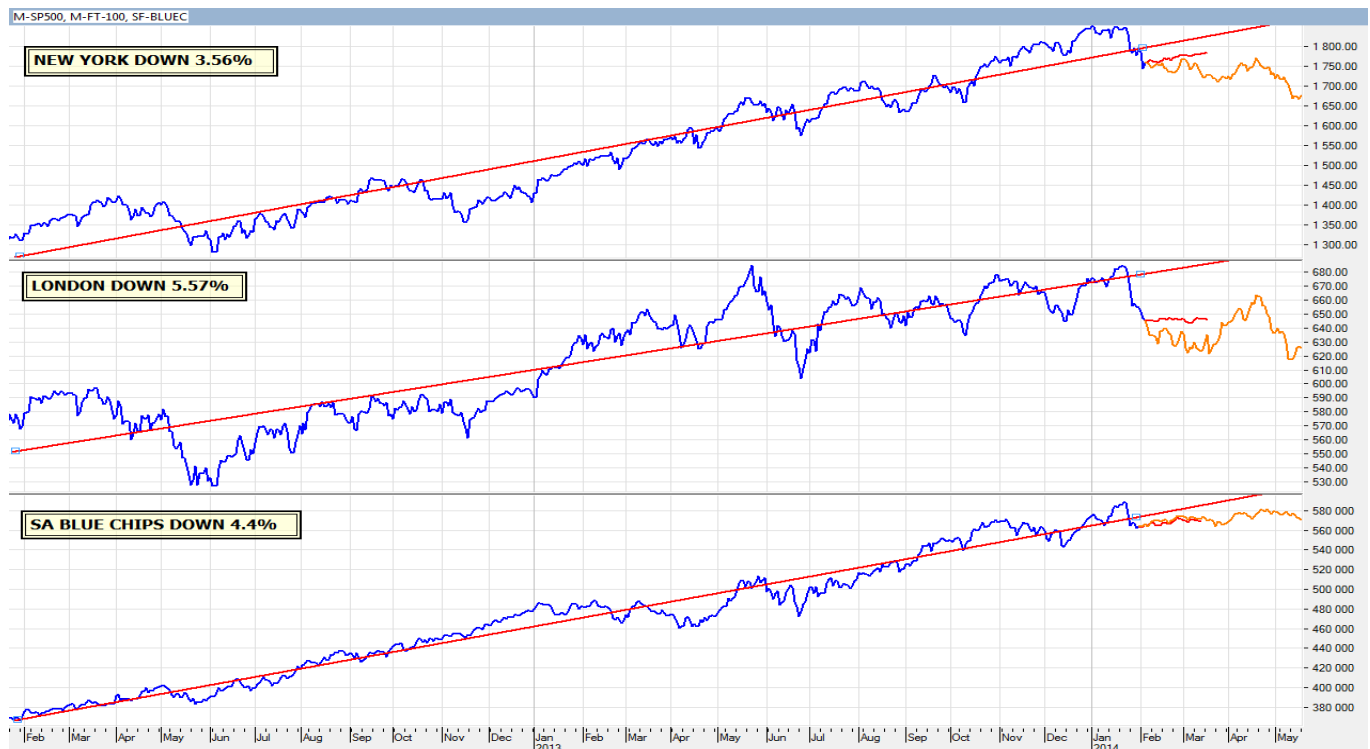




The international share market sell-off that I had long warned readers was coming has so far clipped 4.4 percent off local Blue Chip shares.

But contrary to the carnage that the financial press would have us believe has been happening, South African blue chips are no worse off than the share markets of the developed world. In fact the damage has been far worse in London where the Financial Times Index has so far fallen 5.57 percent from its January peak. And New York, towards which most of the investment capital has lately been flowing, is at minus 3.56 percent, down nearly as much as our Blue Chip Index.



Furthermore, if you consider the three graphs above, you can see that the current sell-off is now very likely headed for a local consolidation whereas both London and New York are projected to keep on falling for the foreseeable future. Meanwhile, it is worth noting that the current downturn, though gathering many headlines internationally, has not been nearly as serious as the May-June decline which was particularly destructive of the British market.

Noting then the projected recovery of Blue Chips locally, is it time spend the money that I have long been advising you to accumulate ahead of a good buying opportunity? Bearing in mind that the most common failing of long-term investors is to start buying too soon after a market bear phase, I would still argue for caution. That said, some of the declines have been over-done and so today I would like to single out particularly Coronation and Barclays Africa which, on respective dividend yields of 4.5% and 4.7% are by most tests massively underpriced. So also is MTN, Sanlam, Capitec, Howden, Hudaco, Compu Clearing, Foneworx and Liberty Holdings.

If, in addition, you are underweight in any of the food retailers, then the graph of the food retail index on the right makes it clear that this sector has been massively punished lately and on its own fundamentals is due for a sharp recovery.

Barclays Africa, the old ABSA via which Barclays International is thrusting to regain its former colonial empire in Africa is another counter that is un-necessarily out of favour and in imminent probability of a substantial rebound.

Capitec, notwithstanding record-breaking earnings and dividend growth rates, has been damaged because it is wrongly seen in the same light at troubled moneylender African Bank Investments is 29 percent undervalued at today's price.

Coronation, fundamentally undervalued by 61 percent, rose massively in price during 2013 and is understandably undergoing a necessary price correction which, judging from the projection in the third composite on this page, is likely to continue for some time.

The month ahead:

New York's SP500: I correctly predicted the beginning of marginal gains which I expect to continue erratically until the third week of February before the next downturn begins.

London's Footsie: I correctly predicted a continued decline. Now I expect a recovery to begin on Monday.

JSE Industrial Index: I correctly predicted weakness. Now I expect a recovery lasting most of February.

Top40 Index: I correctly predicted we would see the beginning of a modestly recovering week. Now I see a continuation of the recovery.



ShareFinder Blue Chip Index: The bottoming out I foresee has only just begun and now I see an erratic modest recovery for the rest of the month.

The Rand: The sideways trend I predicted actually turned into a mild recovery which I expect to continue until the 17th before the next bout of weakness.

Golds: I correctly predicted the end of the recovery. Now I see a declining trend throughout February.

Bonds: The recovery I forecast began a few days earlier than I expected and I expect it to last until the 17th.

The Predicts accuracy rate on a running average basis over the past 490 weeks has been 82.17%. For the past 12 months it has been 89.77%.

Richard Cluver