



Richard Cluver Predicts

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



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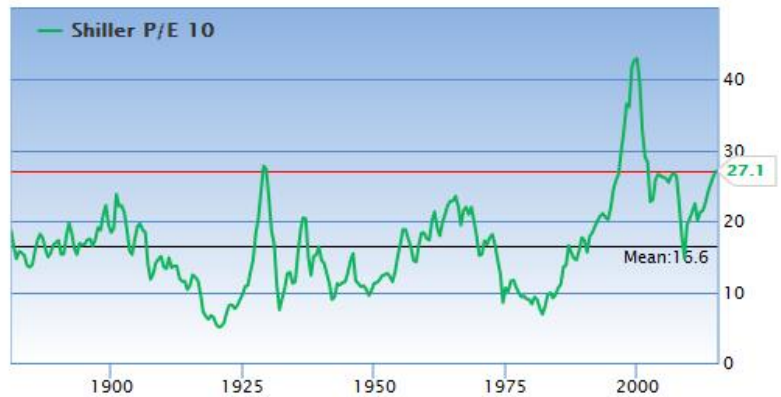
Delighted as we all undoubtedly are today with the immense portfolio value growth that most of us have enjoyed in the past few weeks, most of that elation will, however, be tinged with more than a hint of nervousness that a downward correction might be lurking around the corner any day now.

Let us start with the New York Stock Exchange Shiller Ratio which tracks the inflation-adjusted earnings of the US Standard and Poors 500 Index. It is regarded as one of the most reliable measures of market price risk and last night it was standing at 27.1 compared with its historic high of 44.2 reached at the time of the 2000 tech bubble which saw Wall Street prices correct downwards to a low of 23.5 over three years before beginning the recovery that took it 26.5 immediately before the 2007 sub-prime crisis. It is, in other words, higher than it was ahead of the last peak and just a fraction below the 27.8 level reached before the 1929 crash that launched the Great Depression.

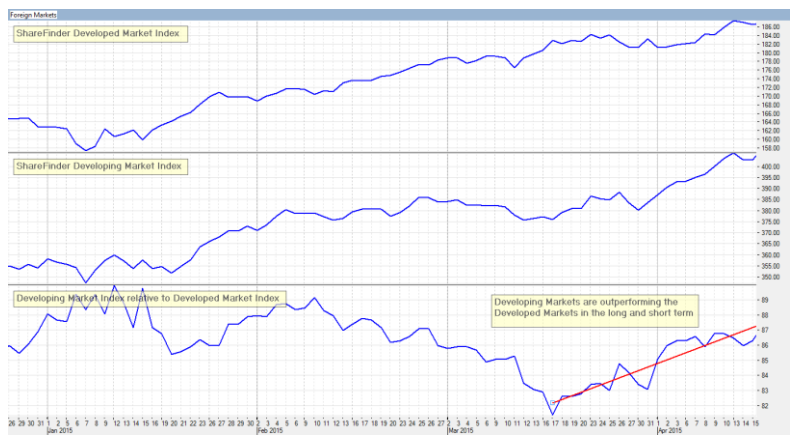
So it is no wonder that many US investors are nervous and have since March 17 been moving their money to other markets in the Developing World. as I have been highlighting for the past several weeks in the developing composite on the right.

That is why, as my third graph again illustrates, the Rand has been strengthening against the Pound and the US Dollar since March 13 and for somewhat different reasons against the Euro since mid-December, gaining in the short-term at an annualised average rate against the three at 17.8% compound.

But notwithstanding this strong inflow into our market and others within the Developing World, investors remain cautious which continues to be evident



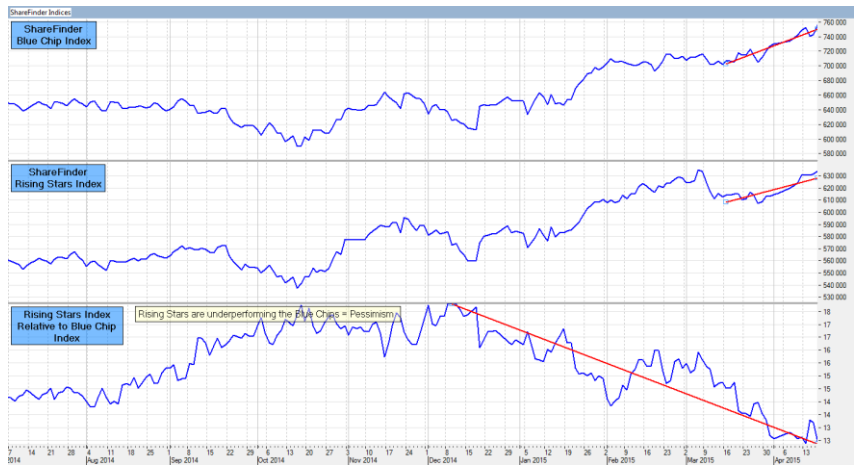
before the 2007 sub-prime crisis. It is, in other words,



in the relative performance of the Blue Chip shares compared with the riskier category that I call the Rising Stars and hence the falling red line since early December in the third graph in my topmost composite on the right.

With central banks in Japan and Europe committed to a policy of printing money on a massive scale, it is obvious that all this additional liquidity will continue to pour into markets like ours. Furthermore, China watchers believe that massive stimulus is also happening there, all of which explains the massive share price surge we have witnessed lately with the Prospects portfolio roaring upwards at a compound average annualised rate of 50 percent compared with its long-term average of 32.8 as is evident in my final graph.

Of course, if Wall Street should implode, it will take out ALL the world's markets. But until that happens we can confidently expect that the Prospects portfolio will keep on rising along the lines that ShareFinder projects in the last composite. Currently it is projected to reach a peak value of R3.23-million in mid-October from a current R2.86-million.



Rising Stars are underperforming the Blue Chips = Pessimism



The next month:

New York's SP500: I correctly predicted a recovery which I still see continuing until April 21 before the next downturn starts.

London's Footsie: I correctly predicted a brief retraction followed by a recovery which I now see lasting until April 21.

JSE Industrial Index: I correctly predicted a brief retraction before the beginning of another up-trend which I now see lasting until mid-May.

Top40 Index: I wrongly predicted a delayed downturn beginning but that has now been postponed until approximately May 13.

The ShareFinder Blue Chip Index: I correctly predicted the continuation of a whip-saw up trend which is likely to last until mid-May. But watch out for weakness between April 21 and 27.

The Rand: I correctly predicted continuing recovery which I now expect will last until May 4 but watch out for increasing volatility during this time..

Golds: The downturn which I predicted has been delayed again and now I do not expect it to begin before April 22 and last until the end of the month.

Bonds: I wrongly and now I expect weakness until May 6..

The Predicts accuracy rate on a running average basis over the past 544 weeks has been 83.01%. For the past 12 months it has been 91.03%.

Richard Cluver

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