Richard Cluver Predicts

In our 27th year of service to the investing public of South Africa

17 January 2014

I have remarked lately in this column how accurately market indices are following the path laid out for them in advance by ShareFinder's Fourier projection system and the past week has been no exception. So it will be interesting to see if it continues to be so in the week ahead because there is now an interesting divergence observable in the projection.

If you consider the graph below you will note that the light green short-term projection agrees with the red long-term projection that the JSE All Share Index will decline today followed by a brief recovery on Monday followed by a further fall on Tuesday and Wednesday followed by a brief recovery on Thursday January 23 and then a sharp fall lasting through to Tuesday January 28. The long term view goes along with all of this until the January 22 to 28 period when it foresees a rise.

Now in the short-term, the green Fourier projections are generally more accurate than the long-term ones and should this prove to be the case this time around then it is probable that this will signal the actual beginning of a prolonged JSE bear phase.

And if that is correct, it would appear that this will actually be the result of a flight into Blue Chips which, as the graph on the right suggests, will mark next Wednesday as the beginning of another strong upward phase which is likely to continue for the rest of the year.

Now is this predicted event is indeed a flight into safety one would expect our bond market to react similarly and indeed, if one considers the graph on the right which tracks the recent behavior of the RSA186 long bond it is evident that a brief phase of weakness which began immediately before Christmas is probably now about to end. The graph of course tracks the interest yield rate of the R186 so a declining graph implies rising bond prices. But note also that a disparity occurs between January 28 and February 19 when the green short-term Fourier projection suggests weakness as opposed to the red long-term projection which suggests strength until February 19.

Though I have been observing Fourier cycle projections for many years, it never ceases to surprise me how such predicted direction changes so often presage national economic or political events. Noting that the ANC was again loudly booed on a national television broadcast last night, might one speculate that something significant is likely to happen during the next fortnight?

Adding to my curiosity, however, is the fact that a similar disparity now exists in ShareFinder's projections for Wall Street's S&P500 Index between now and February 7 as is clear in my last graph on the right. So perhaps something strange is about to happen on the international stage…in Davos this weekend perhaps?

The month ahead:

New York's SP500: I correctly predicted a weak January. But now things are changing and I see a sharp recovery lasting until February 10.

London's Footsie: I wrongly predicted a decline. But perhaps I was being premature for I now see a decline until February 11.

JSE Industrial Index: I correctly predicted a modest recovery. Now I see weakness until January 28 before the next recovery begins.

Top40 Index: I wrongly predicted declines for the early part of January but again I was perhaps being premature for I see them beginning today and lasting until the 28th.

"Richard Cluver Predicts"
17 January 2014
Page 2 ©2014 RCIS

Published by Richard Cluver Investment Services
http://www.rcis.co.za
richard@rcis.co.za

ShareFinder Blue Chip Index: I correctly predicted a declining trend until mid-January and I continue to see a recovery beginning on January 22.

The Rand: I correctly predicted a continuation of weakness and anticipated a recovery beginning around January 16. Now I see t beginning today or Monday.

Golds: I correctly predicted a recovery until mid-January and expected it to continue until the end of the month. Now I see weakness beginning on the 23rd.

Bonds: I correctly predicted a recovery which I expected to last until mid-January. Now I see it ending on January 28.

The Predicts accuracy rate on a running average basis over the past 487 weeks has been 82.11%. For the past 12 months it has been 89.77%.

Richard Cluver

"Richard Cluver Predicts"
17 January 2014
Page 3 ©2014 RCIS

Published by Richard Cluver Investment Services
http://www.rcis.co.za
richard@rcis.co.za