Richard Cluver Predicts

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

Volume: 27
Issue: 25

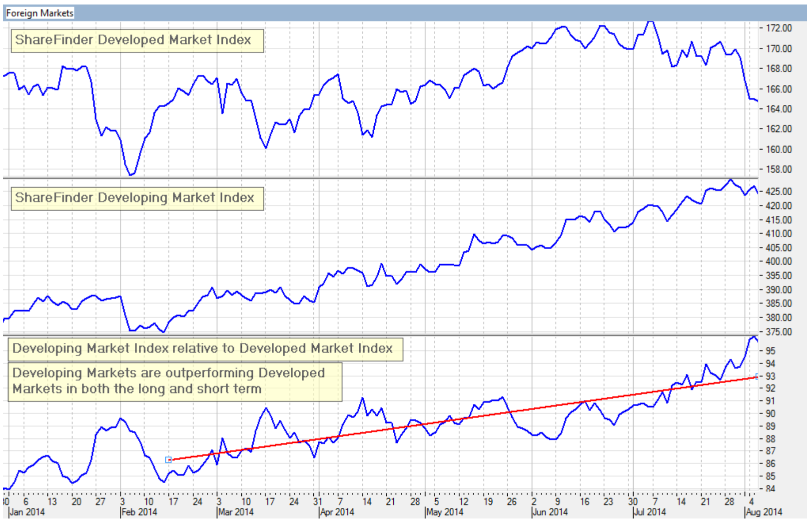
08 August 2014

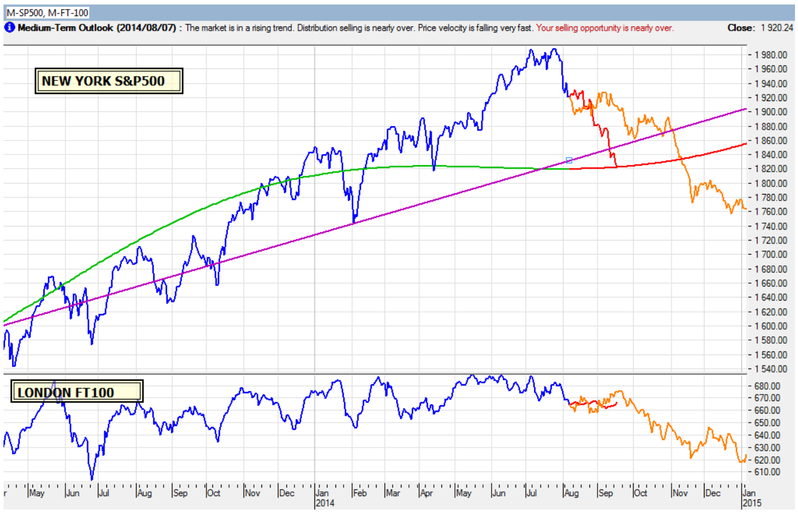
First World markets have been taking a little strain since the first week of July and that nervousness became more pronounced this week

The selling pressure was particularly pronounced in New York, but European markets have also reflected the atmosphere of nervousness that is beginning to permeate the investment world as illustrated by my second composite that displays projections for both New York's S&P500 composite Index and London's Financial Times 100 Index.

Noting that while both short and medium Fourier projections – the red and orange traces on the right of each graph – suggest the probability of a market down-trend for the next six months, the green long-term Fourier is beginning to curve upwards as it turns red in the projection. Understandably this dissent is likely to cause confusion and so it is important to remind readers as I have several times in the past, that this long-term Fourier is based on market data going back only to May 1996 so it embraces only two previous bull market peaks.

I have put that into perspective by, in my third graph displaying the full extent of our S&P data which illustrates the two previous peaks and highlights how much further this market has advanced. (Here an aside, since this bull market has been almost entirely been driven by the US Federal Reserve printing press which has doubled the US money supply since 2007, one might have expected

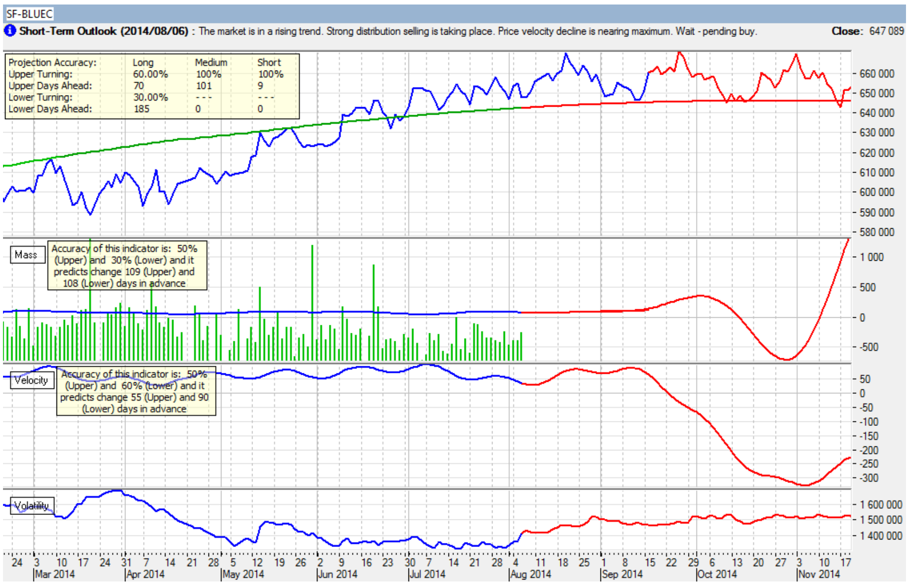




Published by Richard Cluver Investment Services
http://www.rcis.co.za
richard@rcis.co.za

this market to have peaked at a much higher level than the peaks of the last bull markets in 2000 and 2007) But the important point to take to heart is that Fourier projection, although our constantly-proved most accurate prediction tool when it has thousands of medium to short-term cycles to base upon, merely represents cycle replication and with only two previous cycles to base this study upon, it is actually not particularly helpful when one attempts long-term analysis.

That said, the last thing the world's central banks need right now is a global share market crash for with Europe back in technical recession, a new crisis of investor confidence would very likely reverse all the gains that have been de since 2007; fragile though they have been. Hence the European Central Bank announcement this week that they will be holding interest rates at current ultra low levels for a long time to come. So read that as saying they will print even more money. Add in to this Japan's last ditch efforts to stimulate its moribund economy by even more money printing and one has to conclude that a continued upward climb by securities markets is the inevitable long-term probability.



Happily I have a little more data to work with when I turn to the ShareFinder Blue Chip Index which goes back to 1986 and with all of its indicators thinks the market for local quality shares has some way to go yet though it is always important to remember that when New York sneezes the rest of the investment world catches pneumonia.

The next month:

New York's SP500: I wrongly predicted that weakness would be over on Monday. Now I see it continuing for the rest of the month.

London's Footsie: I wrongly predicted a recovery lasting most of August but now I see a volatile decline until the 19th followed by a brief recovery and then another fall to the end of the month.

JSE Industrial Index: I correctly predicted declines which I continue to see lasting into September.

Top40 Index: I correctly predicted a modest recovery which should last to the 13th before the next decline begins.

ShareFinder Blue Chip Index: I wrongly predicted a recovery beginning on Wednesday but I believe it was merely delayed and that gains could be starting today and last until the 20th.

Rand: I correctly predicted a continuing recovery which I continue to see lasting late into September.

Golds: I wrongly predicted a continuation of the decline to continue this week. Now I see a softer trend until August 13 before the next recovery begins.

Bonds: I correctly predicted losses until late in the week and now I see gains until approximately August 28.

The Predicts accuracy rate on a running average basis over the past 512 weeks has been 82.25%. For the past 12 months it has been 89.94%.

Richard Cluver

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