



Richard Cluver Predicts

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



Volume: 28

02 April 2015

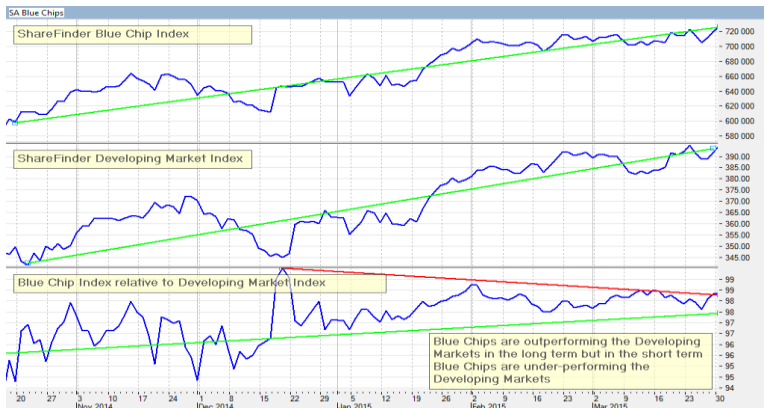
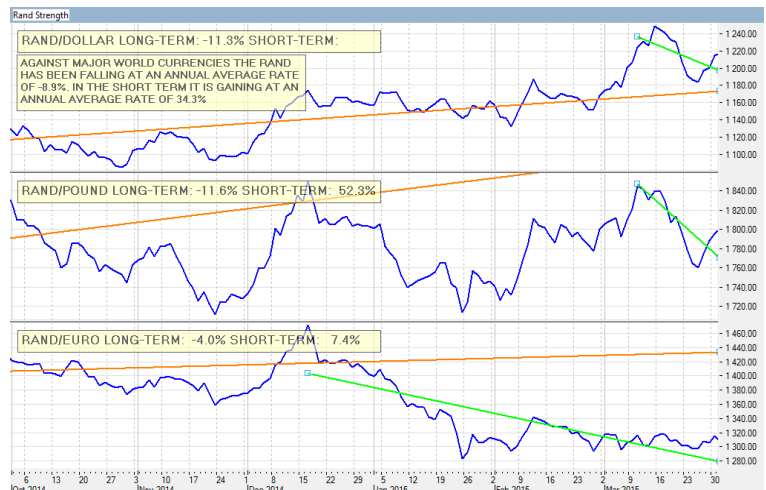
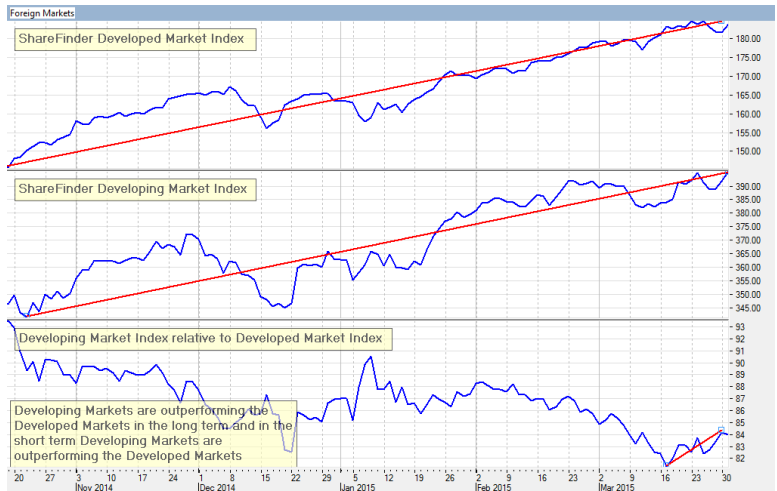
Issue: 13

For the third week in a row I am able to highlight the fact that the share markets of the Developing World are outpacing those of the Developed world and the trend is becoming steadily more entrenched.

Readers should by now be familiar with the composite on the right in which the third (relative strength) graph demonstrates this fact. That little up-tick might not look like much, but if it were to continue for much longer it could have dramatic effects because it is rising at a compound annual average rate of 173 percent.

And, as the green trend lines in my second composite also emphasise, the Rand is continuing to strengthen against all the world's major currencies. Here I always need to emphasise that the falling green lines indicate strength because it takes increasingly fewer Rands to buy the respective currencies. The average rate of improvement against the US Dollar, the Pound and the Euro is now running at a compound annualised rate of 34.3 percent which could have dramatic consequences for us if it continues at this pace.

Sadly, however, South African Blue Chip shares are not benefitting from this trend in the manner that they should. While the Blue Chips continue to rise at a very attractive compound average rate of 55 percent, they have been falling in relative to the Developing Market Index at 4.4 percent as indicated by the red trend line in my third composite. Happily this is a fairly modest negative trend but one that investors need to take serious note of



because it is certainly a consequence of our steadily deteriorating international image. Obviously if we cannot manage basic things like our power grid, our postal service, our national airline, as well as our police health and educational systems, it is not a huge step to the conclusion that our business competitive rate should also be deteriorating.

For followers of my Prospects 2011 Portfolio, two shares are now looking a little troubling, Shoprit and Howden. The projection on the right traces Shoprit's recent price performance and it is clear that volatility has been extremely high emphasising the fact that the market is concerned about this counter and, while the curving line of the long-term Fourier projection suggests that it still retains a bullish outlook, the orange medium-term projection continues trending downwards. Optimum selling point is currently projected for the end of July at R175.

Howden, in my final composite, demonstrates almost the same characteristics with an even more negative bias. On the current projection, the optimum disposal point will occur in early July at + - R42.

The next month:

New York's SP500: I correctly predicted a downward trend but I see a recovery beginning today and continuing until April 21 before the next downturn starts.

London's Footsie: I correctly predicted a whip-saw sideways trend until late April associated probably with the UK election process.

JSE Industrial Index: I correctly predicted a recovery which I expected to last until the first week of April. Now I foresee the downturn beginning on April 8 and lasting until the 24th.

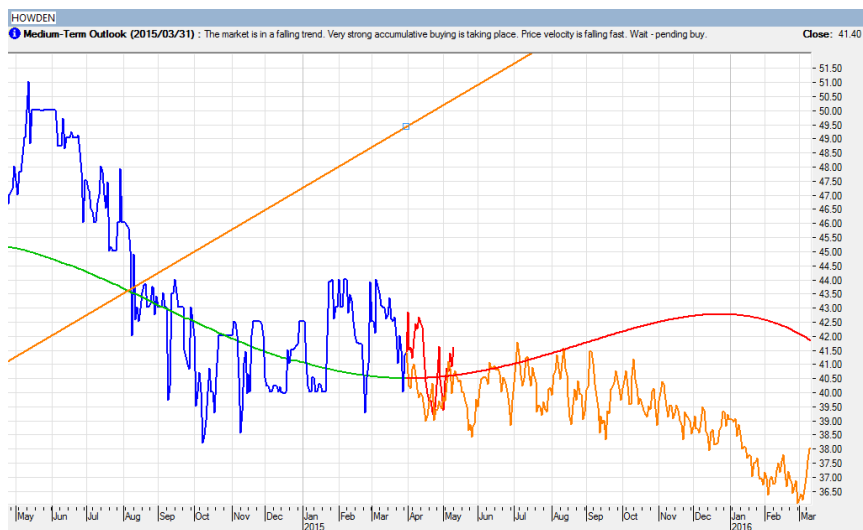
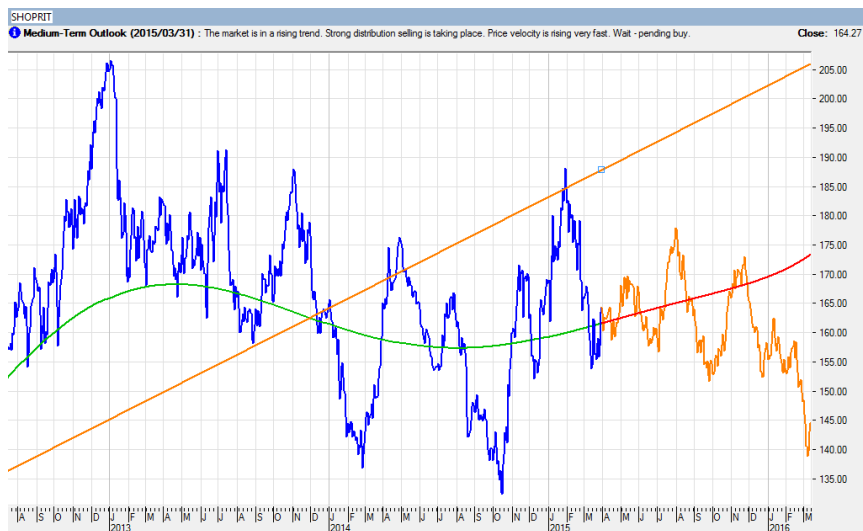
Top40 Index: I correctly predicted the market would be heading down and I now see this trend lasting until April 20.

The ShareFinder Blue Chip Index: I correctly predicted the beginning of a recovery which I expect to proceed in modest whip-saw fashion at least until the 28th.

The Rand: I correctly predicted weakness which I still see lasting until followed by a recovery until the 21st.

Golds: I correctly predicted the end of the ansd I see the beginning of a new up-ternd starting on Tuesday lasting until the 14th

Bonds: I correctly predicted weakness until the end of the month followed by gains which I now expect to last until until April 17.



The Predicts accuracy rate on a running average basis over the past 542 weeks has been 83.02%. For the past 12 months it has been 91.35%.

Richard Cluver