



# Richard Cluver Predicts

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



Volume: 28

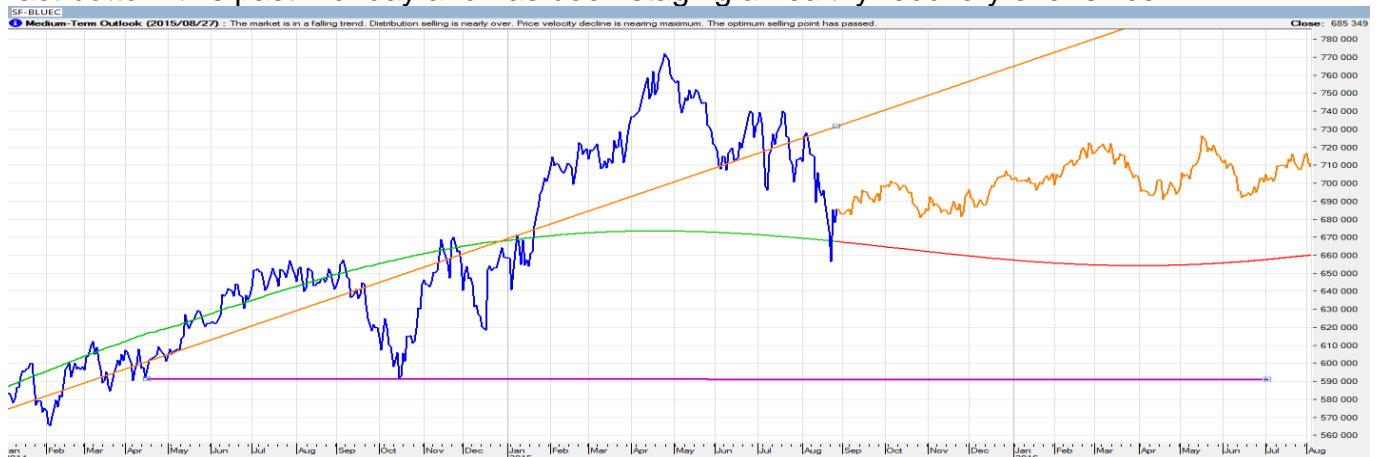
## 28 August 2015

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**Amid the ever-increasing turmoil that has marked world investment markets in the past few weeks I have continued to emphasise to readers that there is only one relatively safe haven: in the bluest of Blue Chip shares.**

While my ShareFinder software has been projecting this fact for months now and I have stressed the observation that the "Smart Money" has been flowing towards this safe haven, there have been many Doubting Thomases who have found it impossible that Blue Chips could hold value when equity markets generally have been collapsing in quite spectacular fashion.

Its an understandable view, and one which has had me nervously checking and re-checking my indicators to make sure that my own argument is not flawed. And each time the signs have been positive. So this Friday I bring you another. Readers will recall that last week I wrote "...And that should, if we do not experience any other major shocks in the next few weeks, offer us the bottom turning point for South African Blue Chip shares." So it is with a much lighter heart that today I direct you to the graph below which shows that the ShareFinder Blue Chip Index did in fact bottom this past Monday and has been staging a healthy recovery ever since:



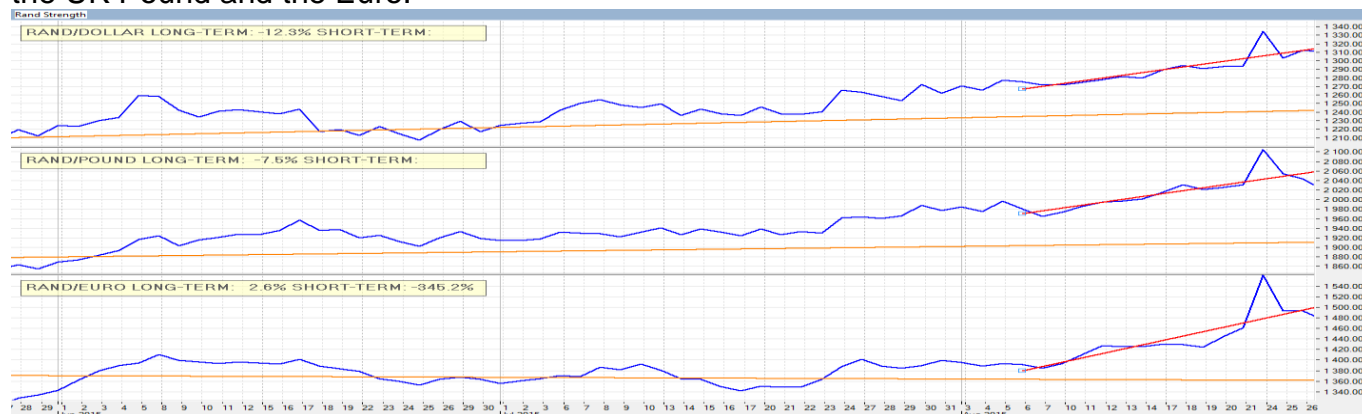
Assuming that this bottom is confirmed and reinforced in the weeks that lie ahead, then we will be able to look back on this past April to August period as a genuine market correction, a pressure blowoff following the unusually steep gains that this category of shares made during the October to April surge which, for the share market as a whole, should have been seen as the final splurge of an overheated bull market.

There is, however, a conflict here which I should draw to readers attention. One of technical analysts' favourite patterns is the Head and Shoulders and exactly this pattern is evident in the chart above. The left shoulder was traced out between July last year and this January. It was followed by almost perfectly parallel neck lines, on the left between mid-January and the beginning of February this year and then again from the beginning of August right up until the turnaround on this Monday past. So students of technical analysis would about now be looking for a further plunge down to the purple line I have drawn onto the graph. And if they are correct one would expect the Blue Chip Index to fall a further 14 percent of so between now and the end of the year. ShareFinder, however, projects that the Blue Chips will be up by a modest 3

percent by late December and will keep on rising so that by next May they will equal the level they stood at in late July: that would take the index to a 10 percent gain from this week's low.

It will be interesting to see whether ShareFinder is right or wrong, but I am confident that it is right, a confidence derived from the programme's observed 92.8 percent prediction accuracy rate.

Here too, I also take comfort from the fact that using ShareFinder's prediction system I recently told readers that the Rand's recent weakness was over for now and that we should expect it to strengthen in the weeks ahead. And so I offer the graph composite below which clearly shows that this week exactly that began to happen with the Rand gaining strength relative to the US\$, the UK Pound and the Euro:



Don't, however, expect this strengthening to continue. ShareFinder's calculations suggest rather that a sideways trend is now likely for the next two months although, against the Euro, some further gains are still probable.

## The next month:

**New York's SP500:** I predicted the US would bump along the bottom in a sideways trend from now and that process began on Tuesday. Expect marginal gains between now and early October.

**London's Footsie:** I correctly saw a short-term dip but wrongly expected the market to recover this week. Now I see further declines well into September.

**JSE Industrial Index:** I correctly predicted the beginning of an erratic recovery which I now expect to last until September 8 before the next bout of weakness begins.

**Top40 Index:** I correctly predicted a whip-saw period of recovery and the first up-leg should be today.

**The ShareFinder Blue Chip Index:** I correctly predicted weakness followed by a recovery which I now see lasting until + - September 8 before the next dip.

**The Rand:** I correctly predicted a brief recovery which I now expect to continue until September 4.

**Golds:** I correctly called an end of the gold recovery. Now I see a fresh up-trend lasting most of September.

**The Predicts accuracy rate on a running average basis over the past 557 weeks has been 83.27%. For the past 12 months it has been 92.81%.**

Richard Cluver