Richard Cluver Predicts

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

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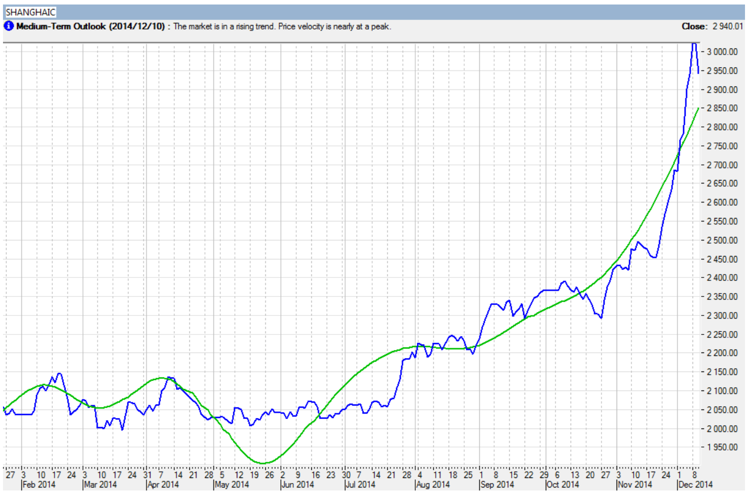
Cracks in the global monetary system began widening this week disclosing fault lines in some of the world's most indebted nations: China and Greece.



Stock markets are possibly the most sensitive barometers of coming trouble and so the 5.43 percent fall of the Shanghai stock exchange – the biggest single decline in five years – followed by yesterday's 13 percent in Greek stocks – the biggest decline in 30 years – are not to be taken lightly.

Going to the heart of the totalitarian Chinese political system where people's inability to use the ballot box to fix their concerns about government ineptitude means that monetary movements become exaggerated as they become infected by panic, my opening graph tracks the Shanghai exchange providing vivid proof of the volatility that is happening there. So a pull back was obviously probable given the sharp rise recently. But China's total indebtedness – reportedly the world's highest at 250% of GDP – represents a massive problem for investors everywhere and, given our dependence upon mineral exports to China, a particular concern for local investors. Arguably China's political system offers that country greater room to manoeuvre as its central bank moves in concert with the new political leaders to try to achieve economic reform. Nevertheless it is a touch and go situation which we cannot afford to simply ignore.

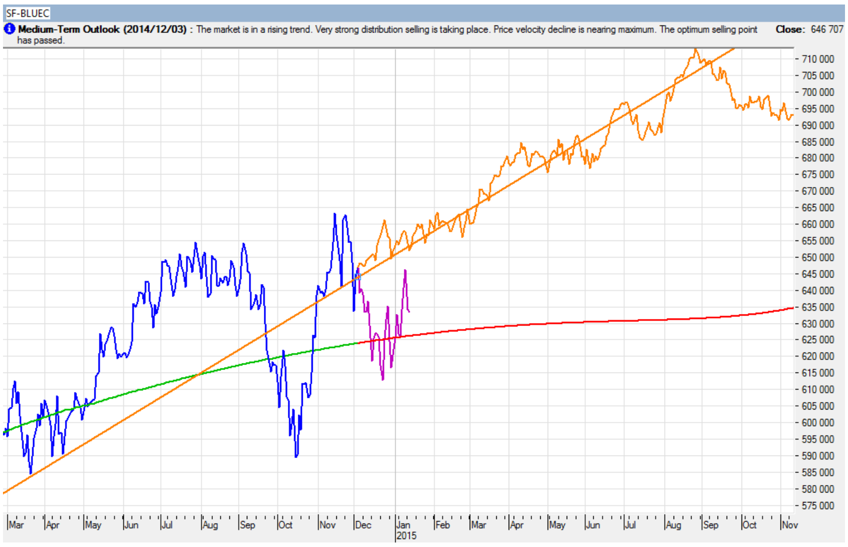
In an event redolent of our own Julius Malema's EFF entering parliament, the Athens exchange plunge followed a government announcement this week that presidential elections will be held next week with local political commentators speculating that this could bring the far-left Syriza coalition to power, an event that could dramatically alter the troubled balance of the EEC.

Both events are thus significant both in a seismic sense for global stock exchanges and as political storm warnings. And they could not have come at a worse time for markets globally since most have been looking "toppy" for some time.

As the JSE All Share Index illustrates in my composite on the right, our market has been getting progressively weaker since its July-end peak and ShareFinder projects that it will continue weakening until mid-February at least. Technically, however, our economy is likely to perform better in 2015 provided there are no more crippling strikes and so the recovery sensed by ShareFinder's projection system is given realistic support.

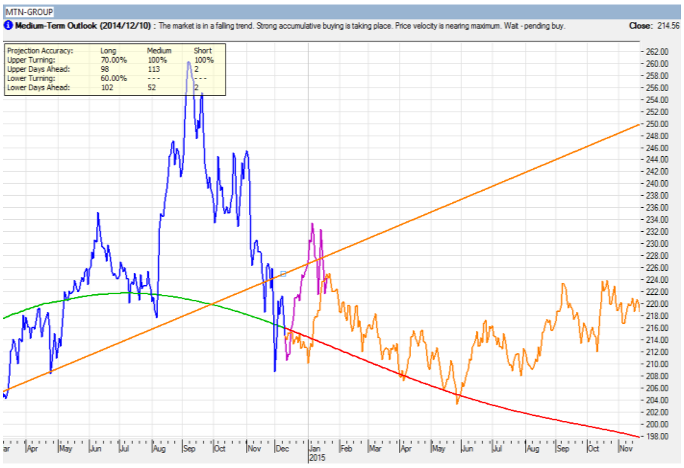
Published by Richard Cluver Investment Services
http://www.rcis.co.za
richard@rcis.co.za

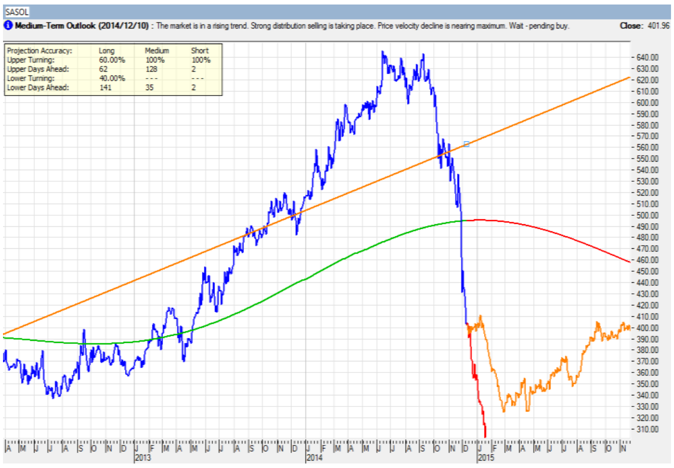
Happily too, ShareFinder's Blue Chip Index is looking considerably healthier than the market average with the orange medium-term projection looking the most optimistic as it closely tracks its long-term average line.



Close in, the purple short-term projection suggests that the current downward correction is likely to be over by Christmas.

Meanwhile, mindful of my recent comments that now might be a good time to re-invest money taken out of the market earlier this year, a number of readers have been in contact this week asking about shares like MTN and Sasol which have taken considerable strain lately. With regard to MTN – graphed below left - which along with Coronation, is currently the most underpriced of all the blue chips, I would suggest that you hold out for a price of R200 or less . Sasol – graphed below right – is only moderately underpriced and ShareFinder projects that it still has a way to go on its downward plunge. Here, it should be noted, that the current plunge in crude oil prices which has sparked the decline of most energy stocks globally, is unlikely to last for an extended period and so Sasol shares should represent good value if they reach the currently projected low of around R312 in mid-January.





The next month:

New York's SP500: I correctly predicted the beginning of a fresh decline which I expect to last for most of January.

London's Footsie: I correctly predicted an erratic decline which I expect to last until the 19th before the markets starts bumping along the bottom for a rise in the new year.

JSE Industrial Index: I correctly predicted a decline which I see lasting until the end of January.

Top40 Index: I correctly predicted a recovery but it was far shorter than I expected and now I see declines lasting until the 23rd.

The ShareFinder Blue Chip Index: I correctly predicted a continuation of the decline which I expect to continue until Christmas.

The Rand: I correctly predicted weakness. Now I foresee a recovery beginning early in the new week.

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Golds: I correctly predicted a recovery which I now see lasting into January.

Bonds: I wrongly predicted gains. Now I see a continuation of current weakness at least until December 19 but I do not foresee a real recovery beginning before the beginning of January.

The Predicts accuracy rate on a running average basis over the past 528 weeks has been 82.71%. For the past 12 months it has been 90.06%.

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