Richard Cluver Predicts

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

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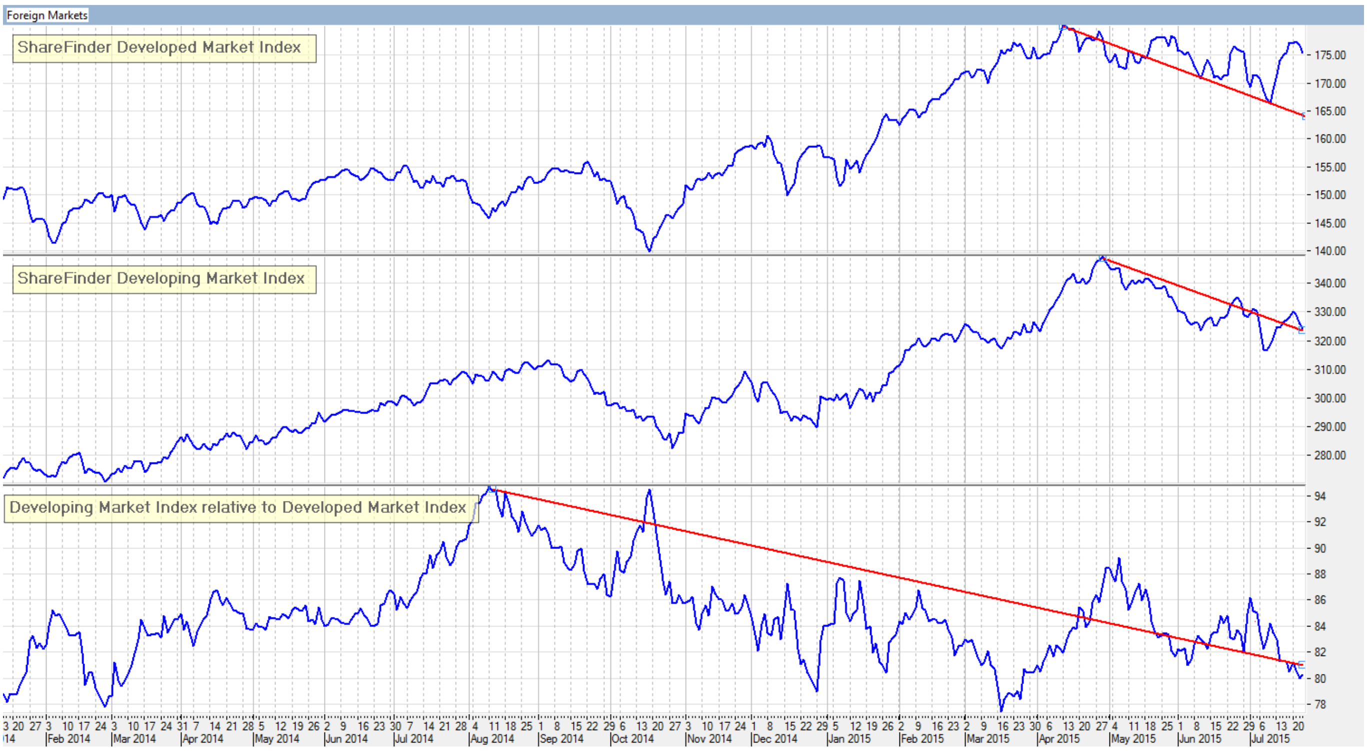
Surprisingly few readers have reacted this past week to my prediction last Friday that a bear market has already begun in South Africa and that it will shortly be followed by protracted declines in all the world's major markets, led by New York and London.

Either you have taken the prediction on face value or have treated it as just another warning that world markets are overpriced and that a correction is overdue. There has, after all, been such widespread international commentary over many months that the worlds longest-enduring bull market in modern history is so massively overpriced that many have begun taking a "cry wolf" attitude. **So it is important that I emphasise the significance of this prediction.**

Let us start with our own ShareFinder Indices of the world's Developed World and Developing World markets which have both been in decline since mid April this year while, as my third graph in the composite emphasises, Developing World markets have in relative terms been underperforming the Developed World since August last year reflecting the commodties slump:



Now, if you consider my next graph which tracks the entire period of Wall Street's most comprehensive market index, the S&P500, you will note that every September there has been a cyclic decline of quite significant proportions. I have also added in London's FT100 Index which shows that this period of weakness was echoed in London. I could, furthermore, add in graphs of all the other major world markets simply to prove the old adage that whenever Wall Street

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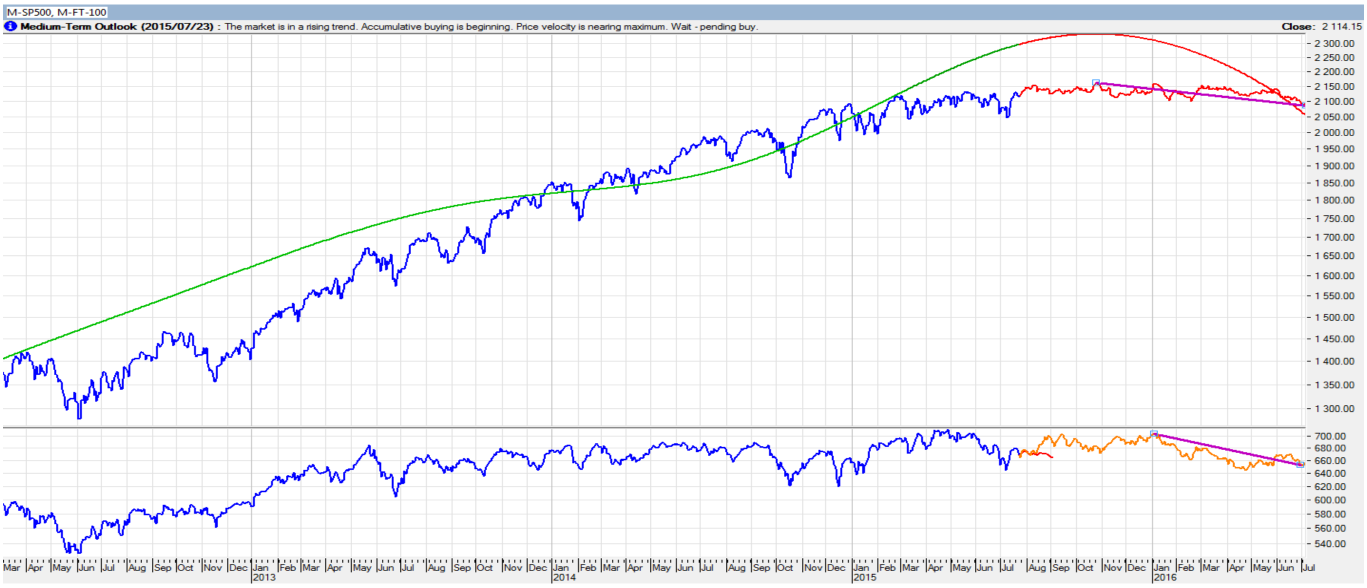
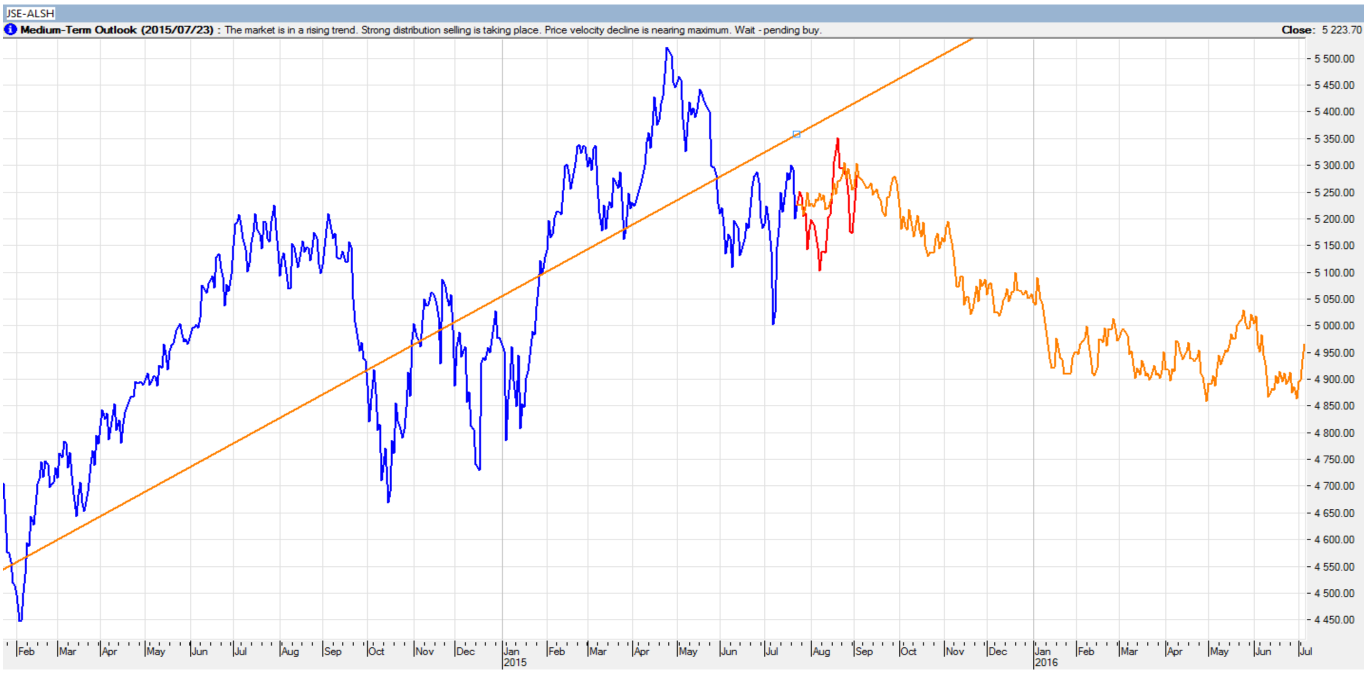
catches a cold the rest of the world develops pneumonia, but readers I think now well understand that Wall Street really calls the world's investment market shots. Importantly, note the medium-term Fourier projections which in the case of both of these markets suggest that from September on there will be a downward trend and, most importantly, ShareFinder's major long-term Fourier – the smoothly-curving green line which becomes red in projection – is also shown peaking out. Interestingly, in every case I have looked at, there is no evidence of a crash, merely a slow decline setting in which takes the market down steadily until next July.



Here in South Africa, as I have already mentioned, the bear phase has actually been under way since April and while a recovery is currently in progress, ShareFinder predicts that it will be over towards the end of August and it will be all downwards from then on until next July…oh and do note how last September we echoed the Wall Street weakness in spades falling 11 percent that time.



No need to panic however. If you follow this column devotedly, Blue chips will hardly falter through the coming period of weakness, so it is time to store up money towards a good buying season in the months ahead!

The next month:

New York's SP500: I correctly predicted weakness which I now see extending until August 4.

London's Footsie: I correctly predicted the decline which I expect to last until the 29th before the next recovery begins.

JSE Industrial Index: I correctly predicted the beginning of a decline trend which I see lasting until the 11th of August.

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Top40 Index: I correctly predicted the next decline which should last until the 11th of August.

The ShareFinder Blue Chip Index: I correctly predicted weakness which I now see lasting until August 11.
The Rand: I correctly predicted a brief recovery which I see lasting untiol August 5.

Golds: I correctly predicted a brief recovery followed by a decline which I still see lasting until the end of the month when the next recovery is scheduled.

The Predicts accuracy rate on a running average basis over the past 552 weeks has been 83.19%. For the past 12 months it has been 93.27%.

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