Richard Cluver Predicts

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

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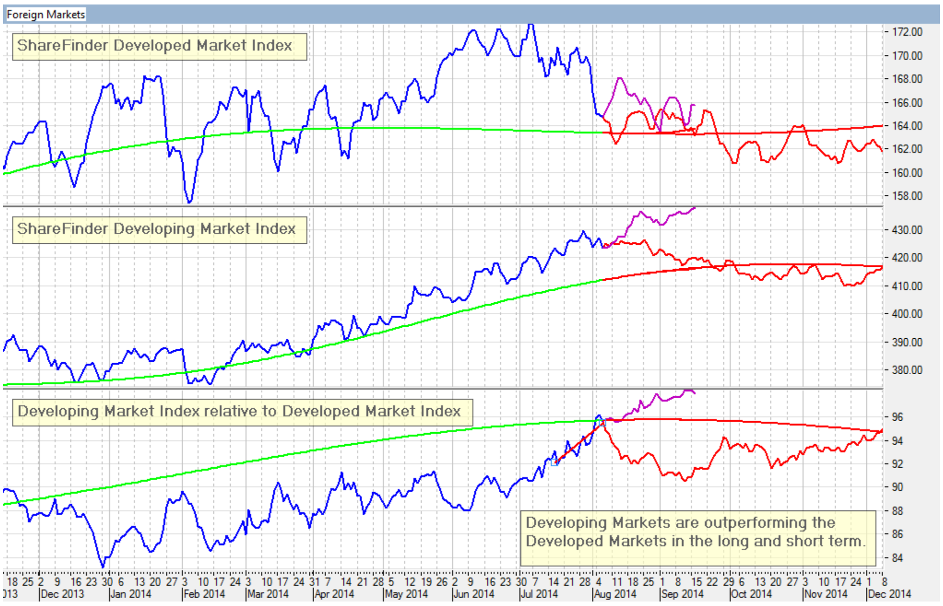
The weakness in world share markets continued this week egged on by a series of tepid economic statistics which emphasized the fact that robust growth is a long forgotten dream.

Of increasing concern in this mix of data is the opaque Chinese economy where the total quantum of debt relative to GDP is believed to significantly exceed that of countries like Greece and France. Recent economic developments there suggest that Premier Li Keqiang lacks the political power to carry out much-needed economic reforms that could prevent a "hard landing". The consequence of the latter could be tantamount to an economic tsunami that could wreak havoc in the world's monetary system .

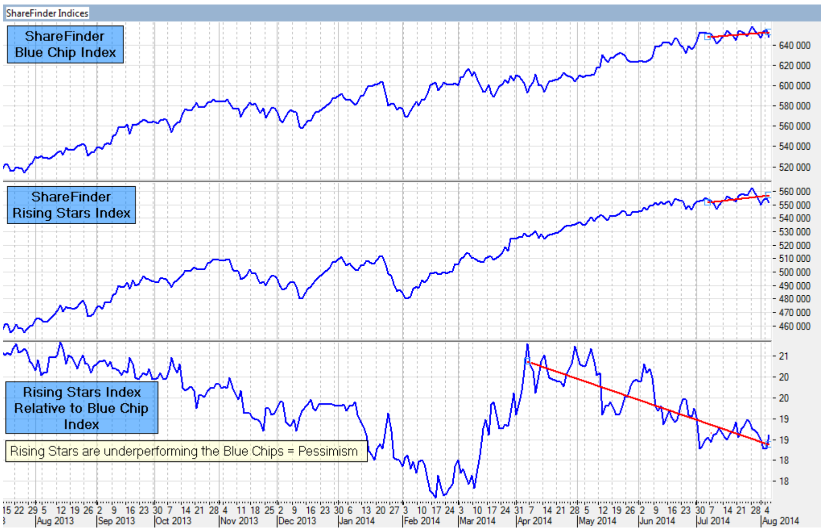
ShareFinder's Developed and Developing World Indices clearly tell the story of current investment flows but also carry a hint of a bit more optimism developing in the weeks ahead. Reading them I judge the answer to the million dollar question about when the next crash will come to be "Not just yet".



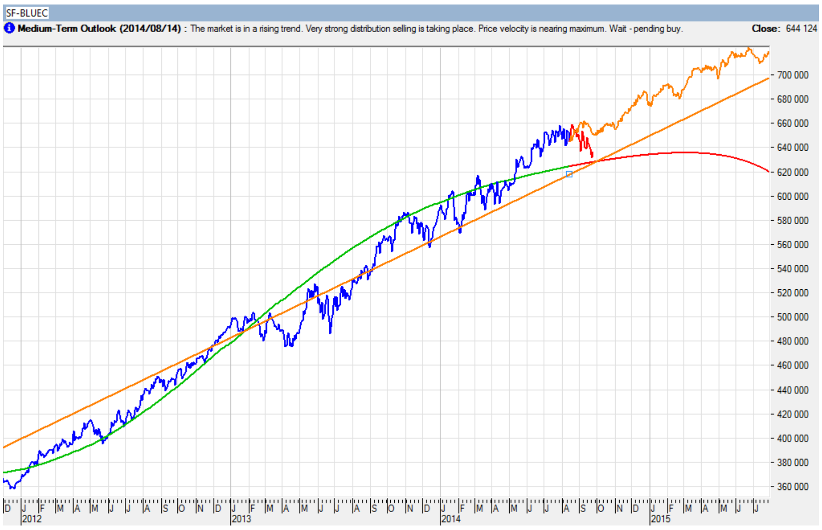
Lets start with the smoothly-curving long term Fourier projections and the red medium-term projections which suggest that the Developed World markets will bottom out in early October and begin rising thereafter while Developing Markets will experience a short-term recovery but will continue to experience a bias towards weakness until November when they will begin a medium-term recovery. However the dominant trend is that over the next six months global investors will be exercise growing caution, gradually moving away from markets like South Africa towards the relative safety of markets like New York.

Regrettably I am not currently able to display the results of advanced research work we have been doing this past week at RCIS using 100 + years of market index data which repeatedly shows that the current bull market up-cycle has something like a year to go. It is, however, in a fragile stage which could be shattered by any number of political or economic events. But if it continues for that long in its upward cycle it could be a prelude to a major world economic crisis when it finally breaks downward….such that I am beginning to conclude that it would not be too extreme to consider beginning to add some Kruger Rands as well as a significant cash element to your investment strategy.

That caution is also very evident in South Africa where the move away from risk into the relative safety of Blue Chip shares has been pronounced since early April as is illustrated by my relative strength comparison of the ShareFinder Blue Chip and Rising Stars indices in the composite on the right.



And considering the foregoing it is accordingly no surprise that projection of the Blue Chip Index continues to suggest optimism for this market sector. Note my second composite on this page which suggests that in the short-term Blue Chips will continue to weaken at least until the 22nd before turning northwards again. In the medium-term there is no sign yet of a major downturn though it is fairly obvious in the long-term from mid-March.



The next month:

New York's SP500: I was premature about the short-term Wall Street outlook which I thought would continue down whereas it recovered. However, I expect that weakness will now begin again and continue into September.

London's Footsie: The recovery I predicted came sooner than I expected and now I expect it to last until the 27th before the next decline happens.

JSE Industrial Index: I correctly predicted declines which I expect will be over by the 22nd followed by a brief and erratic recovery.

Top40 Index: I correctly predicted a modest recovery. Now I see the decline lasting into the first week of September before a very brief recovery begins..

ShareFinder Blue Chip Index: I correctly predicted a recovery but it was shorter than I expected. Now I see another brief recovery which could be over by early in the new week followed by declines into the first week of September.

Rand: I correctly predicted a continuing recovery but now I see it ending early in the new week followed by erratic declines into September.

Golds: I correctly predicted a softer trend which I expect to be over by early next week followed by gains into September.

Bonds: I continue to see gains until approximately August 28 followed by some significant weakness.

The Predicts accuracy rate on a running average basis over the past 513 weeks has been 82.26%. For the past 12 months it has been 90.1%.

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