



Richard Cluver Predicts

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



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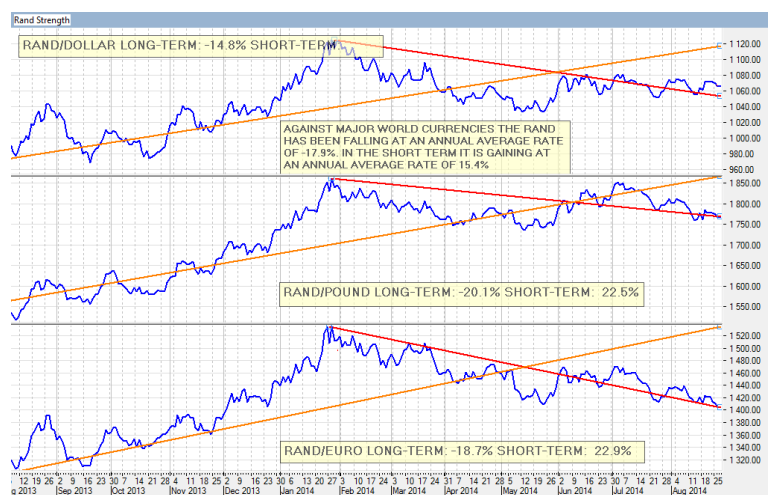
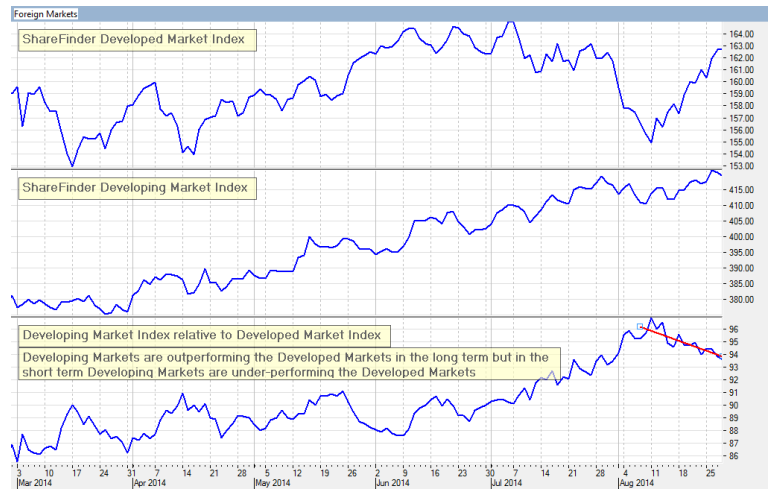
29 August 2014

The ebb and flow of investor sentiment has recently seen the Developed World again raising concerns about the wisdom of being invested in Developing Countries like South Africa. So the question this week is whether this is the beginning of a new trend or simply a short-term cyclical event?

Put more simply, is this the end of the local bull market or simply a brief cycle change? The composite on the right illustrates the fact that since August 11 Developed World markets have been surging upwards while, perhaps prompted by the Argentinian sovereign debt default, Developing Markets have been relatively less bullish. But note, this is only relative weakness.

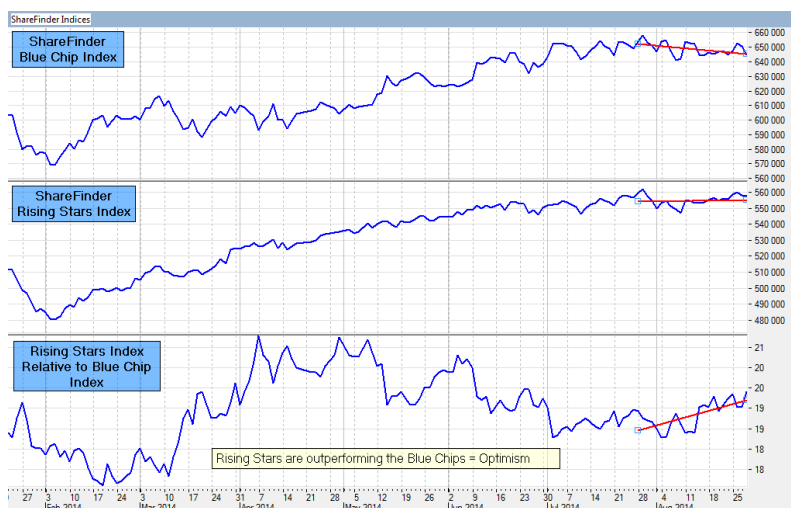
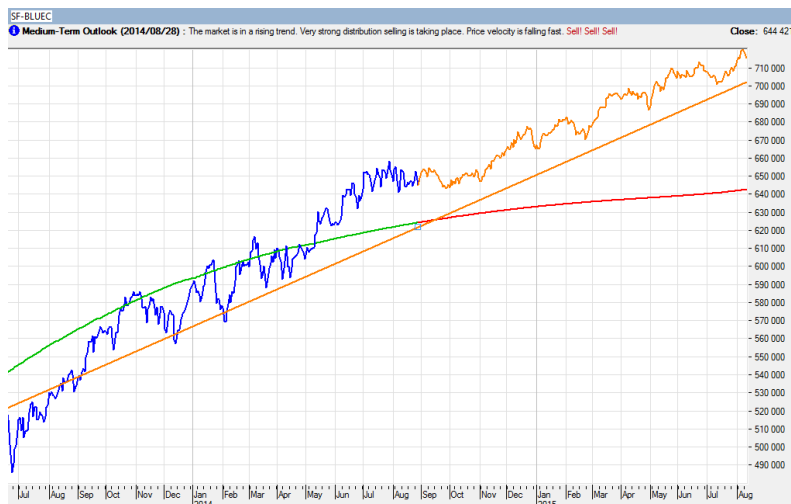
Furthermore, as my second composite illustrates, the Rand has been gaining strength steadily since the end of January which suggests that foreign investors are not in the slightest concerned by issues like the writing down of our sovereign rating and that of our banks.

Indeed, as my third graph makes clear, investors still have a strong preference for our long bonds. The R186 has been in bullish mode since the beginning of February during which time the yield has fallen from 8.9% to 7.97% and, if ShareFinder's Fourier cycle projections are correct, it is likely to continue on down until late October at around 7.29% by which time it appears probable that investors will regain their preference for South African blue chip shares as illustrated overleaf by my topmost graph which projects the ShareFinder Blue Chip Index as likely to reach a medium-term bottom on or about September 26 before resuming its upward thrust which will, with four brief weak phases will see it gaining



another 11 percent over the next 12 months.

What is really interesting in this regard is that, relative to the Blue Chips, the riskier category of shares that I like to call the Rising Stars, have been doing better for the past month. Very likely this is because the market has taken to heart the widespread view that our bluest of blue chips have become significantly over-priced of late. Indeed when one considers that if the entire earnings of a share like Naspers were to be made available to its shareholders on an ongoing basis, it would take 91 years at the present rate for them to be repaid the money they have spent on buying the shares. But simultaneously it speaks of a greater appetite for risk which is perhaps in keeping with sentiment being expressed this week that in order to head off the onset of a fresh recession in Europe, the EEC central bank will shortly begin printing further mountains of money which will inevitably flow towards the securities markets.



The next month:

New York's SP500: Again I was premature about the short-term Wall Street outlook which I thought would weaken this past week and into September. However, I still expect some weakness starting Monday for two or three days before the upward climb resumes.

London's Footsie: I correctly predicted a continuing recovery. Now I foresee brief weakness starting Monday and lasting until next Friday.

JSE Industrial Index: I correctly predicted a brief and erratic recovery getting stronger in September and I foresee that trend lasting until the end of September.

Top40 Index: I correctly predicted a brief decline ahead of a recovery beginning now and lasting throughout September with a brief pull-back starting around the 5th.

ShareFinder Blue Chip Index: I correctly predicted a brief decline until the 28th before the next brief recovery. Now I see declines starting Tuesday and continuing for the rest of the month.

Rand: I correctly predicted gains until approximately August 27 followed by fresh losses until around September 16 before the next recovery begins.

Gold: I correctly predicted a softer trend which I expect to be over by early this week. Now I see fresh weakness until late September.

Bonds: I correctly saw this as the end of the recovery. Now I expect erratic weakness for most of September but the longer term outlook remains attractive.

The Predicts accuracy rate on a running average basis over the past 515 weeks has been 82.33%. For the past 12 months it has been 89.1%.

Richard Cluver