



Richard Cluver Predicts

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



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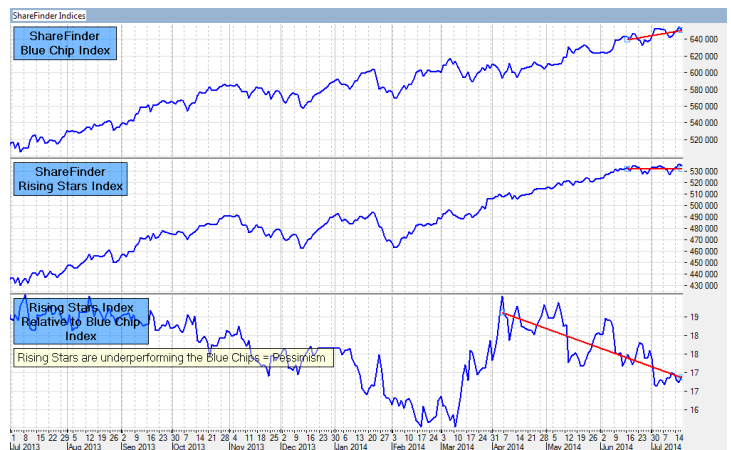
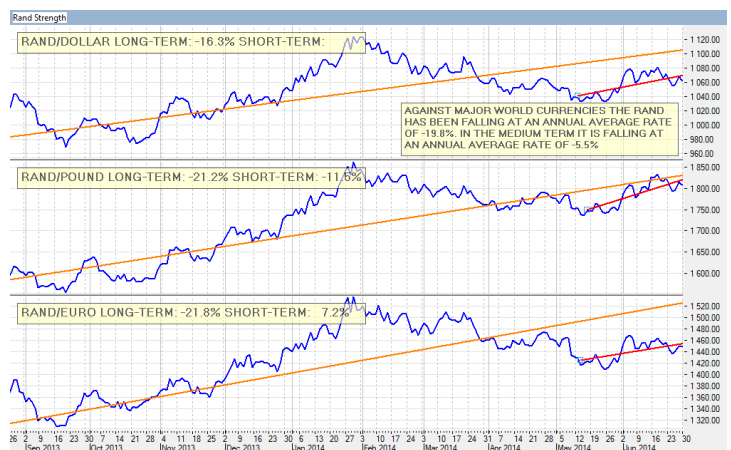
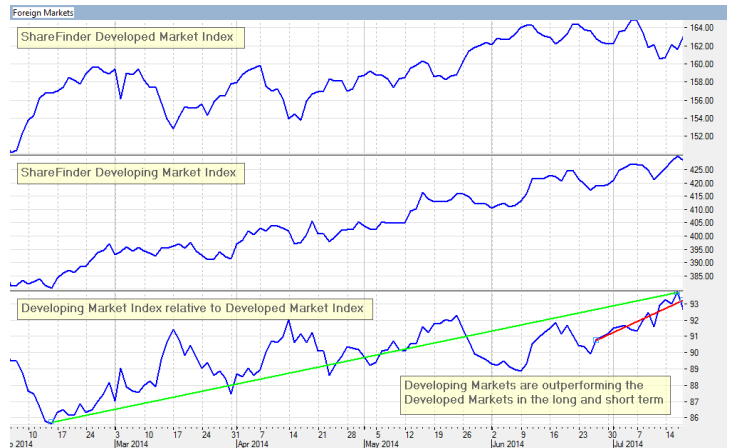
I went away leaving you with the comment that, “despite my misgivings about a grossly over-priced global investment situation, it is clear that for the short-term anyway, the outlook is good for South African investors.” I was not, however, prepared for the truly impressive gains that we have seen since my last Predicts column.

When I left for Europe at the beginning of June the ShareFinder Blue Chip Index was standing at 622 346 and this week it reached 653 836. That is five percent in as many weeks which has clearly added considerable value to most readers’ portfolios. Moreover, the gains have not been confined to South Africa, as the composite on the right illustrates, Developing Markets have been outstripping Developed World markets and since the end of June the rate of gain has accelerated from a medium term 24% annualised rate of improvement to 59.6%.

There is, however, a somber note to this analysis in the shape of the decline of the Rand which has been losing value at an annual rate of 19.8% against major currencies since early 2011 but of late has accelerated its decline to an annualized rate of 23.4% against the US Dollar, 39.1% against the Pound and 17.3% against the Euro.

Furthermore, investors are clearly worried about the fact that share markets worldwide have surpassed most previous valuation highs. This has led to a pronounced movement out of riskier counters towards Blue Chips. As my third composite makes clear, the riskier Rising Stars category of shares has been trending sideways since mid June in sharp contrast to the continued gains being made by the Blue Chips.

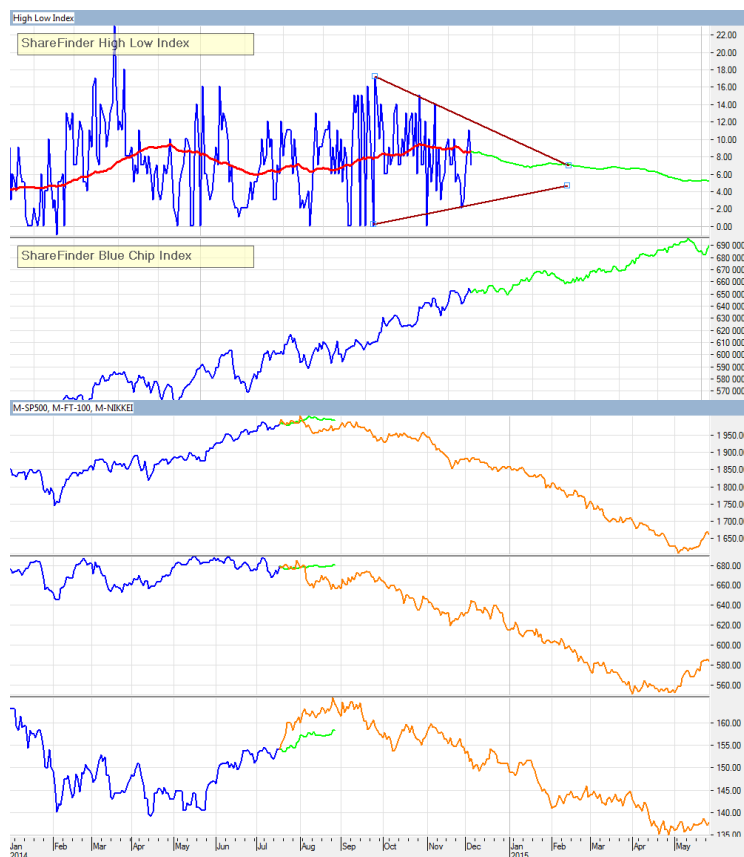
Notwithstanding these facts, ShareFinder’s projections suggest that Blue Chips are



likely to continue gaining for the rest of this year at least as emphasized by the composite on the right.

Of course, all this good news could change in an instant if the major world markets, which are similarly massively overpriced, were to take fright at an escalation of any of the events marring the international scene from the Ukraine to Israel to North Korea and half a dozen other political hot spots. As ShareFinder's Fourier projection system continues to warn, a cyclic downturn has been on the cards for nearly a year and London is already in a down-turn that has now been in place for two months.

Thus I end this week's column with the cautionary note that I have been stressing for months now, that readers should extricate themselves from ALL risky situations and work at building a healthy cash pile that should be held in short-term money now that the interest rate cycle has definitely begun to advance upwards.



The next month:

New York's SP500: I correctly predicted a brief June 11 decline and now I see further gains until the end of this month.

London's Footsie: I correctly predicted a decline until the last week of June and then a recovery until mid-July. Now I see a sideways to weakening trend until at least August 12.

JSE Industrial Index: I correctly predicted a rise continuing until late in May followed by a decline lasting until mid-June and then gains until early July. Now I see further gains until August 21 at least.

Top40 Index: I correctly predicted a long but volatile upward trend. Now I see gains continuing until the end of July before a short down trend until August 6 interrupts a continued upward trend.

ShareFinder Blue Chip Index: I correctly predicted a continued recovery to a peak in early July after which I continue to expect the index to become range-bound in a series of up and down movements lasting throughout the third quarter.

Rand: I correctly predicted a recovery beginning in early July and now I see this continuing well into August.

Golds: I wrongly predicted that gold shares would not recover until early July. Now I see a volatile sideways trend which by mid-August will see golds only a little ahead of their current prices.

Bonds: I correctly predicted a recovery beginning in early July. Now I see losses until at least August 8.

The Predicts accuracy rate on a running average basis over the past 509 weeks has been 82.46%. For the past 12 months it has been 90.26%.

Richard Cluver