



# Richard Cluver Predicts

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



Volume: 28

## 27 March 2015

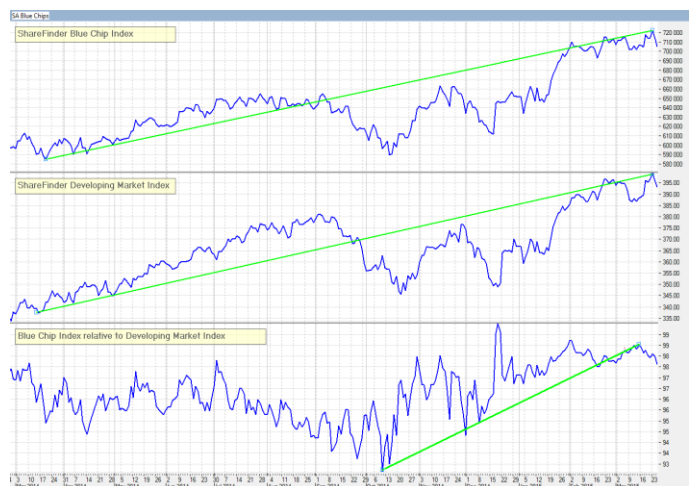
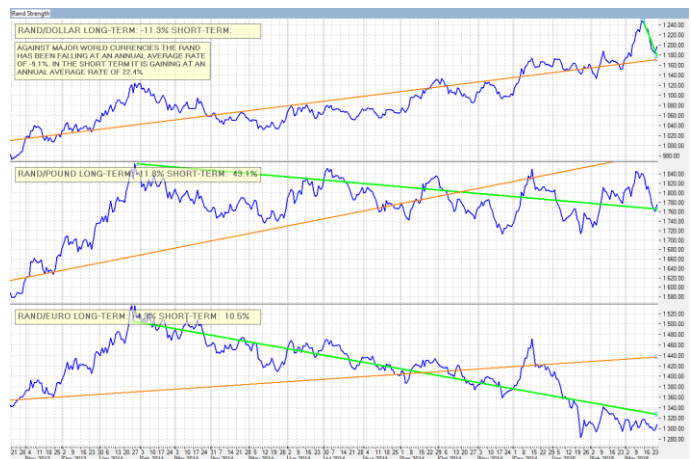
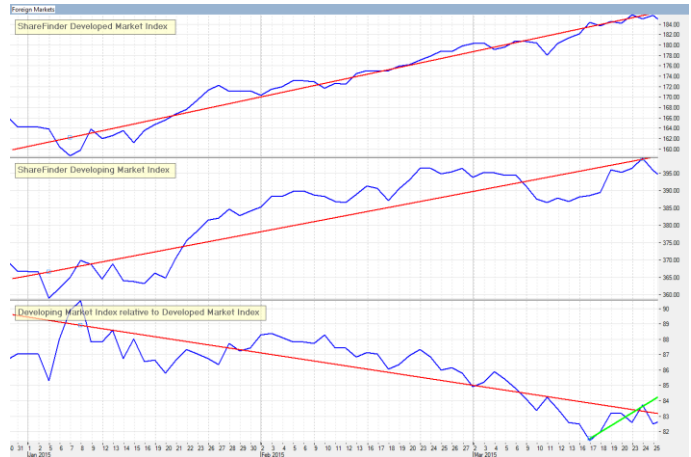
Issue: 12\*

**I went out on a bit of a limb last Friday when I hailed the beginning of a recovery of the Developing World markets. Happily I was right and the recovery has continued upward becoming fairly well entrenched.**

The green trend line in the third graph of the composite on the right illustrates how in relative terms the Developing World markets have been rising since March 17. I should, however note that this is a relative issue for the Developed World markets are still trending upwards at a cracking 92.4% compound annual rate while the Developing World markets are only managing 49% compound. Since March 17, however the latter have been catching up at a truly spectacular 323% compound and so, if this trend is allowed to continue, it will soon become evident to a much larger group of investors who might then be counted upon to jump onto the band wagon turning a trend into a flood.

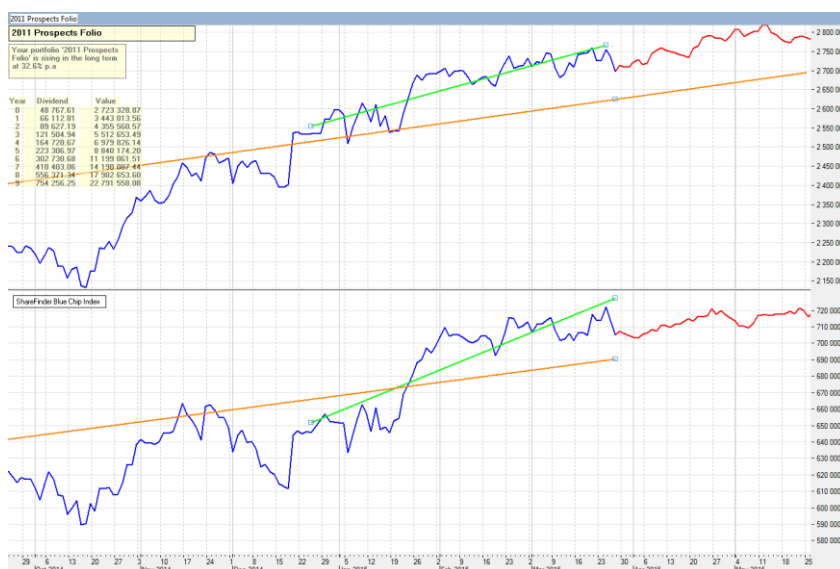
Furthermore, notwithstanding the almost universal gloom in South Africa at the self-evident incompetence of ANC policy in the running of all our parastatals as is being daily hammered home by electricity load shedding (we were late in getting started with this column today through lack of power) the Rand is doing surprisingly well. As my second composite illustrates, it is only against the US Dollar that the Rand has been underperforming, losing value at 11.3% compound over the past year. But it has been gaining at 4.5% compound relative to the British Pound and at 10.3% compound relative to the Euro. And, as it plays catch up to the US Dollar, it has been gaining at an annual rate of 87% since March 13.

Most importantly, as my third composite clearly illustrates, investors are becoming increasingly confident in the durability of the



market. Whereas for a number of years they have concentrated their money into the safety of Blue Chip shares, since early October last year they have increasingly been migrating towards the group that I label as the Rising Stars; riskier high-growth shares.

So, although market commentators have recently been taking a gloomy outlook for the South African market, warning about an impending big downward correction, I have to say that the evidence is to the contrary. In my final composite I have depicted the 2011 Prospects Portfolio which has grown at a compound annual average rate of 32.6% annually since its inception and is currently offering a dividend yield of 1.9% making a record-breaking overall return of 34.5%. The green short-term trend line, moreover, indicates that since December the portfolio has been gaining at an annualised rate of 38.1 offering a 40 percent total return.



The second graph of the composite depicts the ShareFinder Blue Chip Index which has been gaining at 23.3% over the past five years. But most importantly for followers of this portfolio, Fourier projection indicates that the brief weakness of the past seven days, should now be over and we should see the portfolio climbing steadily until mid-May.

## The next month:

**New York's SP500:** I correctly predicted the up-turn would be over this week and I now see the downward trend continuing until mid-April.

**London's Footsie:** I correctly predicted the recovery would not last much beyond Monday. Now I see a whip-saw sideways trend until late April associated probably with the UK election process.

**JSE Industrial Index:** I correctly predicted brief weakness beginning Monday followed by a steady recovery which I now expect to last until the first week of April.

**Top40 Index:** I correctly predicted the market would be heading down and I now see this trend lasting until mid-April.

**The ShareFinder Blue Chip Index:** The recovery I predicted for mid-week has been delayed by a few days but I believe it will begin today and last throughout April.

**The Rand:** I correctly predicted a recovery until the end of the month. Now I see weakness until April 10 but overall a sideways trend throughout the coming month.

**Gold:** I correctly predicted a recovery which I expect to end today followed by a whip-saw decline for April.

**Bonds:** I wrongly predicted weakness until the end of the month. Now I see gains until late in April.

**The Predicts accuracy rate on a running average basis over the past 541 weeks has been 82.99%. For the past 12 months it has been 90.7%.**

Richard Cluver