



### Want to make a quick buck? ShareFinder's analysis of the current trend of MTN shares suggests that the price will fall on Monday to around R136.20 and then start rising to a peak of R164.19 by Christmas.

That would be a 20% gain in less than a month. The graph on the right depicts ShareFinder's projection of how MTN shares will move in the month ahead as the fine drama plays out in Nigeria.

Personally I will not be gambling on the probability of this prediction working out profitably because I am not a trader, preferring the far greater safety of buying top quality shares which I have determined are

underpriced relative to their earnings track record. That said, however, the accuracy of this MTN short-term prediction is better than 90 percent based on the accuracy rate of all predictions made in this column over the past 12 months as detailed at the end of this column every week, which implies a very high probability of an attractive gain in this period.

My opposition to trading is, I am sure, very well known because I have written extensively about it over the years. It lies in the fact that all profits you make are taxed by the receiver of Revenue at your marginal rate which means that the fiscus will claim around 40 percent of any profit you make. You can accordingly quite easily work out that if more than two trades in succession prove to be wrong you will be out of pocket. The long-term investor who opts to buy shares in companies that year after year for at least a decade have regularly increased their profits, and furthermore, who seeks out situations where such shares are underpriced relative to their peers, logically thus stands to make a far more certain gain over time.

Thus in contrast to buying MTN as a trade, let us rather note that because of its long-term average dividend rise of 41.22% a year over the past decade, the average JSE Blue Chip share has managed a 25.76% gain, making it in most other circumstances, a really good share to buy for the long haul, particularly now that it is so heavily discounted. Note that in relative value terms MTN shares have been driven down in price by 44% in the past year because of concerns about its Nigerian operation, culminating in the disastrous plunge of the past month since it emerged that Nigeria had imposed a fine of such magnitude upon the company as to beggar belief that they seriously believe it is collectible.

By ShareFinder's calculations, the shares are now over 70 percent undervalued!

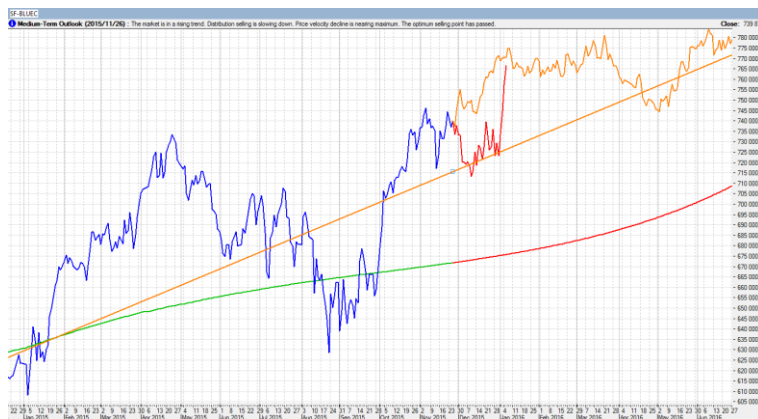
Obviously if the Nigerians do not relent and something like two years of MTN profits are wiped out, then the past dividend growth rate will in all probability be wiped out and MTN will lose its blue chip status; that is presuming it has not already lost it over the Nigerian affair which has seemingly shown the company to be arrogant beyond belief.



However, if some compromise is achieved, then a sharp recovery must be expected even if it does not spell a return to the same heady share prices as we have previously seen.

This is one of the most fascinating share market stories to have been played out on the JSE in many a long year, more so because of the soap opera manner in which it has been drawn out without any clear resolution, so please forgive me if I have seen to be somewhat preoccupied with it of late. But I do sense some good profits coming out of this situation.

Meantime, regarding Blue Chips as a whole, ShareFinder sees market weakness until December 10 before the recovery begins again with the market seen as likely to gain fairly steadily from then until mid-March as depicted in my graph composite on the right.



## The next month:

**New York's SP500:** I correctly predicted further gains, but now a short period of weakness is likely followed by a brief rise mid-week and then a sharp plunge beginning on the 8<sup>th</sup>.

**London's Footsie:** I correctly predicted the start of a declining trend which I expect to last until the end of this month followed by an erratic upward trend for most of December.

**JSE Industrial Index:** I correctly predicted declines which I see happening as a trend until December 4 followed by a zig zag rise until the 22<sup>nd</sup>.

**Top40 Index:** I correctly predicted the beginning of a decline which I now see lasting until the middle of December.

**Gold:** I correctly predicted losses which I expect to end today with an upward surge until December 21.

**The Rand:** I wrongly predicted a brief recovery. But the recovery has been delayed and it should now start on December 3.

***The Predicts accuracy rate on a running average basis over the past 569 weeks has been 83.55%. For the past 12 months it has been 93.75%.***

Richard Cluver