



# Richard Cluver Predicts

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



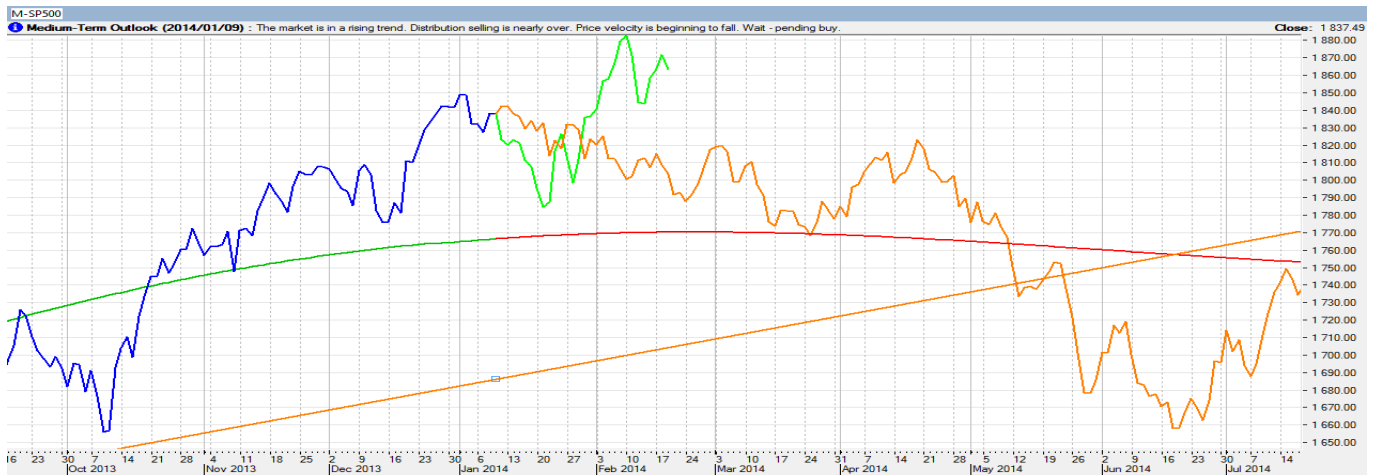
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## 10 January 2014

The last issue of "Predicts" went out the Friday before Christmas and so it gives me a good opportunity today to look back on the predictions I made then and illustrate their accuracy.

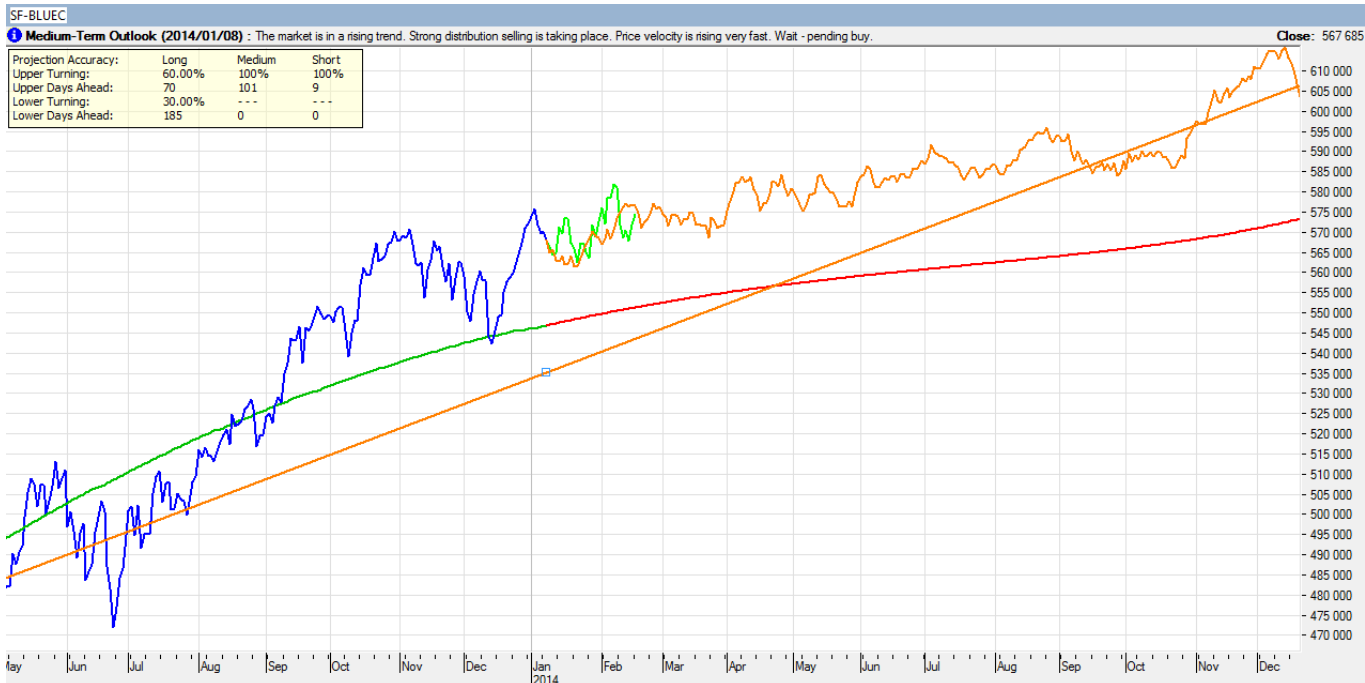
Now as regular readers of this letter are surely aware since we publish our Predicts accuracy rates at the bottom of every publication, our long-term prediction accuracy rate averages 82.12% while the accuracy rate for the past 12 months has been 90.1%. So please note on the right our projection of what was likely to happen to New York's Standard & Poors 500 Index over that period and, below, what has actually happened since then.



The red line of the Fourier cycle projection on the right of the graph suggests that by its widest measure, New York is likely to lose around 10 percent of its value between now and mid-June

Turning to our own Blue Chips, a completely unforeseen price recovery from mid-December has somewhat improved our outlook for the new year. Comparing the graph projection on the right which we published just before Christmas with the latest version on the next page suggests now that, while still calculating that our market will bottom in the middle of this month, the outlook for the new year is now that Blue Chips will gain some 10% in overall value between now and the end of December.



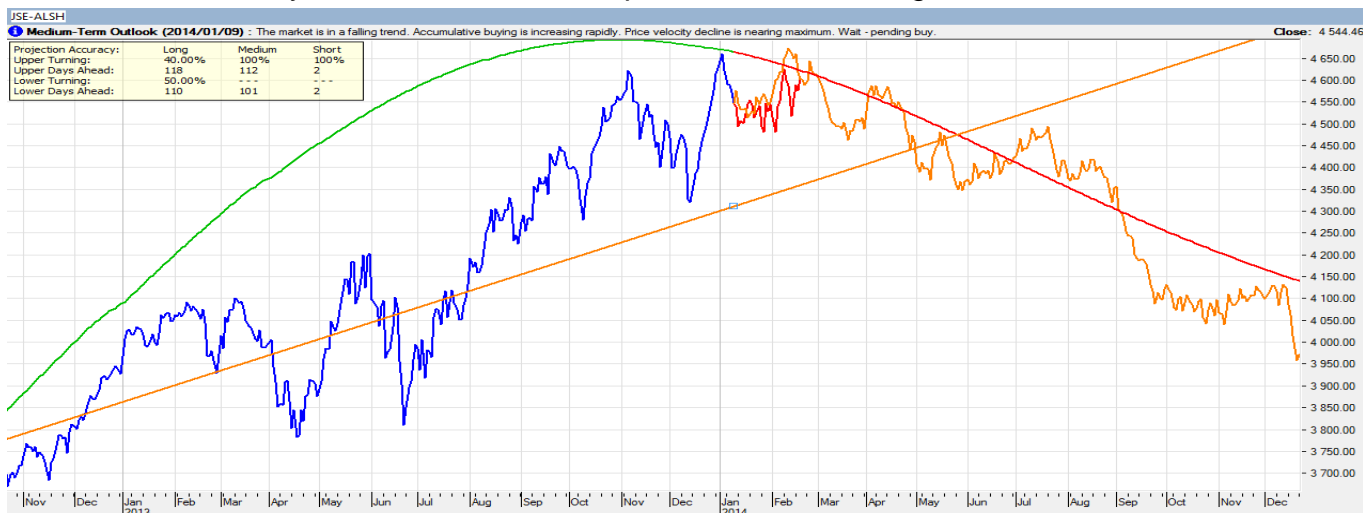


There is further good news in the statistics on the right which show that collectively the outlook for Blue Chip share earnings have begun to improve during the past 12 months. Note that

Name	10YrDiv	5YrDiv	1YrDiv	10YrE...	5YrEarn	1YrEarn
Averages:	34.60	28.56	19.75	30.06	32.21	14.90
Blue Chip Index Average:	34.60	23.49	20.82	21.84	14.65	19.69
Rising Star Index Average:	0.00	34.15	17.78	40.53	54.56	8.80

compared with a compound annual average growth rate of Blue Chip company earnings of 14.65% annually over the past five years, over the past 12 months this figure rose to 19.69%. However, this good news has not persuaded Blue Chip company boards to be more generous with their shareholders which is evidenced by the fact that their average dividend growth rate of 20.82% over the past 12 months is LOWER than the five-year compound average growth rate of 23.49%. Until they do adopt a less conservative attitude, it is unlikely that the market for these shares will show significantly improved growth rates.

More sobering though is the comparison between the overall growth rate of investment grade company earnings at 14.9% over the past 12 months with their five-year average of 32.21% and the significantly lower 19.75% dividend growth rate compared with the five year growth rate average of 28.56% which emphasizes that, for the market as a whole, heavy weather is still being made. The projection below currently suggests that the JSE All Share Index will fall around 15% in the year ahead as a consequence of this earnings slow-down.



## **The month ahead:**

**New York's SP500:** I correctly predicted a weak January and I continue to foresee declines until around January 21.

**London's Footsie:** I correctly predicted a decline which I expect to continue until around January 24.

**JSE Industrial Index:** I correctly predicted a downhill start to the year. Now I see a modest recovery beginning and lasting until the first week of February.

**Top40 Index:** I correctly predicted declines for the early part of January which I see continuing until around January 27 when a sideways to modestly recovering trend is likely to begin.

**ShareFinder Blue Chip Index:** I correctly predicted declines until mid-January. Now I see an improvement beginning around January 21.

**The Rand:** I wrongly predicted a brief recovery but I continue to anticipate one that is likely to begin around January 16.

**Golds:** I correctly predicted a recovery until mid-January. I expect this to continue until the end of the month.

**Bonds:** I correctly predicted a recovery which I expected to last until mid-January. I see the recovery ending around January 27.

***The Predicts accuracy rate on a running average basis over the past 486 weeks has been 82.12%. For the past 12 months it has been 90.1%.***

**Richard Cluver**