



Richard Cluver Predicts

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



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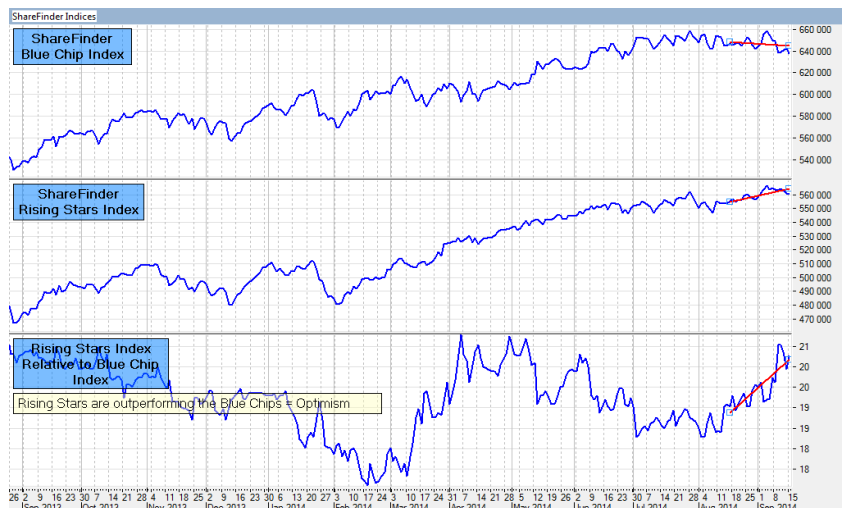
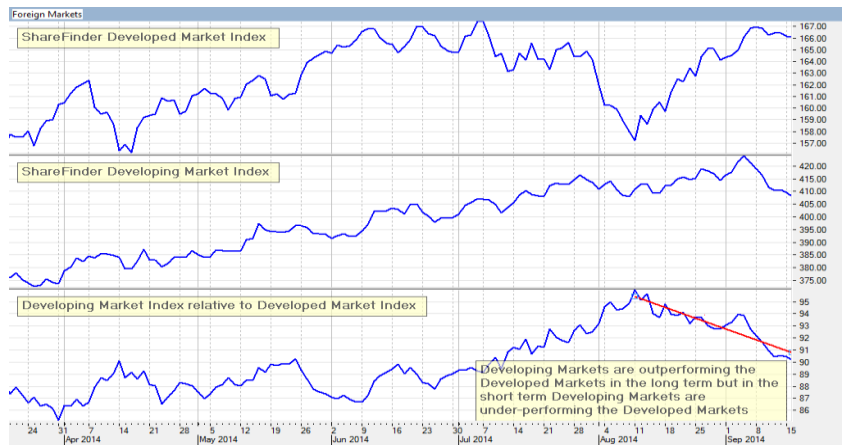
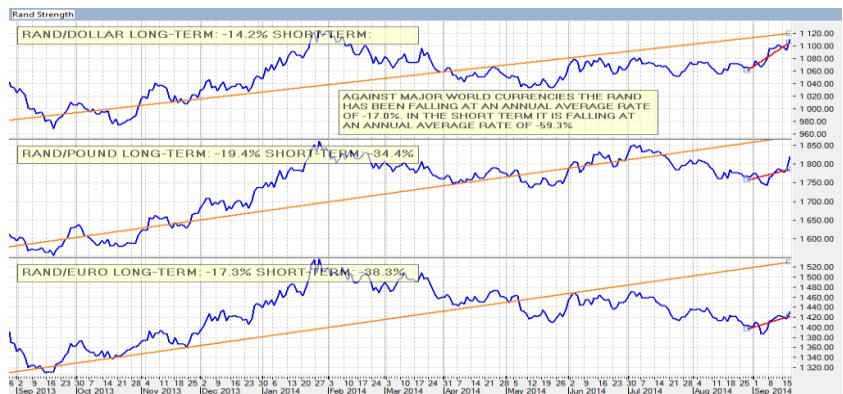
The next issue of Predicts will appear on October 10

In recent weeks the outlook for the investment markets of the Developing World has swung abruptly from optimism to pessimism as both currencies and securities have steadily lost in favour of the US Dollar and Wall Street.

As my first composite on the right clearly illustrates, the positive trend in favour of the Rand which had been in place since late January abruptly reversed on September 8. Since then the Rand has been losing value at a dramatic average annualised rate of 60 percent.

Happily, it has not been just South Africa that is taking strain, but rather the Developing World as a whole. My second composite shows how the ShareFinder Developed World Index abruptly began gaining from August 11 and how, from September 4, the SF Developing Market Index began heading south.

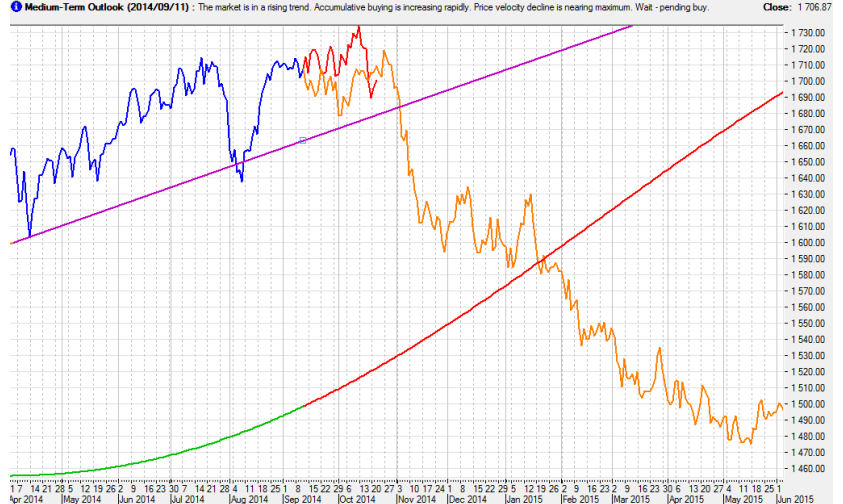
Ironically, however, the penny does not seem to have dropped for South African investors that the rest of the world has moved into conservative mode. As my third composite makes clear, the speculative category of shares that I name the Rising Stars has since early August been gaining relative to the Blue Chips. The reason for this latter observation is, I suspect, because the market has grown increasingly concerned about the extremely high valuations which the Blue Chips have lately been accorded and has accordingly concluded that at their relative price potential the Rising Stars are



not quite as risky as they normally are. The second irony, however, is that although many Blue Chips like Naspers at 88.5 are at impossibly high price earnings ratios, the average Blue Chip PE is in fact only 17.5 compared with an average Rising Stars PE of 21.6. The most underpriced Blue Chip is Coronation at a mere PE of 19.3. Also dramatically underpriced by this measure is the MTN Group at a PE of 17.4 and Compu Clearing at 22.

However I would not be a buyer of any of these shares at present because I believe the market is likely to fall fairly significantly in the next few weeks with, as my graph projection of MTN on the right falling into line with a projected decline due to begin around October 9. And the projected decline of MTN is only part of a prelude that has already begun on the JSE. Note my second graph on this page which suggests that the decline of the JSE Top 40 Index which began in early July, is likely to continue until next February.

Furthermore, the decline that is under way in South Africa appears likely to be a prelude to a general decline of world markets which, judging from the projection of the likely trend of Wall Street's Dow Jones Index, is set to begin on or about the end of October as illustrated by my third graph.



The next month:

New York's SP500: I correctly predicted gains which I expect to continue erratically until approximately October 8 when I expect a downturn to begin.

London's Footsie: I correctly predicted weakness. Now, because the NO votes won the British referendum, I expect a brief recovery followed by a sideways trend until the end of the month.

JSE Industrial Index: I correctly predicted gains and I expect these to continue until the 22 followed by a decline until the 8th.

Top40 Index: I correctly predicted continuing weakness with a brief gain now. From here on in I expect an erratic sideways trend beginning to trend upwards towards the end of the month.

The ShareFinder Blue Chip Index: I correctly predicted declines. Now I expect a brief recovery within a continuing downward trend.

The Rand: I correctly predicted brief further losses. Now I foresee a recovery until the end of the month.

Golds: I correctly predicted fresh weakness lasting until late September. Now I see the declines continuing into early October.

Bonds: I correctly predicted erratic weakness for most of September. The brief recovery that began this week is likely to be over on Monday with weakness continuing into the first week of October.

The Predicts accuracy rate on a running average basis over the past 518 weeks has been 82.55%. For the past 12 months it has been 89.1%.

Richard Cluver