Richard Cluver Predicts

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

Volume: 28

Issue: 22

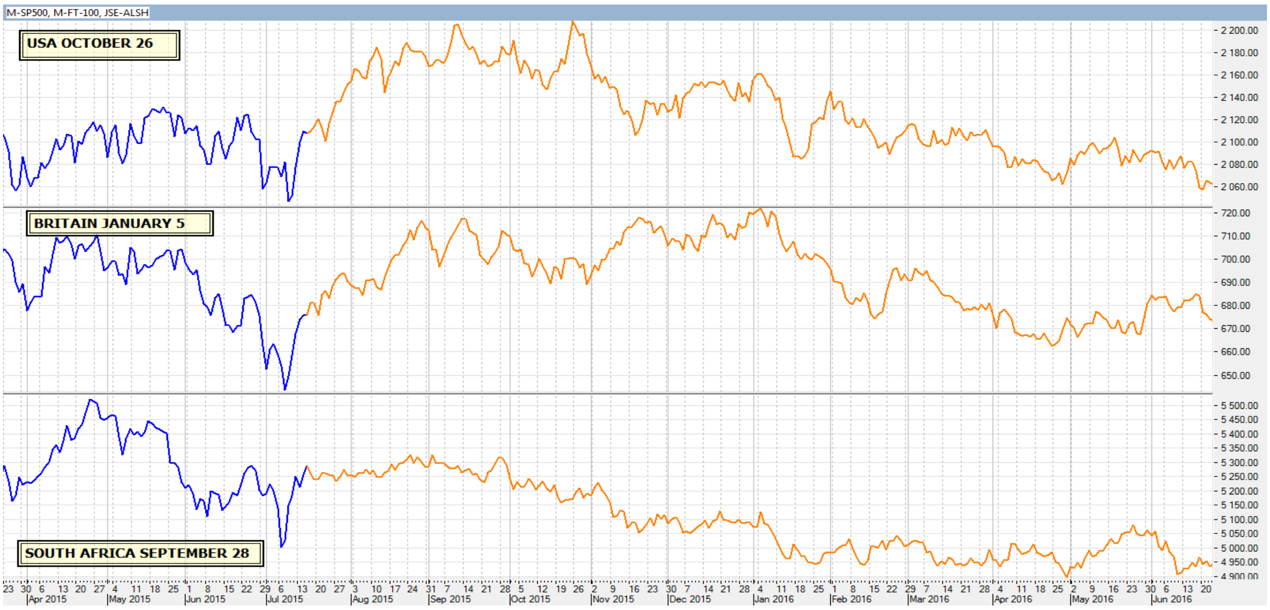
17 July 2015

Major events occurred on the international stage this week which collectively have the ability to significantly change the investment outlook for South African and global investors.

- The most obvious is the latest settlement of the Greek crisis which will calm markets; but be sure these problems will return. The latest Greek GDP debt ratio is reported to stand at 177.1 which is the highest it has ever been despite seven years of austerity. Here it is worth noting that the maximum ratio allowed for nations seeking to gain membership of the EEC is 50 though Greece was over 50 when it was admitted to membership.

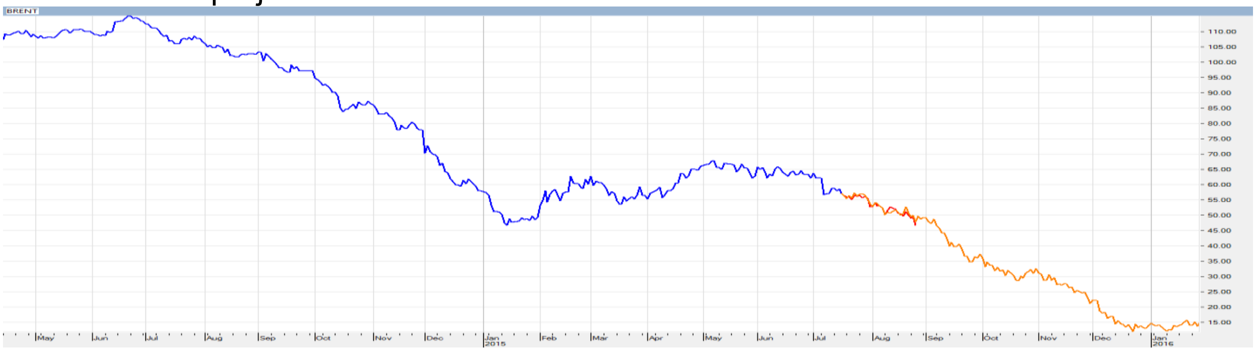
Economists believe that much over 50 takes nations into a category within which a nation's ability to generate income is exceeded by the cost of repaying the debt. This is of course a function of global interest rate averages and the world is living in a period of artificially lowered interest rates…which brings me to point two. But before I do, it should be noted that there are many countries with ratios above50: Japan 230,Lebanon 145.9, Italy 132.1,Portugal 130.2 Ireland 109.7, Belgium 106.5,USA101.53, Singapore 99, Spain 97 France 95, Britain 89.4 Canada 86.5, Iceland 86.4, Zimbabwe 77, Hungary 76.9, Netherlands 68.8, Finland 58.3 and last of all South Africa with 39.

- US Federal Reserve Chairman Janet Yellen told the US congress this week that the Fed will almost certainly raise interest rates before the end of the year. When the US changes rates the rest of the world inevitably follows and raised interest rates will of course make it more difficult for debtor nations to repay their debts. More importantly for investors, when interest rates rise, share market yields adjust to remain in line and that mean in a world of stagnant growth, that share prices must fall. ShareFinder calculates that bear markets will begin here in South Africa on September 28 in anticipation of the US beginning its decline a month later on October 26 and Britain on January 5. Note ShareFinder's share market projections below:



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

- The US this week signed an agreement with Iran that ends trade sanctions in return for control of its nuclear programme. The agreement will be hotly debated for months to come, but the immediate consequence will be the ending of sanctions which of course means that Iran's oil will begin flowing onto world markets in far greater quantities than previously. Oil has been recovering from its January weakness when it fell to $46.59 a barrel from a July 2014 peak of $115 and had reached $67.77 in May before it began falling again and this month it has fallen sharply once more with ShareFinder projecting a further collapse of the price in the weeks ahead. Obviously this is positive for South Africa inasmuch as it will contain fuel costs and restrain inflation worldwide. Note ShareFinder's projection below:



- The fourth horseman is the Shanghai Stock Exchange which until last Wednesday had fallen a dramatic 27.8 percent from its peak on June 11, the unintended consequence of the Chinese Government attempting to place limits on margin trading. Massive State intervention had begun to stabalise this market until this Monday when the panic began again. The market crisis is threatening a domino effect upon the Chinese economy which had in any event been slowing significantly lately.

  China has been arguably the world's only engine of growth in the past seven years and her economic welfare is of critical importance to our own mineral export-dependant economy. We can only watch and hope, but the outlook is not good. See the graph below:

The next month:

New York's SP500: I correctly predicted a volatile recovery. But now I see weakness until the 24th followed by a modest recovery in a sideways trending market.

London's Footsie: I correctly predicted a brief recovery that was likely to be over within a week. And now I see the decline beginning with another recovery attempt beginning on July 28.

JSE Industrial Index: I prematurely predicted the start of declines but now I see a sideways to weakening trend well into August..
Top40 Index: I correctly predicted 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 modestly-recovering trend. Now I see weakness until August 7..

The Rand: I correctly predicted weakness which I still see continuing until July 20 before the next brief recovery begins.

Golds: I correctly predicted a falling trend. Now I see a brief recovery until the 23rd followed by a decline to the end of the month when the next recovery is scheduled.

The Predicts accuracy rate on a running average basis over the past 551 weeks has been 83.16%. For the past 12 months it has been 92.95%.

Richard Cluver

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