Richard Cluver Predicts

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

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An all pervading atmosphere of gloom is currently evident across global markets as they digest a sucession of worrying news developments. But a brief recovery is on the cards.

As I have regularly warned readers, China has been the region to watch and now it is becoming evident to the world that government intervention there to try and calm market volatility has only succeeded in created additional suspicion. However, one needs to put that market into perspective by considering my graph below of the Shanghai Composite Index. The market index is very new and we have little data to work with. Nevertheless it is obvious that what we are seeing is simply a blow-off from an extremely overheated situation with the massive declines of the past few weeks merely serving to bring the trend back to the norm of the past year during which the Chinese market was rising at a dramatic compound annual rate of 56 percent. Projecting this data, ShareFinder calculates that the Shanghai Index has a bit further to fall before it resumes its growth trend.

However, I must stress that we have very little data to work with and so any projections ShareFinder creates must be regarded as merely a short-term probability. Far more important are the trends of our own ShareFinder Developed and Developing Markets Indices which I have printed overleaf in relative strength terms.

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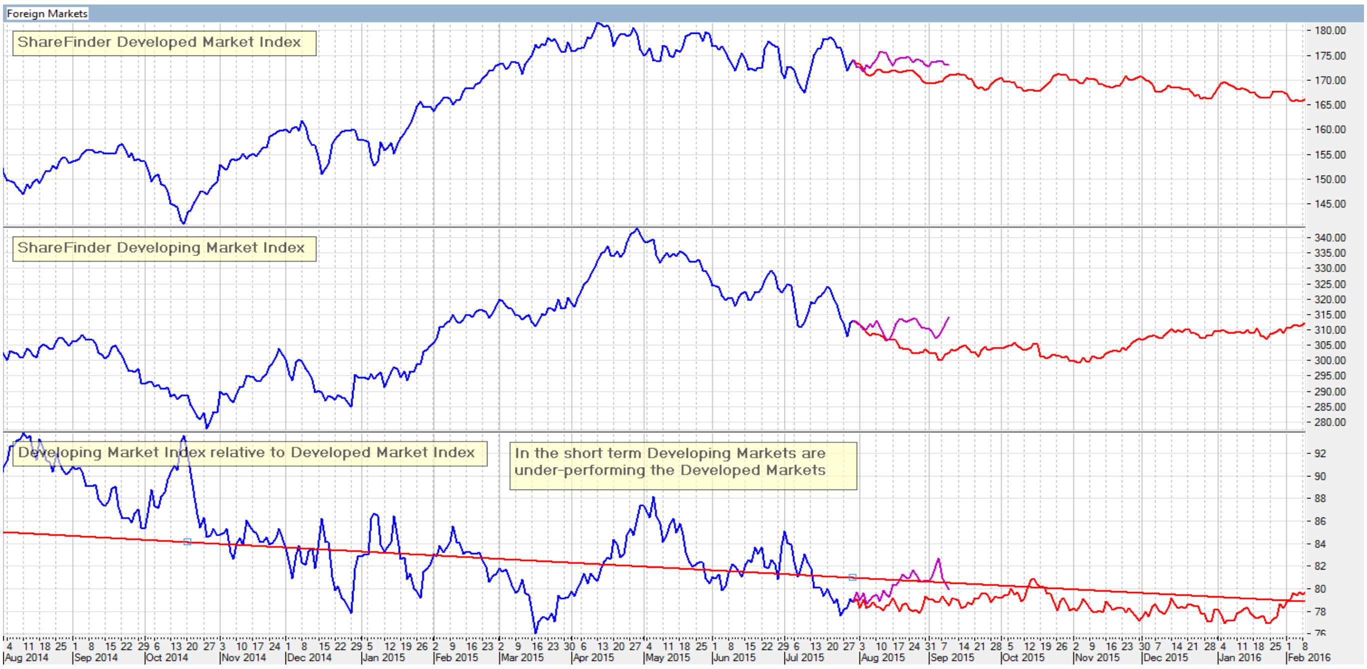
Here, considering first of all the topmost graph that tracks the share markets of the Developed World; notably London, New York, Paris and Frankfurt, it is clear that the bear trend is now fairly well established with markets declining steadily since mid-April while markets of the Developing World (second graph) have been in even steeper decline since the end of April.



What might have been somewhat modest corrections following the strong up-trends of the earlier part of the year, have now turned into a steady decline as all over the world investors eye China with apprehension. After all China has been the word's lone engine of growth ever since the 2007-8 sub-prime crisis-led bear market exposed the West's soft underbelly. Furthermore, as the lower (relative strength) graph discloses in the composite above, Developing World markets have been underperforming since mid 2011 which, bearing in mind that the latter are in the main all primary commodity producers, should surprise nobody in a sluggish world economy.

So are there any rays of hope? Well the graph below tracks the performance of the ShareFinder Blue Chip Index which has been rising steadily since March 2009 at compound 22.4 percent and, having taken the brief pain of the April to July correction, is now back on track:

All of which brings me to the Prospects Portfolio which has been in strong recovery mode since early June and is projected to keep on climbing to a year-end peak value of R2.88-million, up from R2.55-million in January. The graph bears out my long-held conviction that in times of trioubble the market always heads for quality.

The next month:

New York's SP500: I wrongly predicted weakness. Now I see gains well into August.

London's Footsie: I correctly predicted the decline which I also correctly expected to end mid week. Now I see a recovery lasting throughout August.

JSE Industrial Index: I correctly predicted the beginning of a decline trend which I now see lasting until the 14th of August.

Top40 Index: I wrongly predicted the decline would last until the 11th of August. It ended on July 28 and I see it continuing upwards into the third week of August.

The ShareFinder Blue Chip Index: I correctly predicted weakness which I still see lasting until August 11.

The Rand: I correctly predicted a brief recovery which I now see lasting until August 26.

Golds: I correctly predicted a decline which I now see lasting until August 10 when a brief recovery is scheduled until the next decline begins on the 14th.

The Predicts accuracy rate on a running average basis over the past 553 weeks has been 83.2%. For the past 12 months it has been 92.9%.

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