



Richard Cluver Predicts

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



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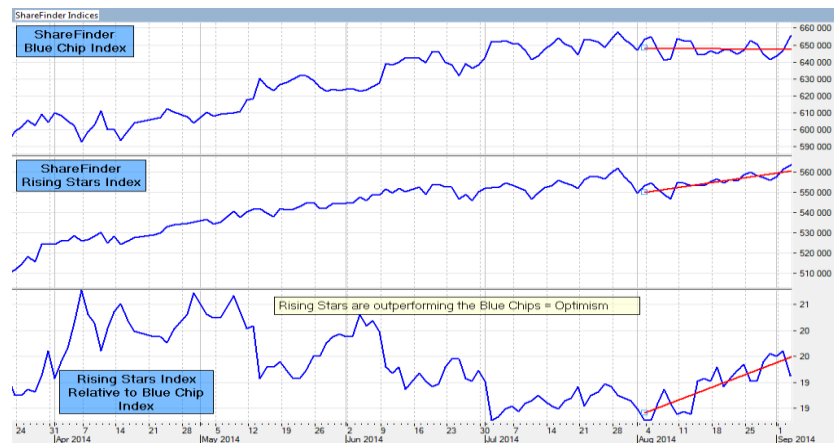
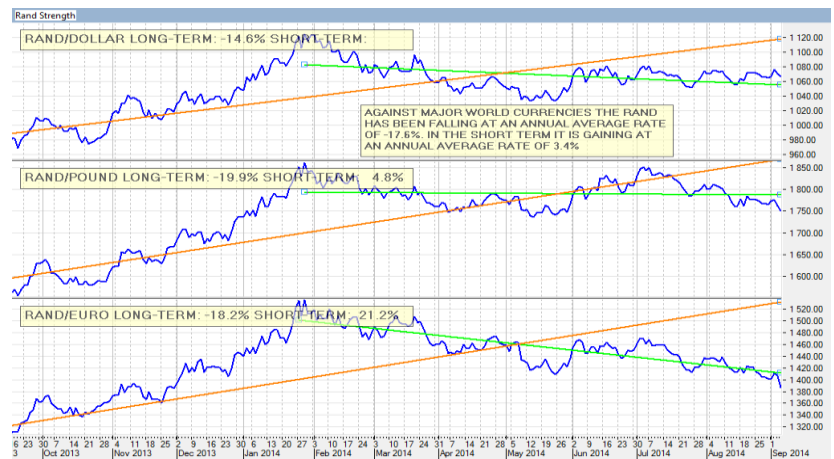
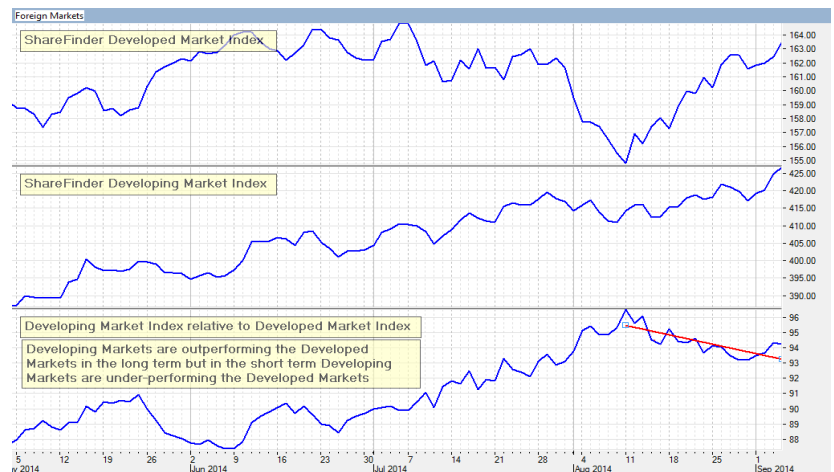
I noted last week a possible turning of the tide of investment away from developing nations like South Africa towards New York because of a growing perception that economic recovery is becoming entrenched in North America. This was unusually coupled in this country with a growing sense of investment optimism which is leading a drive into the more speculative categories of shares.

That trend has continued this week as the global equity bull market continues to surge. Since last Friday, however there has been the beginning of a direction change which might favour countries like South Africa.

Moreover, this view continues to be emphasized by the growing strength of the Rand against all major currencies as traced out by my green trend lines in my second composite. It is particularly pronounced with regard to the Rand/Euro exchange rate.

And, while South African Blue Chips outpaced the more speculative Rising Stars this week, the optimistic trend is still clearly in place as illustrated in my third comparison

composite. Furthermore, with at least a temporary peace breaking out in the Ukraine coupled with the announcement last night that the EEC will be following the US lead into further fiscal stimulation, another flood of money is clearly destined to flow into the securities market with, as current currency strength has been indicating, a major portion thus likely to flow towards South Africa. So expect further local fireworks in the short to medium-term, leading to even higher PE ratios and lower dividend



yields.

Nevertheless I cannot escape my concerns that this is an investment Indian Summer, a bullish trap which has the potential to collapse like a card castle if some regional panic situation should spread. Increasingly, my fears are turning to heavily indebted China and the fear that a possible banking collapse there and prove to be the trigger event.

So once again I stress that investors should not let the current sense of market euphoria overwhelm their thinking. Stick to the blue chips and take a little money off the table by judiciously selling some of your most expensive shares, those with exceptionally high price earnings ratios. It is absolutely vital that you achieve a cash nest egg which would allow you to take advantage of any runaway market collapse that might occur in the future.

The next month:

New York's SP500: I correctly predicted a weaker tone which I now expect to extend until the middle of the month, albeit with one brief upward surge today and Monday.

London's Footsie: The brief weakness I expected did not occur and I now expect gains to continue until mid month when referendum fears could share the UK market for the rest of the month.

JSE Industrial Index: I correctly predicted a continuing recovery. Now, though Monday could bring a brief downturn, I see gains for most of the current month.

Top40 Index: I correctly predicted the beginning of a recovery which I expect to last throughout September with a brief pull-back starting around the 10th.

ShareFinder Blue Chip Index: The declines I expected to start around Tuesday have been delayed but could be imminent, although the EEC boost I mentioned above could postpone that.

Rand: I correctly predicted brief fresh losses but I expect that trend to be over on Monday followed by a strong further recovery.

Gold: I correctly predicted fresh weakness which I expect to last 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 516 weeks has been 82.37%. For the past 12 months it has been 89.1%.

Richard Cluver