

Richard Cluver Predicts

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



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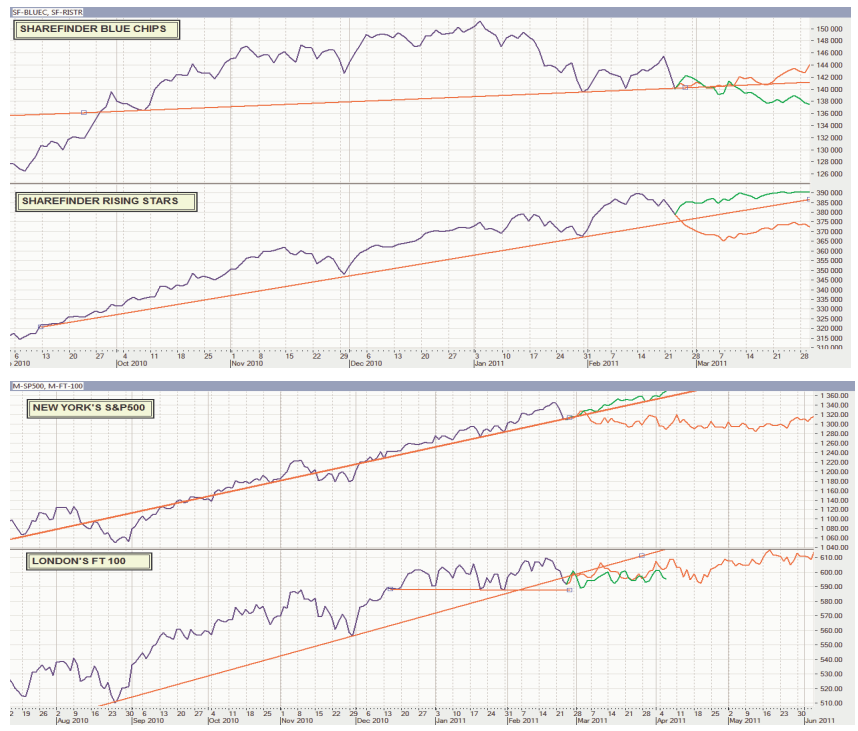
25 February 2011

As last week's tentative market recovery ran out of steam in the face of world-wide jitters over the worsening civil war in Libya, the JSE was today poised to test a support level that has been in place since October. And similar support-line penetrations were being watched in London and New York.

Interestingly, the red lines of ShareFinder's medium-term Fourier projections in the composite on the right suggest that Blue Chips will bounce off the support line and the riskier Rising Stars will fall through while the green lines of the short-term projections sense the opposite happening so, in a technical sense, the jury is still out while the long-term view remains bearish for the rest of 2011.

New York and London present similar graphs in the second composite on the right

Meanwhile, one of the lone beneficiaries of all this has been Sasol which I have constantly urged readers to include in their portfolios. On a current price earnings ratio of 14.3 it is hardly cheap. However, a



study of the third composite above suggests that it remains an attractive buy even at present levels. Compared with the Rand price of Brent crude oil which has been rising at 16.9% compound over the

past decade, Sasol has offered investors compound 22.9% over the same period and, as the red trend lines indicate Sasol is only marginally above that decade-long trend line. More importantly, while the Rand price of oil has been rising at compound 17.7% since January 2009 when the Sub-Prime bear market ended, Sasol has been rising at a very pedestrian 9.8% suggesting that Sasol has a good deal of catching up to do.

If the predictions currently being made by major Wall Street merchant banks that prices well above \$200 a barrel might be seen in the next few months, far surpassing the peak price of \$144.47 reached on July 3 2008, then it is logical to expect Sasol to soar upwards in sympathy. Note that Sasol peaked at R518 on May 22 2008 compared with last night's closing price of R381.25. Could one accordingly expect to see Sasol spike upwards to around R800? It seems hard to contemplate, but then who could have expected the last price spike to virtually double the fair value price of R250 in mid 2007 when the last oil bull market began.

The week ahead:

New York's SP500: I wrongly predicted continuing strength until the end of February. Now I expect a recovery to begin.

London's Footsie: I correctly predicted a brief correction and now I see this continuing for several weeks.

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 but it has been overdone and now I see an extended recovery beginning.

ShareFinder Blue Chip Index: I wrongly forecast a recovery into the first half of March. However I continue to expect a recovery. The signs are, as I mentioned, confusing but I will opt for recovery.

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

Golds: I correctly predicted a downward correction followed by a recovery starting in the second week of March and I continue to hold that view

Gilts: I correctly predicted a day or two of weakness before the bull trend resumed. Now I sense that the recovery will run out of steam late next week with weakness beginning in the second week of March

The Predicts accuracy rate on a running average basis over the past 382 weeks has been 79.9%.

Richard Cluver