Richard Cluver **Predicts**
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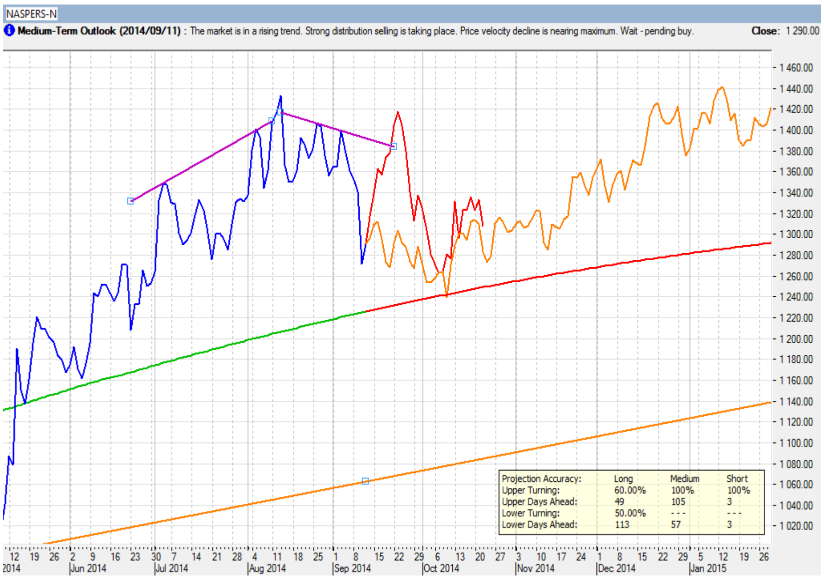
I ended last Friday's column with the observation that investors should "*take a little money off the table by judiciously selling some of your most expensive shares, those with exceptionally high price earnings ratios. It is absolutely vital that you achieve a cash nest egg which would allow you to take advantage of any runaway market collapse that might occur in the future*".



Now for some weeks I have been disposing of a portion of my own holdings in shares with very high price earnings ratios, but I have not been able to get my price in one of the most highly priced shares in the marketplace, namely Naspers which opened this morning on a PE of 85.2 compared with a Blue Chip average of 17.7. And since I guess that quite a number of readers might be in the same boat, I thought to focus some attention upon such shares today. So let us start with the graph on the right, noting the distinct head and shoulders pattern that I have highlighted with two magenta trend lines.

The consequence of that pattern was a high probability of the price fall that has occurred during the past few days followed by an upward reversal yesterday. Now, ShareFinder's short-term Fourier projections are extremely accurate and so I expect the price to retrace upwards to around the R1416.68 level over the next eight trading days to create yet another **lower** head and shoulders pattern as sketched out by the red projection lines. And if that prediction should prove correct then it is very likely that the bearish trend in this share will; persist until at least the second week of October before a recovery phase begins that, on its technicals, appears likely to see the share advancing to a new high of around R1440.58 in mid-January with a long-term objective of around R1458 next June.

So the big question is whether the markets will hold out until next June, for if the current bullish trend of global markets should end in a major sell-off, it would be extremely unlikely that Naspers would achieve a new high in nine months time?

There are a lot of issues clouding the international scene right now starting with, in immediate order, the prospect of Scotland breaking away from union with Britain which would introduce significant turmoil in European markets for it opens up the possibility of other separatist movements gathering traction in Belgium and Spain, the Ukraine and assorted others with question marks then over the security of sovereign debt in many regions. Furthermore the world awaits anxiously what NATO will do in the escalating conflict in Iraq and a series of other regional conflicts, all of which have the capability of setting off bush fires such as those in north

Africa, Israel, the Ukraine and numerous other regions which arguably have been aggravated by global economic uncertainty.

I have noted before that my most reliable future prediction tool, Fourier transforms which seek to replicate constantly-recurring cycles of economic activity, are reliant when it comes to major market turning points on very few reference points. In the standard ShareFinder 5 database, for example, we have just 20 years of data relating to New York's Dow Jones index which allows us to create the projection on the immediate right with its implication that Wall Street will peak on or about October 13 before commencing a seven month bear phase which, it must be assumed, would take down world markets with it. But it must be remembered that there have been only two major bear markets in that time: 2000 to 2002 and 2007 to 2009.

However, in the new experimental ShareFinder 6 the S&P 500 has data going back to January 3 1950 which thus brings to bear a significantly greater number of additional major bear markets and the consequent projection remains the same of a significant bear market lasting at least until May next year within a ultra long-term bull phase.

In the circumstances I cannot rule out the probability of a significant bear market occurring within the next few months. Thus, returning to the issue of Naspers and other highly-priced Blue Chips like SAB Miller at a PE of 28.3, EOH at 24.5, Mr Price at 27.9 and Famous Brands at 24.1, if you are planning to take profits at this time, you might need to set your sights lower. For Naspers I believe that maximum price attainable in the next three to four weeks is around R1416, SAB Miller at R641, EOH at R99, Mr Price at R218 and Famous Brands at R101.

The next month:

New York's SP500: I wrongly expected weakness to extend until the middle of the month, albeit with one brief upward surge ending Monday. Now I expect gains until the first week of October with a brief retraction beginning around the 23rd.

London's Footsie: The brief weakness I predicted a fortnight ago came in late and the recovery I expected last Friday is only now likely to begin. But it could all be over by the 17th.

JSE Industrial Index: I correctly predicted gains for most of the current month and, apart from brief weakness around the 24th, I still expect that to be true.

Top40 Index: I wrongly predicted the beginning of a recovery which I expected to last throughout September with a brief pull-back starting around the 10th. Weakness has persisted and I now expect it to continue albeit with a brief recovery beginning around the 19th and lasting until the 29th.

The ShareFinder Blue Chip Index: I correctly predicted declines which I expect to last until the 12th when the market will attempt to consolidate but by the 24th it will be on the way down again..

The Rand: I correctly predicted brief further losses but the recovery I expected from Monday has now been postponed until around the 16th. But the probability of a stronger than usual recovery is gaining momentum.

Golds: I correctly predicted fresh weakness which I still expect to last until late September.

Bonds: I correctly predicted erratic weakness for most of September with the first recovery now only likely around October 3.

The Predicts accuracy rate on a running average basis over the past 517 weeks has been 82.35%. For the past 12 months it has been 88.5%.

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