



# Richard Cluver Predicts

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



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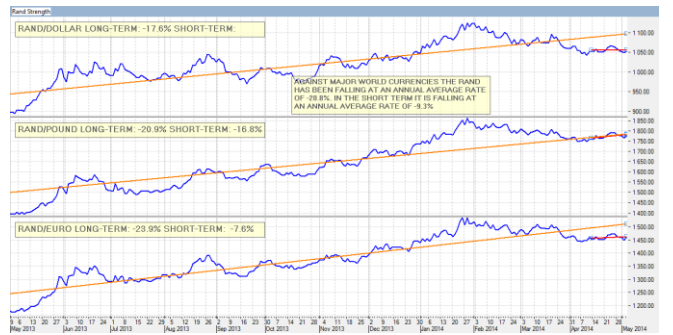
## 09 May 2014

**Amid the national fever of election time, the diversions of too many public holidays and an international scene that grows increasingly troubled as military activity in the Ukraine threatens to escalate into a new East-West conflict, local investors might be forgiven if we have collectively taken our eyes off the ball somewhat lately.**

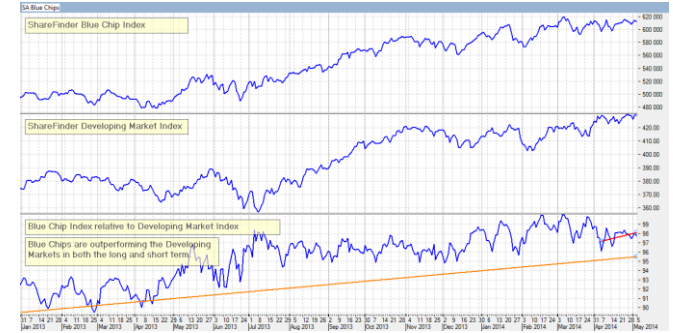
Though the share market continues its pleasingly steady upward progress, the economic outlook is sadly not too bright right now. Let us start with a look at the ShareFinder Developed and Developing Market relationship, noting that the strength of the latter since late December has lately turned negative as highlighted by the red trend line in the relative strength graph on the right.



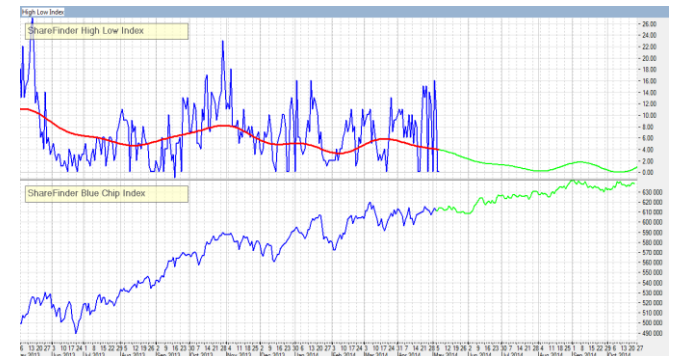
Of course it is early days yet for this negative trend has only been evident since mid-April when the problems in the Ukraine began to seriously escalate. But this negativity towards the Developing World is further emphasized by a weakening trend of Developing World currencies led by the Rand which began in early April and has continued apace since then as illustrated on the right. Mercifully however the Rand is only losing value currently at an annual average rate of 9.3% compared with its long-term average loss rate of 20.8%.



However, while South African Blue Chips were relatively out of favour during the early part of this year, the tide appears to have changed with investors again favouring South African Blue Chip shares rather than those of the developing world as a whole as seen by my third composite.

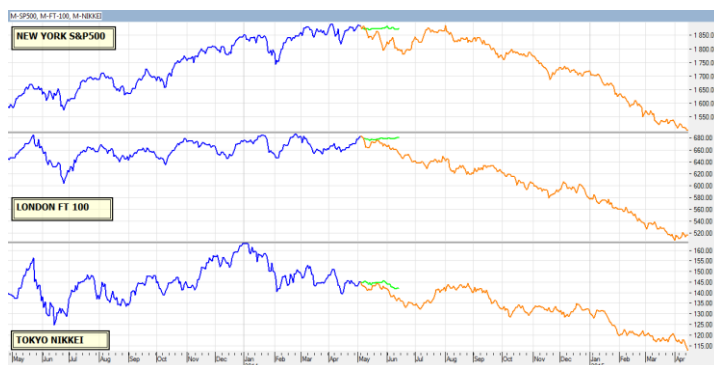


But the outlook for Blue Chips locally has lost its recent rosy glow in the short-term. My last composite on this page shows that the trend of the New Highs/New Lows Index has been falling since mid-March and appears likely to continue until August while ShareFinder's Fourier projection of the Blue Chip index suggests weakness during May at least. Happily, at this



stage the projection nevertheless sees quite a sharp recovery in early June.

The outlook for the world's major markets remains troubled. In my final composite the medium-term Fourier projections for New York, London and Tokyo are all sharply downward. Note, however, the short-term projection – the short green projections on the right of the three graphs – suggests the in the immediate future this decline is likely to be preceded by a sideways trend.



## The month ahead:

**New York's SP500:** I correctly predicted a recovery which I continue to believe could last until mid-May before the next downward run.

**London's Footsie:** I correctly predicted a continuation of the recovery which a brief retraction around now, which could rise to a peak on May 12 followed by a decline for most of May.

**JSE Industrial Index:** I correctly predicted the beginning of a decline which, with a few upward bumps along the way, could last until the end of May.

**Top40 Index:** I correctly predicted the imminent end of the recovery with declines lasting until May 29.

**ShareFinder Blue Chip Index:** I correctly saw weakness until May 8 before the beginning of a brief recovery which could be over by May 16..

**Rand:** I wrongly predicted weakness lasting well into May. Now I see a recovery until late May.

**Golds:** I correctly predicted a recovery which I still see lasting to the end of May.

**Bonds:** I correctly predicted weakness which I now see continuing into June.

***The Predicts accuracy rate on a running average basis over the past 504 weeks has been 82.39%. For the past 12 months it has been 90.1%.***

Richard Cluver