**Richard Cluver Predicts**

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

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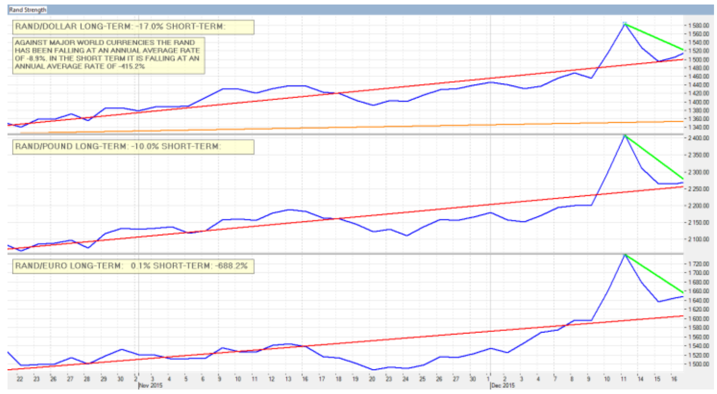
# 18 December 2015

**This is the last issue of Richard Cluver Predicts for the year 2015 so may I wish you and yours every blessing for Christmas and a prosperous New Year. Please note that our office will be closed from noon on December 24 to Monday January 4.**

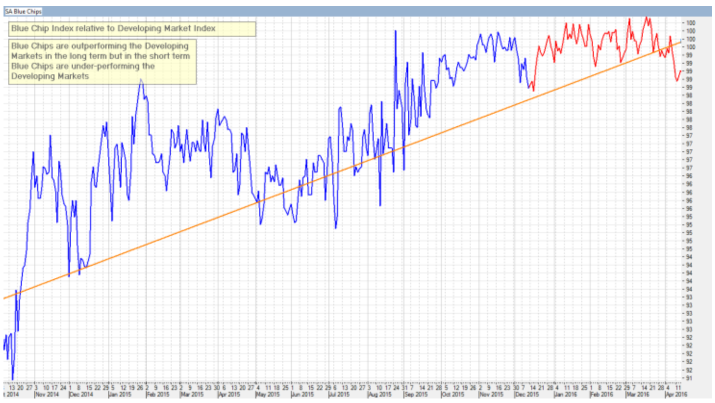
**It's hard to remember a Christmas more filled with pessimism but I am resolved to look on the bright side of things today. After all the sun is shining when most of the developed world is shrouded in fog and snow. That has to count for something!**

So let is start with the economies of the Developing World of which South Africa is a part, noting that unlike Brazil, we are still one notch above junk rating on our sovereign bonds. More importantly, as I highlighted earlier this week in my Prospects newsletter, the tide has begun to turn for the Developing World as a whole as my first graph illustrates with the Developing Market Index turning upward relative to the Developed Market Index.

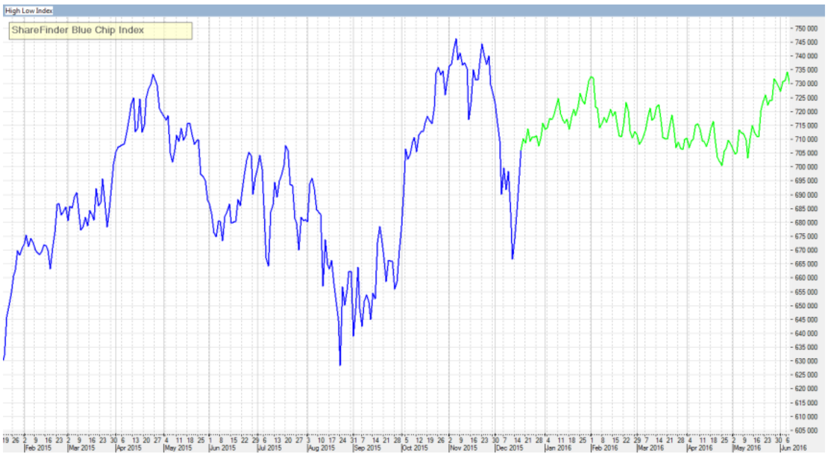

Moreover, note my second graph, the Rand which has been weakening relative to the world's major currencies, has begun to strengthen since Monday when Pravin Gordhan took over the reins of Finance.




Furthermore, as my third graph illustrates, although they have very briefly underperformed since mid-November, South African Blue Chip shares have consistently outperformed the Developing World Markets Index by a factor of 5.6 percent and they are projected to continue doing so at least until mid-March.



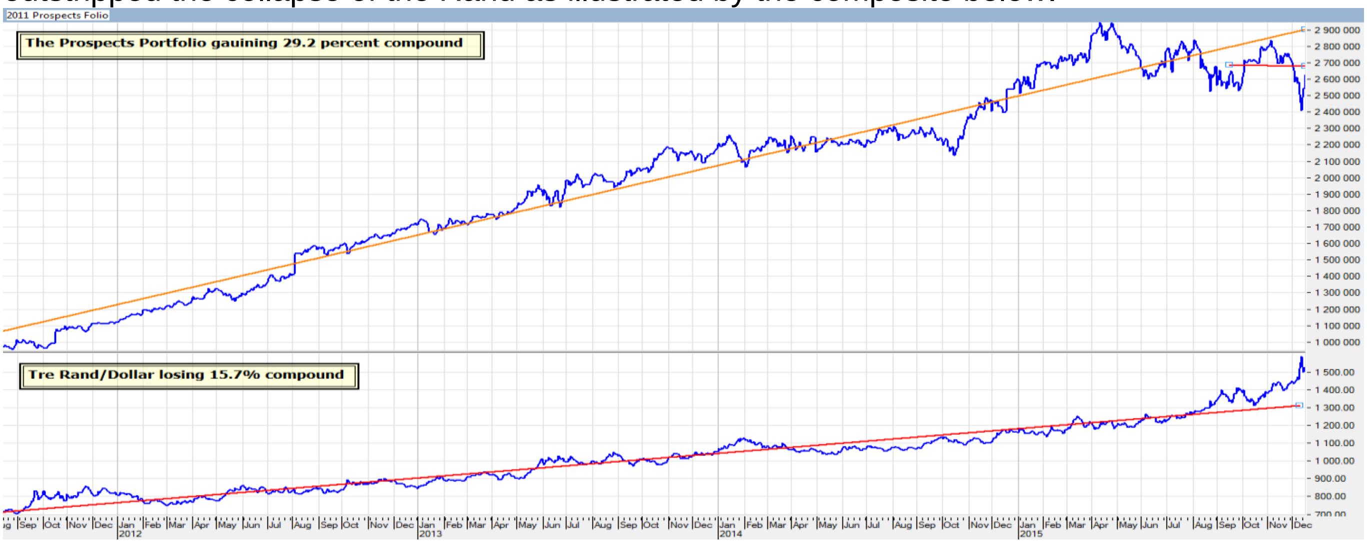

Blue Chips were punished by the Finance Minister affair last week but, as my first graph overleaf illustrates, they have recovered very strongly since last Friday and they might be expected to continue strengthening at least until the end of January where after the market is likely to move into a holding pattern as it digests the implications of the 2016 budget which is likely, in the opinion of most observers, to produce some investor-unfriendly surprises.




All in all then the outlook is far better than most might expect at a time when the one-man wrecking ball is loose in our economy.

Finally, I should point out that our Blue Chips continue to grow in value at a compound annual average rate of 19 percent which implies that investors who choose these as a home for their money will see their capital double every three and a half years. Thus, even though the Rand has been losing value relative to the dollar at compound 15.6 percent during the Jacob Zuma years, investors who have used our Blue Chips have nevertheless grown wealthier in dollar terms during this time of financial vicissitude.

Those who have copied the Prospects Portfiolio since its inception in January 2011 have enjoyed a compound annual average growth rate of 29.2 percent which has very comfortably outstripped the collapse of the Rand as illustrated by the composite below.




# The next month:

**New York's SP500**: I correctly predicted weakness which I still see continuing until Christmas..

**London's Footsie:** I correctly predicted a recovery which I still see continuing until the end of the year.

**JSE Industrial Index:** I correctly predicted a brief recovery. Now I see one decline before Christmas and then upwards into January.

**Top40 Index**: I correctly predicted the beginning of a recovery which I see lasting well into January.
**Golds:** I correctly warned that the recovery was over and now I see weakness until the first week of January.

**The Rand:** I correctly predicted a recovery which I see lasting until the third week of January.

***The Predicts accuracy rate on a running average basis over the past 572 weeks has been 83.64%. For the past 12 months it has been 94.32%.***

**Richard Cluver**



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