



Richard Cluver Predicts

In our 28th year of service to the investing public of South Africa



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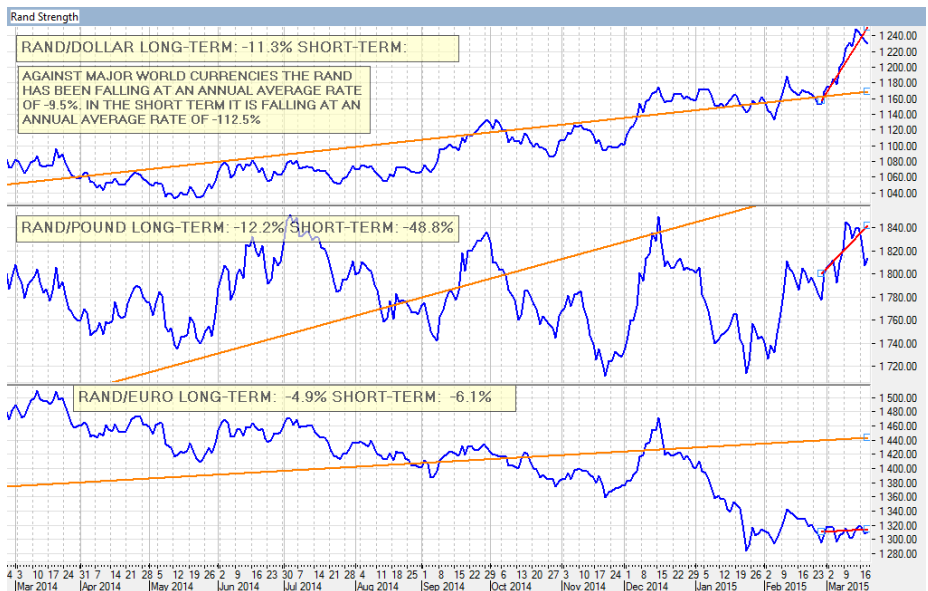
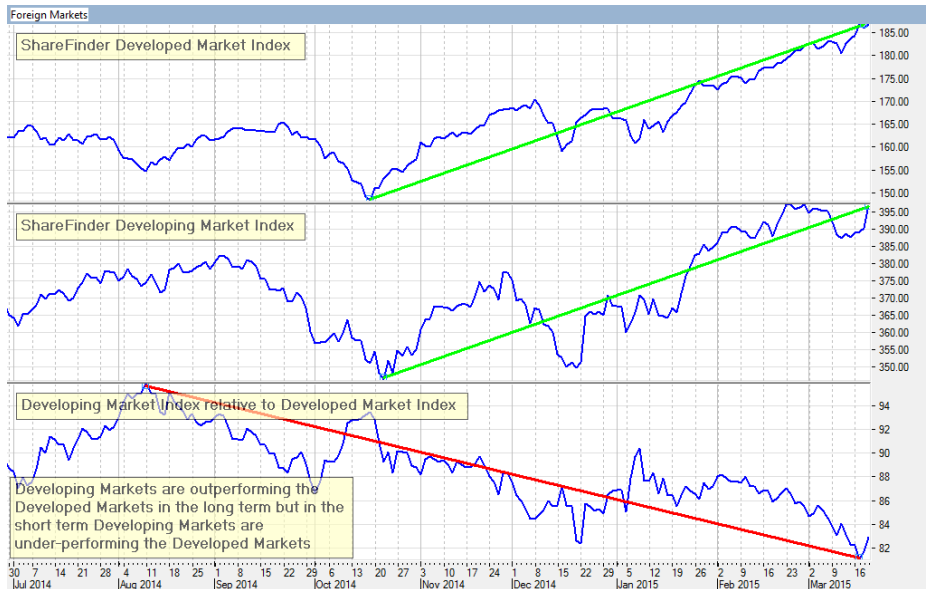
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Well I was wrong again but just by a day this time in my prediction that the recovery would begin on Friday March 20. It began yesterday following the US Federal Reserve announcement that interest rates would be increased at a slower rate than was originally expected.

But the really good news today is that Developing Markets have turned the corner and are recovering strongly. Developing Markets took far greater strain than the Developed Country Markets in last September's sharp sell-off in anticipation of the US Federal Reserve "Taper" and their recovery since then has been less impressive as is to be expected considering the strength of the US dollar and the fact that most developing nations are commodity producers which have been hobbled by the sluggishness of Developed World industry. And since late February the markets of the Developing World have again been under strain as the world waited for this week's Federal Reserve announcement. But from the middle of last week they began recovering and in the last few days they have surged upwards more strongly than the Developed World markets as evidenced by the little up-tick at the extreme right of the third graph in my first composite.

Clearly it is early days yet and to date our Rand has recovered extremely modestly: quite insufficiently to yet be symptomatic of a trend. But it is at least a beginning as can be seen in my second composite.

But, sadly, once the ineptitude of the ANC and its determination to appoint pals rather than people qualified for the job to positions of power in important



parastatals has come back to bite us with today's not surprising announcement that Standard and Poors has downgraded Eskom bonds to "Junk" status, effectively warning the investment world that such bonds are too risky to include in pension funds etc. Given that there is already a crisis brewing in the world's bond markets because the majority of new bonds issued in 2014 were to fund US oil fracking and the majority of those have now gone sour, the Eskom announcement implies that our government will now have to pay infinitely more whenever it has to borrow abroad.

Furthermore, since the government has been running a fiscal deficit for some years now, it has a desperate need to keep on borrowing. And now it faces another season of strike demands from Government workers who are seeking massive pay hikes. The road ahead looks to be strewn with a lot worse than nettles.

Understandably then, investors are running for cover: out of the risky "Rising Stars" and into the relative safety of "Blue Chips" as is clear in the relative strength graph top-right: Accordingly, I am a little mistrustful of ShareFinder's projections of the likely future of the JSE Overall Index and the Blue Chips in my final composite on this page. I should note, however, that most times when I disagree with ShareFinder I tend to be proved wrong. I will be watching the next few weeks with according interest.

The next month:

New York's SP500: I correctly predicted the beginning of an up-turn which I see lasting until the 25th.

London's Footsie: I correctly predicted the beginning of a recovery this week but I do not expect it to last much beyond Monday.

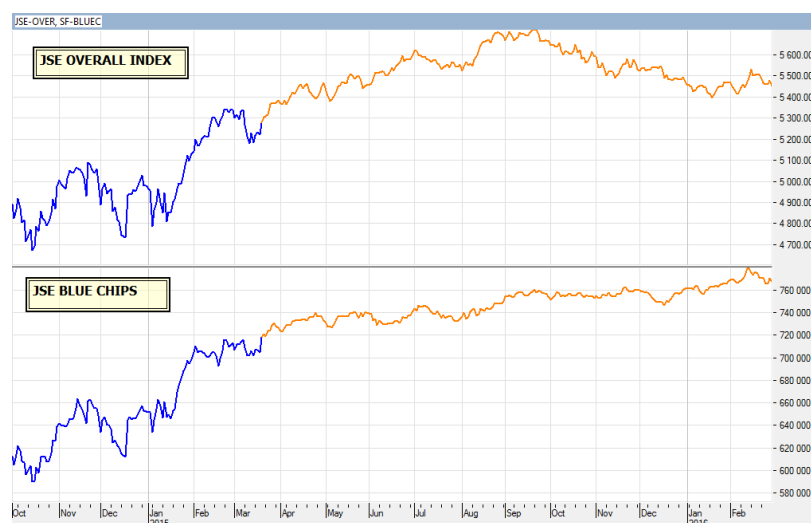
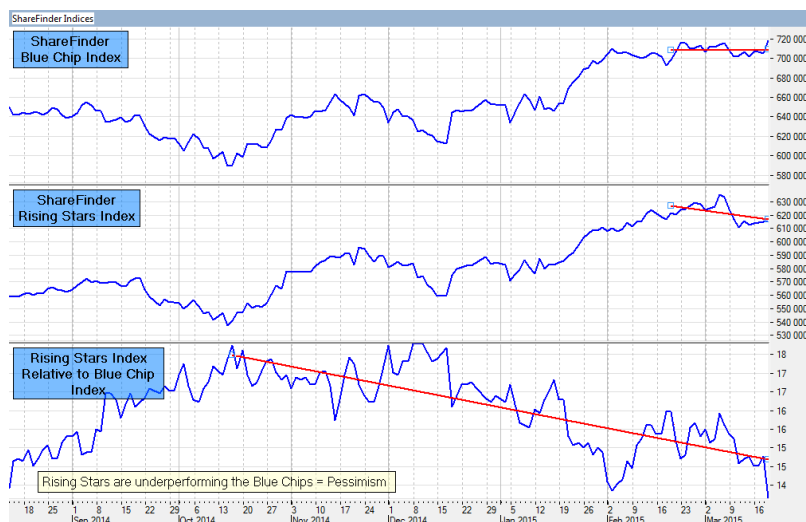
JSE Industrial Index: I correctly predicted a whip-saw market trending largely downwards, though to be truthful there has been some modest upside to it. But now I see brief weakness beginning Monday followed by a steady recovery for the rest of the week and beyond.

Top40 Index: I wrote that I did not foresee any recovery until the second week of April but there have indeed been some modest gains which could accelerate modestly in the new week before heading down once more until the end of the month.

The ShareFinder Blue Chip Index: I wrongly predicted a fairly sharp decline until approximately March 23. Now I sense a recovery beginning mid-week and lasting well into April.

The Rand: I correctly predicted a recovery but, though it is likely to continue until the end of the month it will be accompanied by a lot of volatility including a full week of losses next week.

Gold: I correctly predicted a recovery that should last well into April.



Bonds: I correctly predicted a recovery. Now I see weakness until the end of the month and then nearly a month of recovery. to begin in the middle of the new week.

The Predicts accuracy rate on a running average basis over the past 540 weeks has been 82.98%. For the past 12 months it has been 91.03%.

Richard Cluver