



Richard Cluver Predicts

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



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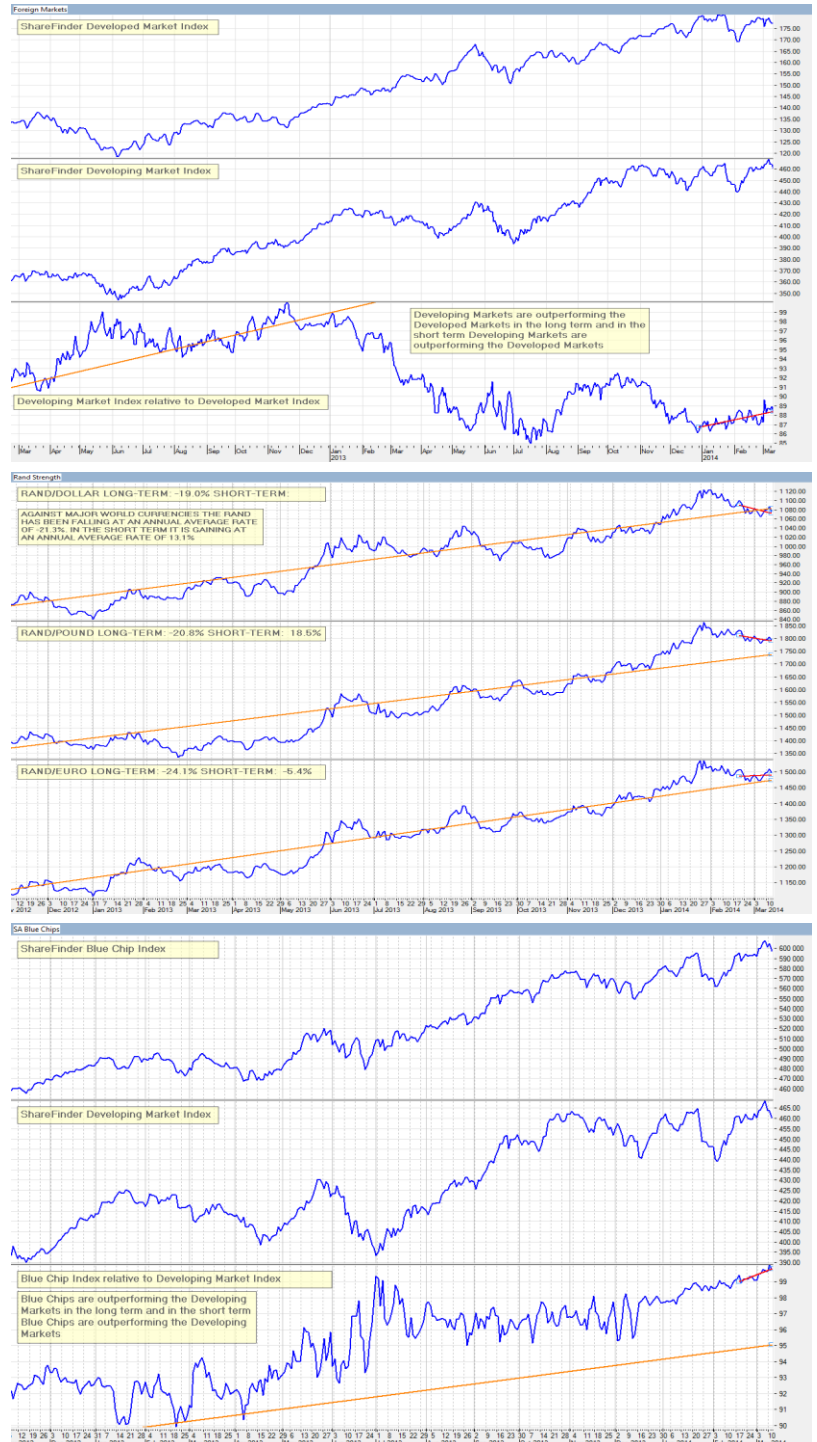
14 March 2014

Though markets have generally disappointed this week and by long-term averages the JSE average price earnings ratio of 17.8 is very expensive, the recovery of Developing Nation Markets continues steadily as does the steady strengthening of the Rand from its January peak.

The composite on the right compares the ShareFinder Developing and Developed Market indices which makes it clear (note the third graph of the composite) how the tide turned against Developing Nation markets at the end of 2012 as investment capital flowed strongly towards Wall Street until mid-July last year. Then, after a brief hesitation in July to October last year, the recovery began again in late December. But long-term normality is still a long way away as is made clear by the long term (red) trend line on the left hand side of the lower graph.

Similarly, the recovery of the Rand continues apace though the past week has seen a brief phase of weakness that has, hopefully corrected itself. My second composite shows how the Dollar Rand exchange rate has reverted to its long-term mean which implies that it is now correctly valued at R10.86 to the US\$, and at R14.73 to the Euro on March 6, was also correctly valued in terms of its long-term mean. Only relative to the Pound, where the correct value for now should be R17.37, should the Rand still be counted as weak.

Furthermore, JSE Blue Chips continue to outperform the markets of Developing Nations as illustrated by my third relative strength composite on the right. But do take to heart my comments in the March



issue of Prospects in which I noted that next month is likely to see most world markets in significant retreat. So what we are seeing might correctly be labeled an Indian Summer for most markets.

And the outlook for our Blue Chips looks positive at least until June/July as enunciated by the two projections on the right:

However, when the rest of the world turns sour, be prepared for some heart-wrenching times here at home as well. Judging from my projection on the right of Wall Street's Dow Jones Industrial Index, US weakness has already begun: note the pennant formation I have sketched into the graph in mauve. Together with the Fourier projection in this final graph, we are seeing a falling quadruple market top working itself out between now and April 28, a formation that Technical Analysts tend to get very pessimistic about. Then, if the Dow breaks out of the pennant formation and descends as projected for April to July, they will then be seeing a clear enunciation of the right shoulder of a head and shoulders formation which, for chartists, is about as gloomy an outlook as it is possible to see.

So I say again, as I have said so often recently, sift through your portfolios and liquidate any holdings that are dubious.

The month ahead:

New York's SP500: I correctly predicted weakness at the end of the week and I see it continuing until the 19th.

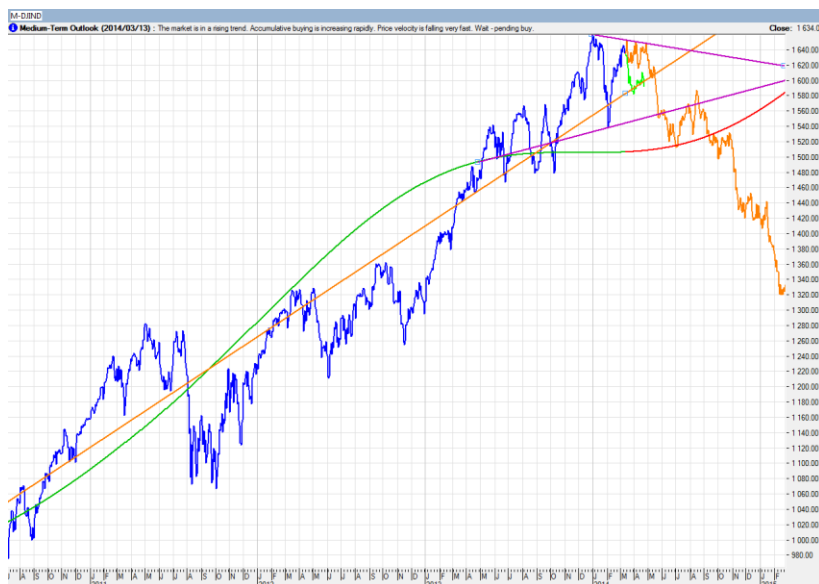
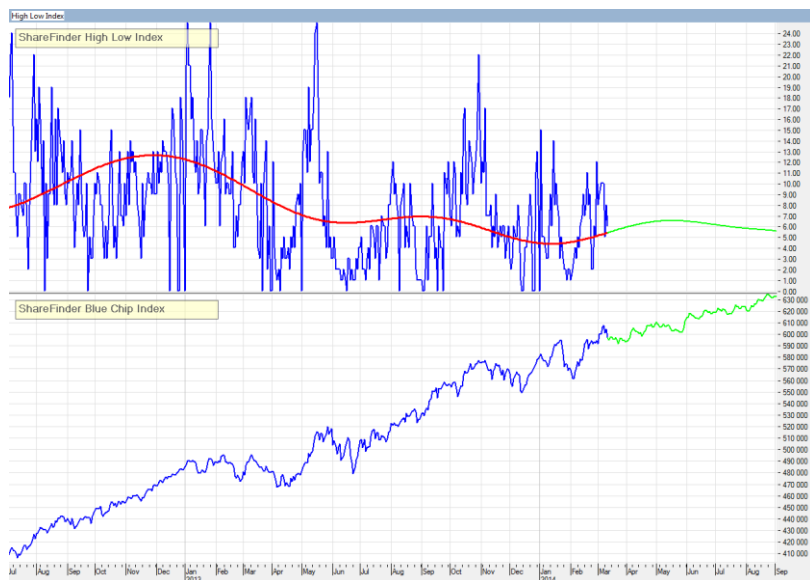
London's Footsie: I correctly predicted a down-trend until late in March and I see it lasting until the 28th.

JSE Industrial Index: I correctly predicted the gains would end at the end of this week with declines lasting until March 24 and I continue to hold that view.

Top40 Index: I correctly predicted a few more days of recovery before the next decline began and I see that lasting until March 24.

ShareFinder Blue Chip Index: I correctly predicted the beginning of a decline which I continue to see lasting until March 24.

Golds: I wrongly predicted a decline would begin last Friday. Now I see it beginning today and lasting well into April.



Bonds: I correctly predicted the pending end of the phase of gains and now see weakness lasting until March 27 before some sideways consolidation begins.

The Predicts accuracy rate on a running average basis over the past 497 weeks has been 82.3%. For the past 12 months it has been 90.1%.

Richard Cluver