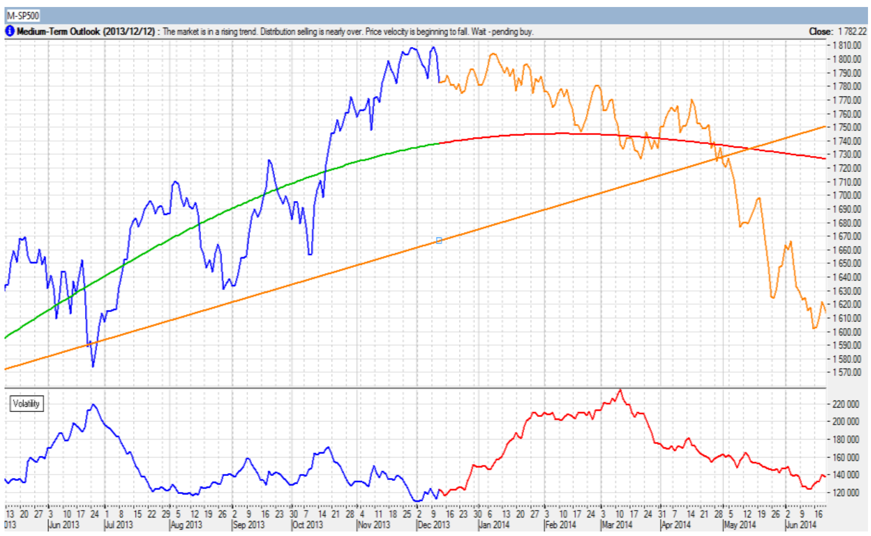
Whenever the market takes a smack as it did yesterday as the investment world once again took fright at the prospect of an imminent commencement of monetary "tapering", I find it useful to step back and take a long view of the markets.

The three graphs below illustrate how over the past five years the shares that ShareFinder selects as Blue Chips and better have collectively been rising at a compound annual average rate of 23.8% compared with the JSE All Share Index which has been rising at compound 15.4%. Accordingly, most telling of all, the third (relative strength) graph illustrates how comparatively the All Share Index has been falling at -56.2%.



Perhaps more importantly for most of my readers this morning, both of the two upper graphs illustrate how the past few weeks of weakness have done nothing more than return from a somewhat overpriced state to right now intersect their long-term trend lines. However, the relative strength comparison should, more eloquently than any argument I can offer, show convincing proof that it is a mistake to invest in anything but the Blue Chips: reason enough to pay careful attention to the Quality List printout that regularly appears in the Prospects monthly newsletter which will again be distributed next Wednesday.



Meanwhile, the composite on the right makes it clear that Wall Street has begun the decline that ShareFinder has long predicted. Note also the Volatility graph immediately below, which suggests that a time of market anxiety is now imminent.

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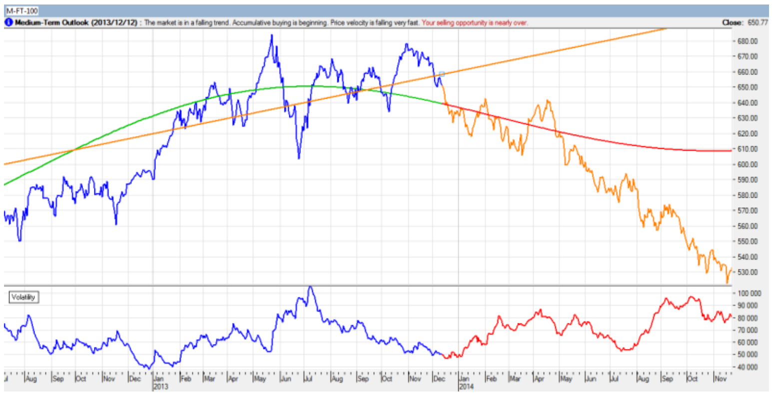
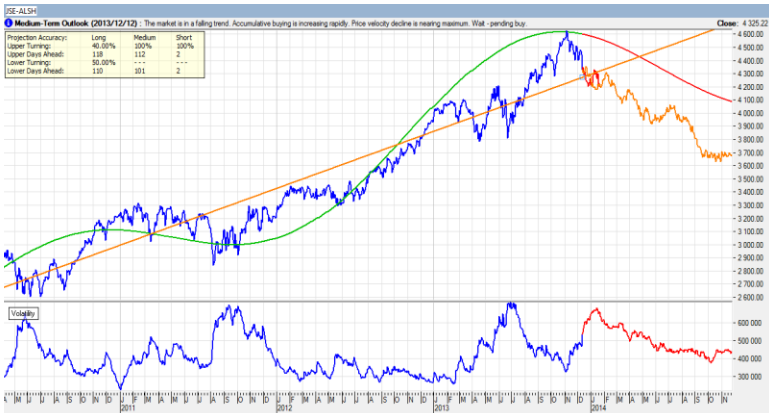
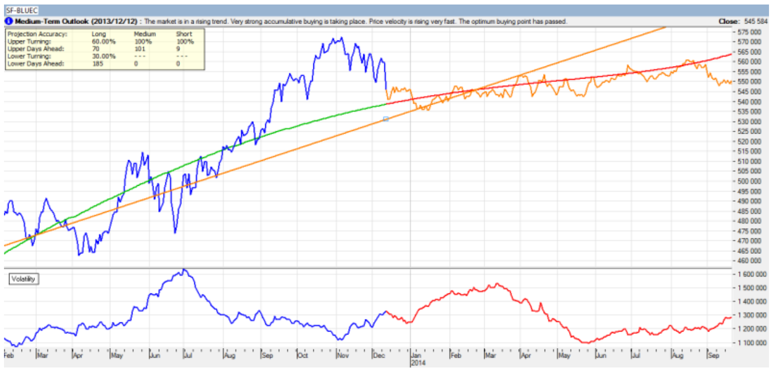
Similarly, London's FT100 Index shows that the decline is now fairly advanced and the rising Volatility Indicator makes it clear that the market decline rate is likely to accelerate in the weeks ahead



Turning to our own All Share Index, it is clear that our own market is already fairly advanced into its bear phase with price volatility rising rapidly. For the ALSI the bear market outlook suggests that declines are probable until mid-October next year.



Contrast that outlook with that of the ShareFinder Blue Chips which can be seen in my final graph: here as I have highlighted many times recently, the Fourier Projection suggests that this sector of the market will bottom out in mid-January



The month ahead:

New York's SP500: I correctly predicted brief weakness continuing until late this week. Now I see a recovery until the first week of January.

London's Footsie: I correctly warned of a slide. Now the recovery I predicted last Friday is likely to begin taking us to the first week of January.

JSE Industrial Index: I correctly predicted a brief recovery lasting until mid week. The subsequent decline now appears over but the recovery is unlikely to last longer than mid-week.

Top40 Index: The recovery I correctly predicted was shorter than I expected and I now expect declines until the end of the year.

ShareFinder Blue Chip Index: I correctly predicted declines which I continue to expect will be the trend until mid-January. Such recoveries that occur are not likely to last more than a day or two.

The Rand: The brief recovery I correctly predicted now appears likely to continue until the end of the year.

Golds: The decline I correctly predicted should end today followed by a recovery for the next three or four weeks.

Bonds: I correctly predicted the beginning of a recovery which I now expect to last until Christmas.

The Predicts accuracy rate on a running average basis over the past 484 weeks has been 82.15%. For the past 12 months it has been 90.75%.

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