

Richard Cluver Predicts

In our 22nd year of service to the investing public of South Africa



Volume: 22

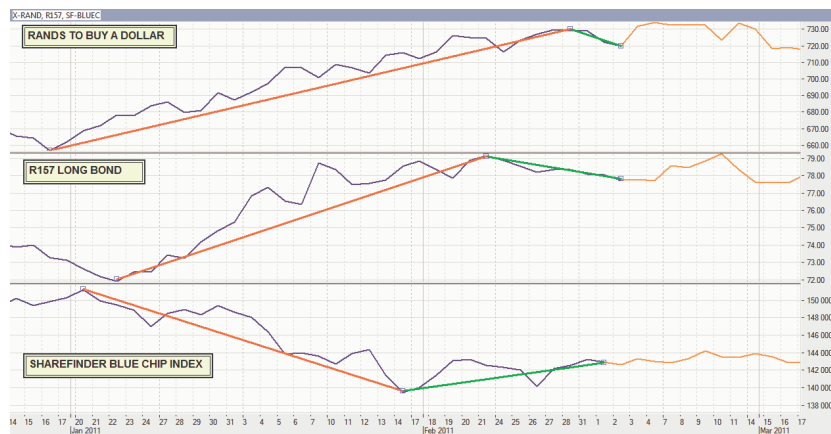
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It is early days yet, but there is a glimmering sign that the local investment market is turning positive. However, it will take several days more for the current trend to firmly establish itself.

If you consider the composite on the right you will see that the ShareFinder Blue Chip Index was the first to break out of the downward trend that began with the start of the New Year. Highlighted by a green trend line in the lowest of my three graphs, you can see that the index started trending upwards on February 1 as investors began nibbling at bargains uncovered by the January bearishness.

In turn on February 8 long bonds, as exemplified by the R157, began to experience falling yields which indicated that buyers were nibbling on this market.

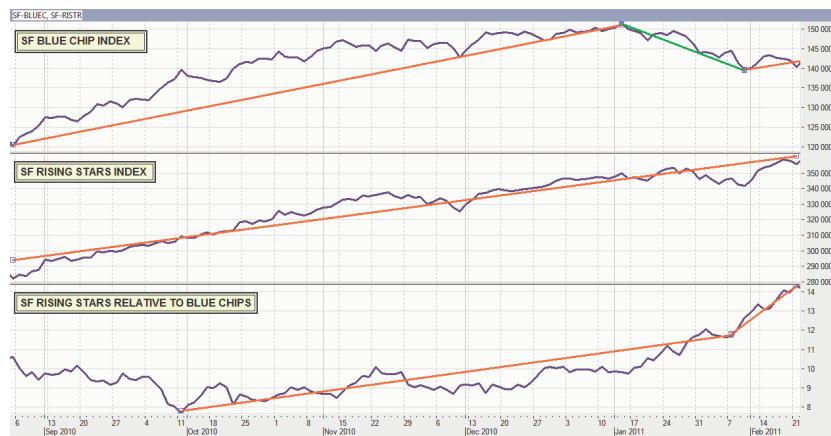


Finally, on Monday this week, the Rand which had been weakening since January 4, began firming against most leading world currencies; collectively proof that money which had been flowing out of this country as foreign investors took money off the table, had reversed its flow.

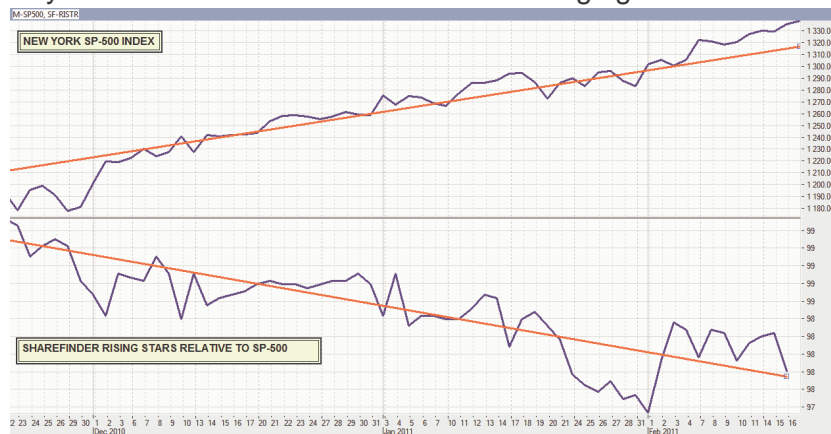
Most interesting, such share buying as is now going on is most strongly directed towards the riskier end of investment grade shares as illustrated by these share's strength relative to the Blue Chips in my second composite on the right. This serves to confirm that buyers believe Blue Chips are comparatively overpriced.

Overall, it is probably fair to deduce from these signs that overseas investors who now dominate the JSE, have not lost confidence in South Africa as a destination for their money. Wall Street, as measured by the S&P500 Index, is currently rising at a dramatic 45% compound. Relative to that our best-performing sector, the Rising Stars, has been falling since mid-November as illustrated in my third composite on the right.

However, such dramatic gains as New York is currently making cannot continue unabated for too long. So it is interesting to view on page 2 ShareFinder's projection which



They have rather been sucked into a new raging bull that is Wall



suggests that Wall Street will top out at the end of this month before beginning a sideways trend that could well last until December.

The week ahead:

New York's SP500: I correctly predicted continuing strength and I continue to expect it to rise until the end of February when a sideways trend appears likely.



London's Footsie: I correctly predicted gains extending until around February 15. Now I expect the gains to continue until the 18th after which a brief correction is likely followed by gains until the end of the month.

JSE Industrial Index: I correctly forecast weakness continuing well into March and I continue to hold that view.

Top40 Index: I correctly forecast a bear trend likely to continue and I continue to hold that view.

ShareFinder Blue Chip Index: I wrongly forecast a continuing downward trend. Now I foresee a recovery into the first half of March.

The Rand: I correctly predicted the Rand would gain strength and I expect it to continue doing so into the third week of March.

Gold: I correctly predicted continuing gains but warned that the time was ripe for four or five days of correction before the bull phase resumes at the beginning of March. I continue to hold that view

Gilts: I correctly predicted gains. Now I see a day or two of weakness before the bull trend resumes.

The Predicts accuracy rate on a running average basis over the past 381 weeks has been 79.92%.

Richard Cluver