Richard Cluver Predicts

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

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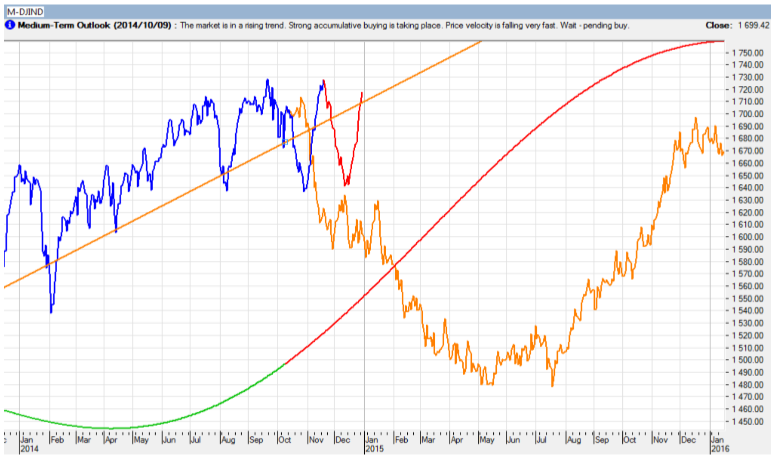
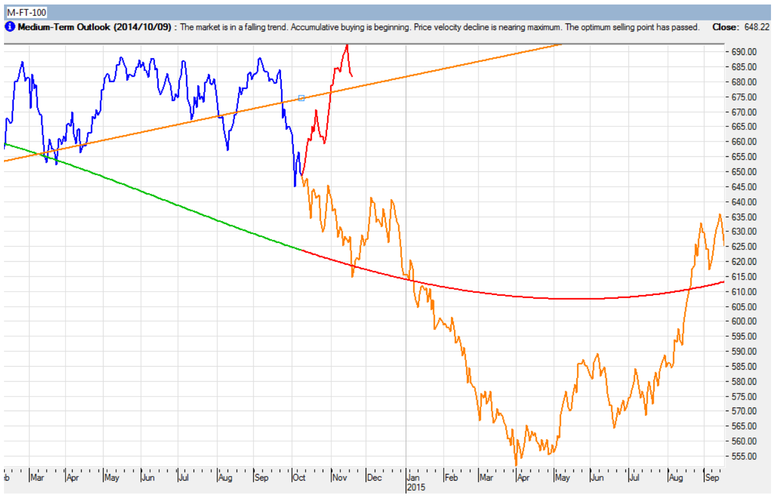
Well the market decline I have long warned readers about is now clearly under way both here and overseas with the Dow in New York down a dramatic three percent in one day yesterday.

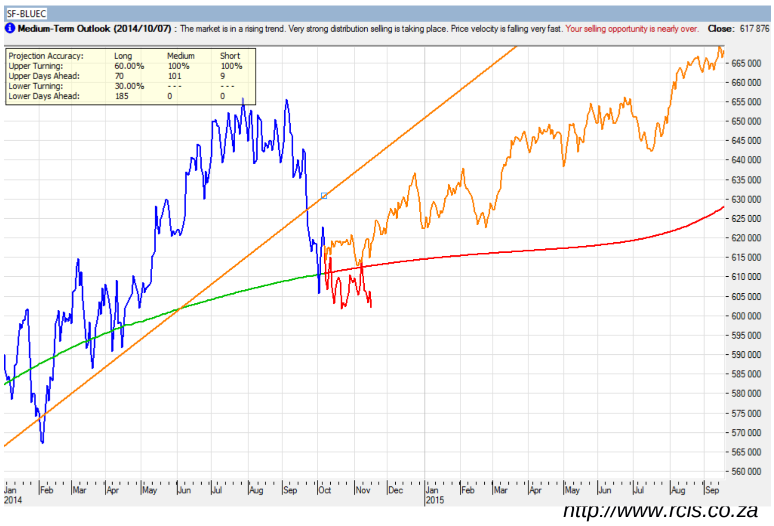
ShareFinder's always very accurate Fourier analysis of the Dow in the composite on the right suggests that in the very short-term there is a high probability of a brief recovery starting at the end of November or early December. It will, however, in all probability run out of steam by Christmas or very early January and be followed by a steep decline which could clip some 14 percent off Wall Street values by May next year.



In London, a similar rebound is probable in the short term to provide investors there with a brief Indian Summer in which to extricate themselves from the market before the decline is resumed and which could see shares there losing as much as 20 percent of their value by the beginning of April.



Happily, here in South Africa ShareFinder suggests that the market has already discounted all the bad economic news that is pervading the investment climate worldwide and particularly here at home. As my third composite indicates, ShareFinder sees the market bottoming about ten days from now with the probability of a ten percent gain between then and late September 2015.



The big question for readers who have followed my advice and steadily built up a cash pile in recent months in anticipation of the market decline is whether they should soon begin buying. However, I find it difficult to completely go along with ShareFinder's local

http://www.rcis.co.za
richard@rcis.co.za

projection in the face of the probability of a worldwide market decline and the very high degree of local investor pessimism. We are all aware that the ANC's disastrous handling of economic planning in recent years means that steep tax hikes are virtually inevitable in the near future and when that is coupled with a pathetic economic growth outlook and huge question marks about issues like the nuclear power contract that President Jacob Zuma has forced upon the country, long-term economic stagnation is a very high probability.

It is probably no exaggeration to suggest that we have an almost inescapable future of stagflation ahead of us: a toxic combination of rising inflation coupled with economic stagnation which, when coupled with our inflexible labour laws, suggests that there is little probability of increased entrepreneurial activity in the medium to long term. Add to that the recognition that China is unlikely to return to the world's commodity markets as a significant buyer anytime in the next few years and the fact that Europe is again struggling back into recession, means that we have little hope of seeing an export-led recovery. In the circumstances it is probably fair to say that South Africa's economic outlook has not been as dismal since the Rubicon crisis of the 1980s.

In closing, I have been flattered by the large number of queries about the non-appearance of this column for the past fortnight. Obviously many readers did not read the prominent notice in the last issue that I would be out of town! Having spent so much of my time in recent years travelling the globe, I thought it would be a good idea to take a spring-time tour of the country. It was a good and important thing to do, but it has done little to lift my conviction that South Africa is desperately in need of some inspired leadership.

The next month:

New York's SP500: The decline that I have long predicted came a little sooner than I expected and is likely to continue until the end of this month before a brief recovery sets in.

London's Footsie: The brief recovery I predicted was even shorter than I expected. But now it is probable that the next few weeks could see some gains before the next bout of declines.

JSE Industrial Index: I correctly predicted a decline until the 8th. Now I expect a sideways to slightly improved outlook until the end of the month.

Top40 Index: I correctly predicted an erratic sideways trend which is likely to continue into a steady decline until October 22 followed by a brief recovery.

The ShareFinder Blue Chip Index: I correctly predicted a brief recovery within a continuing downward trend and now I expect these declines to continue until October 22 before a brief recovery begins.

The Rand: I correctly predicted a recovery which I believe is now over and is likely to be followed by declines nearly until the end of the month.

Golds: I correctly predicted declines continuing into early October. Now at best I see a sideways trend until the end of the month.

Bonds: I correctly predicted erratic weakness continuing into the first week of October. Now I see the gains of the past few days continuing very modestly until the end of the month.

The Predicts accuracy rate on a running average basis over the past 519 weeks has been 82.58%. For the past 12 months it has been 89.1%.

Richard Cluver

Published by Richard Cluver Investment Services
http://www.rcis.co.za
richard@rcis.co.za