Richard Cluver Predicts

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

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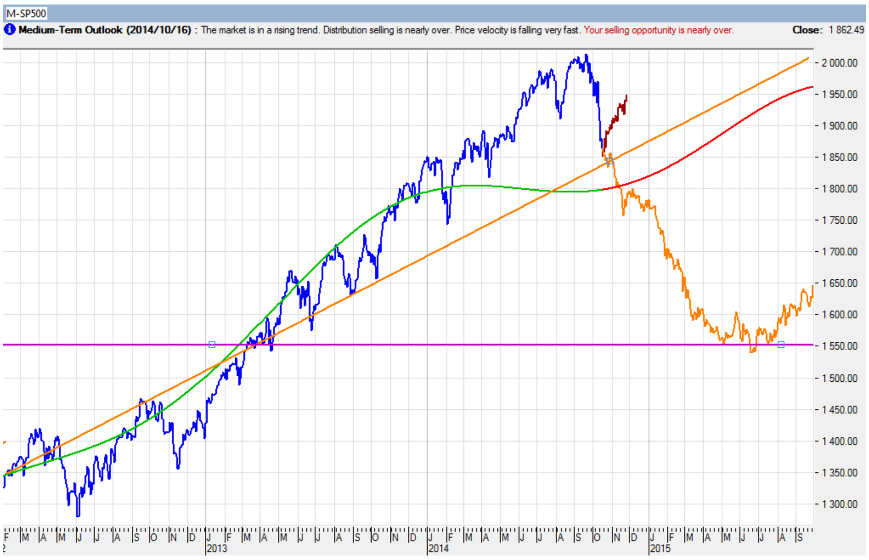
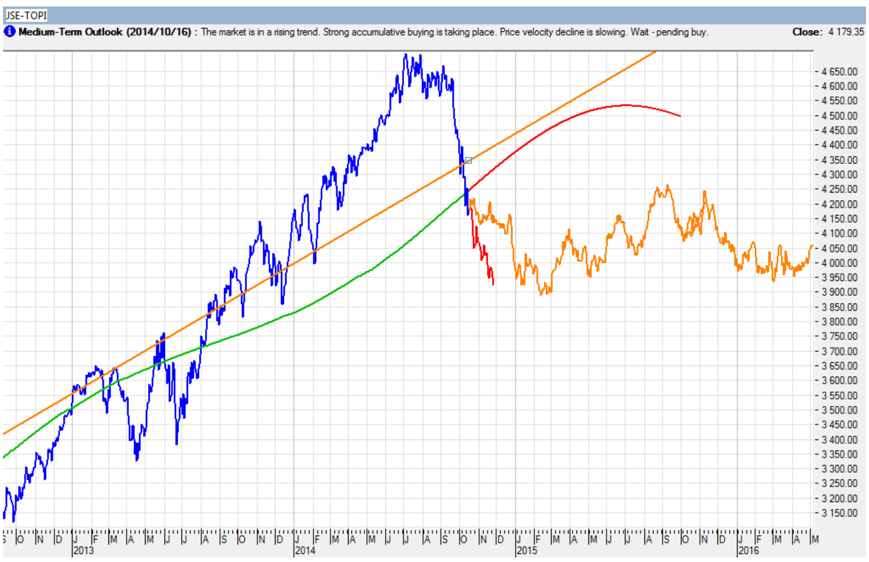
The long-predicted market decline became relentless this week as further bad economic news out of Europe coupled with Ebola jitters accelerated a market rout which has long been looking for an excuse to happen.



As of last night Wall Street's Standard and Poors 500 Index, the widest measure of US share price performance, was down six percent from its peak on September 18 and appeared ready for a brief upward retraction which could represent a month-long Indian Summer situation: a chance for those who stayed the course too long, to extricate themselves from a market which ShareFinder projects is likely to fall overall by as much as 23 percent before it bottoms around mid-June as illustrated in the graph on the right.

It is classic Technical Analysis! Note that this week the declining S&P500 cut downwards through its ten-year market mean (the orange trend line) and so it is ready for free-fall. The next support line is at the 1850 level at which stage it will have wiped out all the growth the market has achieved since last January. And it is projected to end with an inverted head and shoulders formation, the left shoulder of which is likely to happen around the beginning of May and the right shoulder around July 16 after which the market is set to start retracing most of its lost ground.



But ShareFinder says it will not get there. The recovery will, says my software, run out of steam in April 2016 and then begin a second headlong dive that will see it bottom a second time in April 2017 at which stage it will have wiped out all the gains it made after April 2013.

So much for the S&P500. The outlook for the JSE Top 40 Index is, happily, rather more optimistic since (as pictured on the right in my second composite) ShareFinder projects that it is

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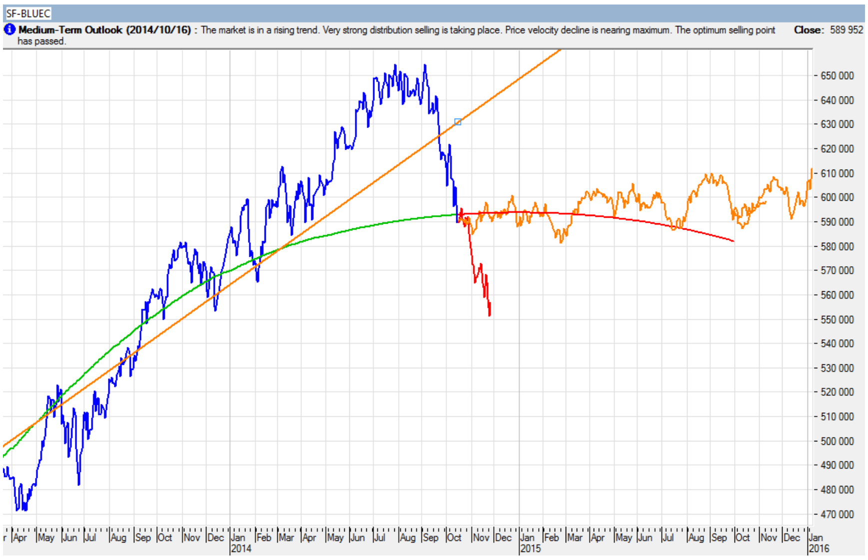
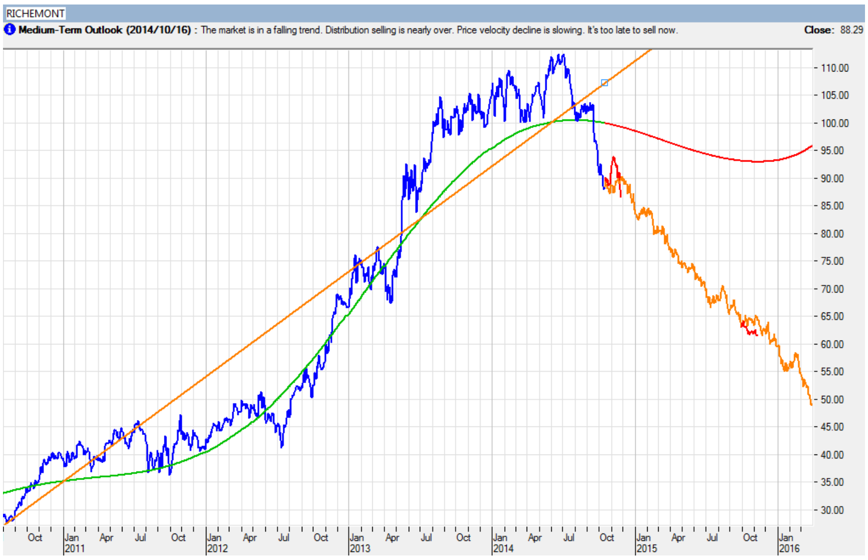
almost as far down as it is likely to go. It will probably bottom around mid-February at which stage it is likely to have lost 17 percent from its July 3 peak. Wall Street's projected double dip is also forecast for the Top40 Index, but it is likely to be much less pronounced, offering us a sideways trend for most of the next two years.



Meanwhile, South African Blue Chip shares have all but completed their decline as well with some of the favourites like Naspers and Sasol having already been severely tested and beginning to offer great buying opportunities. But be warned, some of these blue chips might also be ripe for a double dip. Closely following the fortunes of Ali Baba in the US, Naspers appears at this stage likely to bottom in the next three to four weeks. But by March it could again be headed south.



Sasol too, under the influence of a weak oil price. appears headed down until the end of February when it could reach R452 before recovery begins.

For the first time in many years, however, I find it hard to accept ShareFinder's projection for that ultra blue chip Richemont which, the programme projects is likely to be the worst hit among the blue chips. If ShareFinder is correct, Richemont, could retrace itself all the way back to and below its 2102 value.

Overall, the message, is do not be too hasty when preparing to re-enter this market in the new year. There could be some shocks ahead!

The next month:

New York's SP500: I correctly predicted the decline. Now I see the start of an Indian Summer recovery that could last well into November.

London's Footsie: I correctly predicted some brief gains ahead of the next bout of declines. And there will be more lasting just a few days at a time. But the overall trend will be down for most of November.

JSE Industrial Index: I correctly predicted a sideways to slightly improved outlook for a few days ahead of the next decline. And looking ahead the same trend is likely to persist with the overall trend steadily down.

Top40 Index: I correctly predicted a steady decline with brief two to three day recoveries in between and this trend will continue for the foreseeable future.

The ShareFinder Blue Chip Index: I correctly predicted a brief recovery within a continuing downward trend and I expect these declines to continue well into November.

The Rand: I correctly predicted declines. Now I see a recovery beginning around mid-week until the end of the month.

Golds: I correctly predicted a brief recovery and now I see fresh declines beginning mid-week.

Bonds: I correctly predicted gains which are now over and are likely to be followed by weakness until the end of the month.

The Predicts accuracy rate on a running average basis over the past 520 weeks has been 82.61%. For the past 12 months it has been 90.06%.

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