



Richard Cluver Predicts

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



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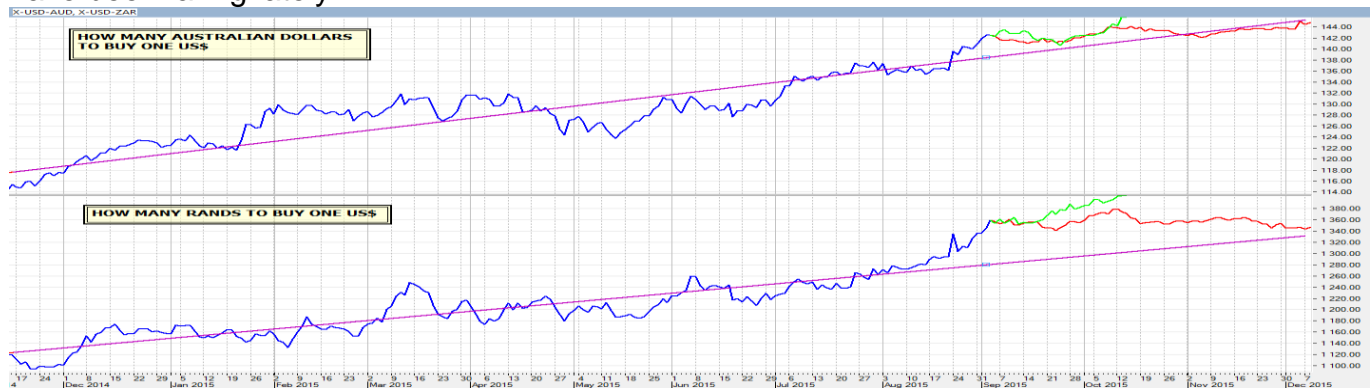
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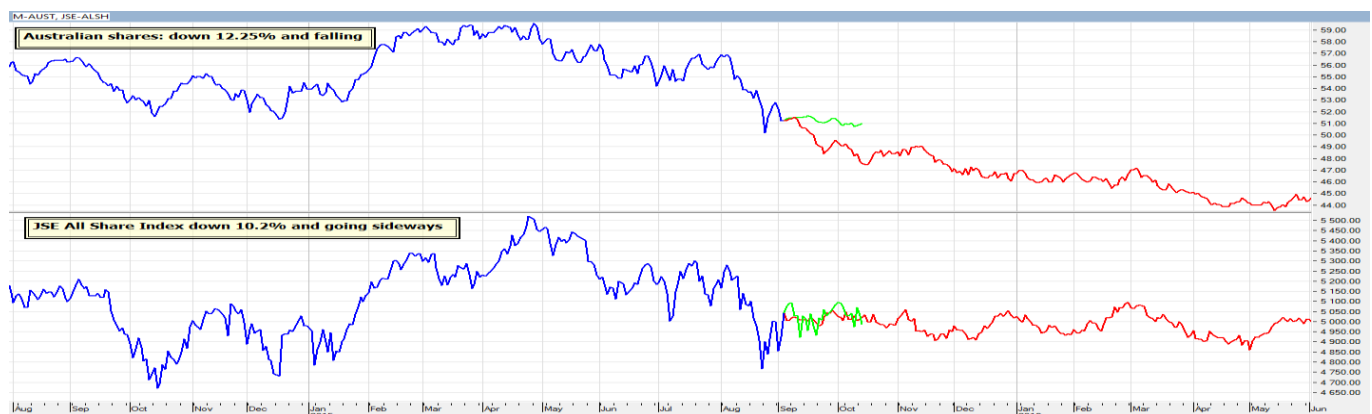
It's hard to decide whether South African investors are more concerned about the decline of the stock exchange or that of the Rand, particularly when the two are pretty well synonymous.

In both instances we appear to be on a hiding to nothing and there is little comfort in knowing that in time all this will pass: that what goes up must come down and vice-versa. Neither, it seems, does it help that readers of this column have been warned for months that the declines were coming and that they should have taken appropriate action months ago.

Listening to dinner party chatter lately, everyone is blaming Jacob Zuma and the ANC for these twin crises. And while I am as disturbed as everyone else at the levels of graft, corruption and mismanagement that the current government is responsible for, on this occasion I must say you cannot blame Jacob. The issues are just so much bigger. Let's start by noting how Australians have been faring lately:

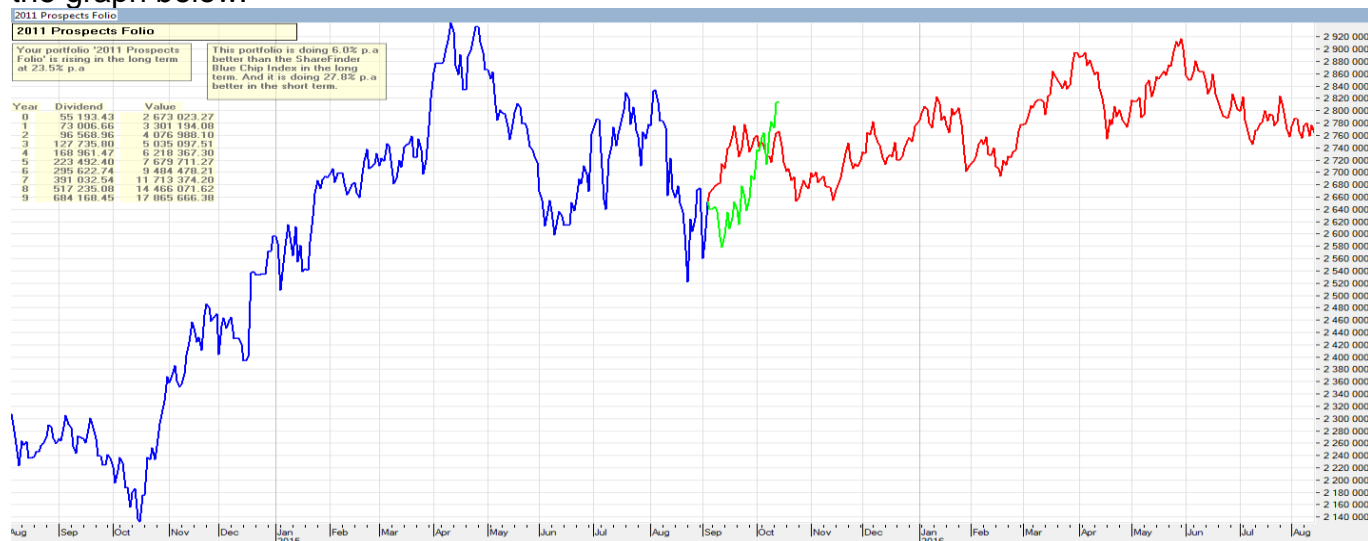


The topmost graph in the composite above traces how many Australian dollars it requires to buy one US\$ and readers might be surprised to note that the Aussie dollar has been falling in value at 23.1% compound for the past year while the Rand, second graph, has been falling at just 18.1%. The good news in both cases, however, is that ShareFinder's usually very reliable projection system (the red lines) suggests that in the immediate future both currencies will strengthen though short-term analysis (green projections) thinks the Aussie dollar will do better than the Rand between now and the end of September. And what about the share markets?



Well Australian shares had fallen 12.25% at their worst point on August 25 and have since recovered a little with a projection suggesting that they have quite a long way still to fall between now and next May while our own All Share index fell just 10.26 percent until the worst point last August 24 and have recovered strongly since.

ShareFinder thinks that the average local share will be a little weaker next May: by around 3.6% weaker by then. But it thinks the average Australian share will be down a further 15% next May. Against these figures, the Prospects 2011 Portfolio fell 11.6 percent but is now recovering strongly and ShareFinder projects that it will be up 15.7 percent by next May as illustrated by the graph below:



I trust that will make you feel a bit more optimistic this weekend!

The next month:

New York's SP500: I correctly predicted gains and, though in an erratic sense, I expect the recovery to continue into October

London's Footsie: I correctly saw further declines which I see continuing until mid-September.

JSE Industrial Index: I correctly predicted the beginning of an erratic recovery which I still expect to last until September 8 before the next bout of weakness begins. But it should recover from Sept 11 to 15th before falling again.

Top40 Index: I correctly predicted a whip-saw period of recovery but from next week it is likely to be briefly down once more and recovering again from the 11th..

The ShareFinder Blue Chip Index: I correctly predicted a recovery which will probably end on Monday with the trend erratically downwards from then until month end.

The Rand: I wrongly predicted a brief recovery, but I believe it has only been postponed and now I see gains until September 16.

Golds: I correctly called a fresh up-trend lasting most of September. But I expect some bumps along the way with fresh weakness starting briefly on Wednesday.

The Predicts accuracy rate on a running average basis over the past 558 weeks has been 83.27%. For the past 12 months it has been 92.45%.

Richard Cluver