



Richard Cluver Predicts

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



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Though all my readers are by now probably thoroughly bored by the subject of Greece....which has been obscuring the real drama which is China...it is nevertheless appropriate that I start today's column with some observations about that tragic European nation.

Over the past six weeks I have been privileged to see the Greek situation through the eyes of many ordinary Greek citizens whom I have come to regard as friends during regular visits since the mid 1970s. Like millions of other ordinary folk all over the world, they all work hard to support their families, pay their taxes and feel out of control of events happening around them; the result of decisions taken by politicians who, they believe, have never represented their views...until now that is.

The fact is that in Prime Minister Alexis Tsipras, practically everyone in Greece believes that have found a political leader who actually understands them and their views. They have long been deeply hurt that they are being dictated to by an EU under the economic control of Germans whom they despise. As a nation who were occupied successively by the Ottoman Turks, the Italians and the Germans, they fiercely value their independence and, while recognising that Greek socialism with its early retirement age, excessively large civil service and extensive services is far beyond their means, they strongly resent outsiders telling them what they must do.

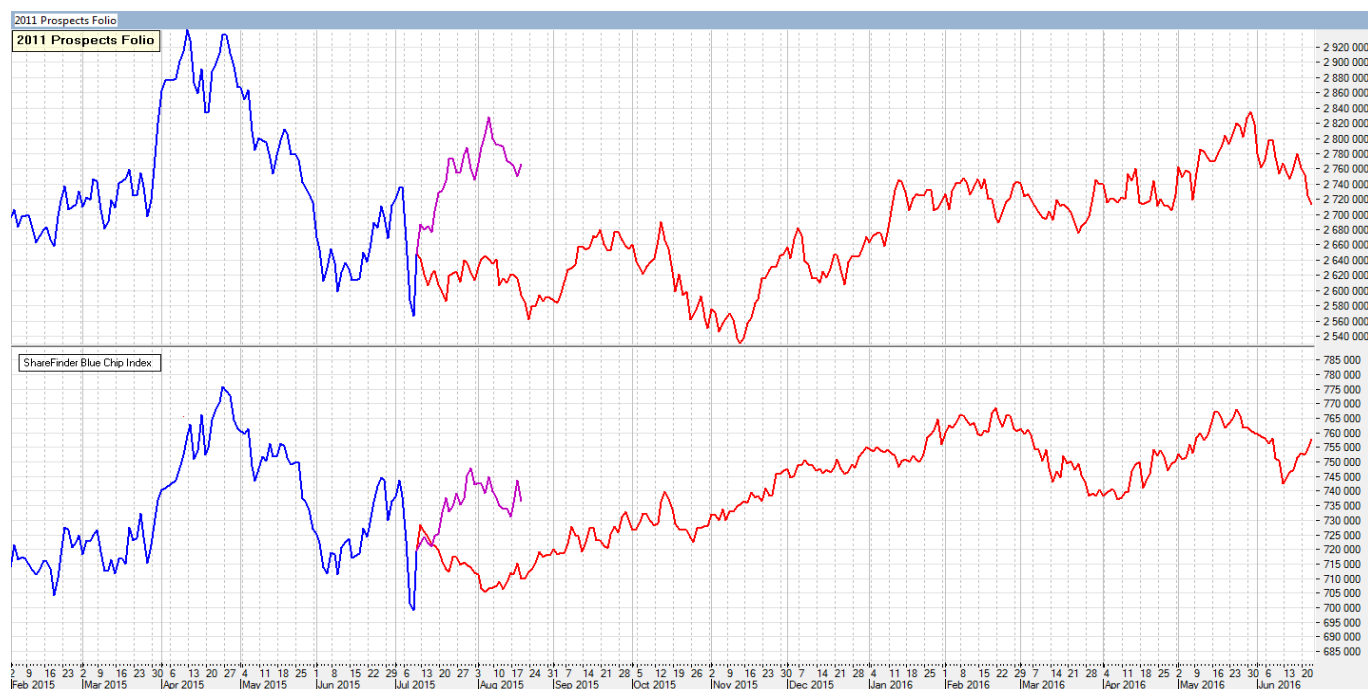
That is why an overwhelming majority voted last Sunday to reject the bail-out conditions served on them by the EU in return for an additional 53.5-billion Euros that they so desperately need to ensure that the banks can re-open, salaries and pensions get paid and food remains on the shelves of the supermarkets. In a country where practically everyone gets around on scooters, none really believe that they might soon have to return to walking and that the twice daily ferries between the islands might soon have to cease running.

For the rest of the world and for South Africa in particular, the Greek crisis is obviously no longer the threat that it posed in 2008 when the buzz word was contagion which threatened the whole of the Euro Zone with a domino effect and the world economy with the consequences of sharp interest rate rises. Provision has long been made for such an event and most of Greek debt has been shifted from private banks to the International Monetary Fund which has the muscle to absorb a default.

China, as I have warned readers of for many months now, is by far the greater threat, particularly to countries like South Africa which live by exporting minerals and primary commodities. There a major stock exchange correction has long been on the cards given the bubble that as been building. But the strong likelihood that it might spill over and catapult the Chinese economy as a whole into severe recession, could have severe consequences for the world. For investors in this country who, considering the widespread view that our Blue Chips

have become relatively expensive, have lately been dipping into commodity shares, the consequences of this could be very painful.

That said, immediately before my departure I warned of the probability of market declines in July which would complete the period of weakness that began in April and so far as Blue Chips as a whole are concerned, that cycle has probably completed itself. For the Prospects Portfolio a recovery trend is now likely until October when one last downward correction appears likely ahead of a solid recovery to the end of the year. Now the projections below:



The next month:

New York's SP500: I correctly predicted continuing declines and now I foresee a volatile recovery well into August.

London's Footsie: I correctly predicted a fresh decline. Now I see a brief recovery that is likely to be over within a week with the decline then continuing until the end of the month.

JSE Industrial Index: I correctly expected the beginning of a recovery from early June but it failed to endure as long as July. Now I see declines until the end of the month at least.

Top40 Index: I correctly predicted a decline until June 8 followed by a recovery but I failed to forecast the July-end decline. Now I expect a brief recovery before the next decline begins in a weeks time and lasts well into August.

The ShareFinder Blue Chip Index: I correctly predicted a June recovery. Now I see a sideways to modestly-recovering trend for the next six weeks.

The Rand: I correctly predicted gains for most of June. Now I see the present weakness continuing until July 20 before the next brief recovery begins.

Golds: I correctly predicted a falling trend which I now expect to last until the first week of August before the next recovery begins.

The Predicts accuracy rate on a running average basis over the past 550 weeks has been 83.13%. For the past 12 months it has been 91.67%.

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