

Richard Cluver Predicts

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



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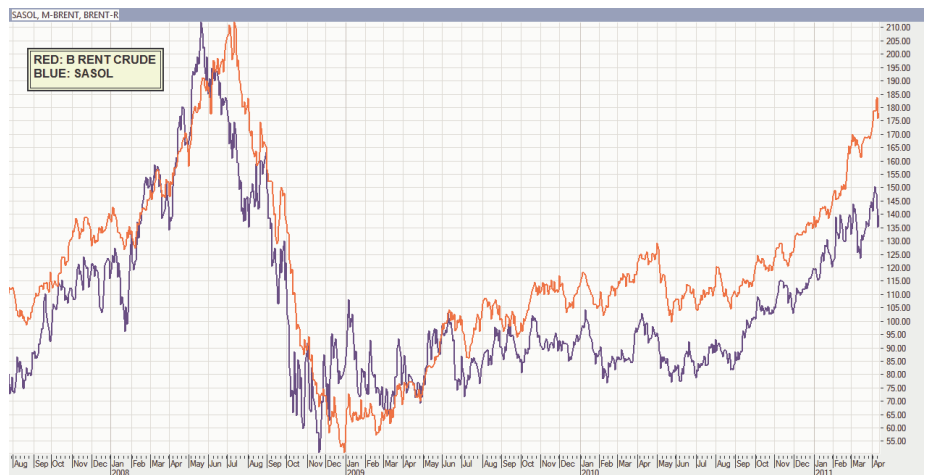
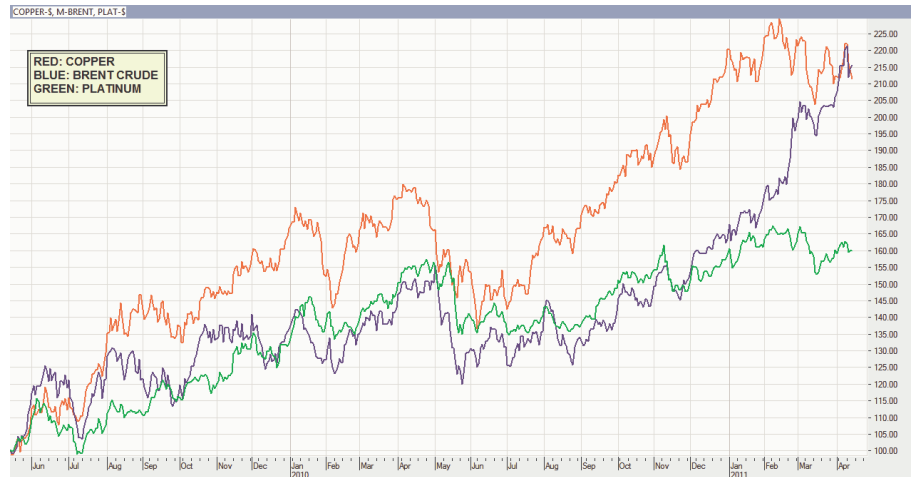
Watching Sasol shares soar along with the international oil price, many must be pondering whether it is not about time to be taking some money off the table. At issue here is the considered view of economists that anything above \$85 a barrel is the result of speculation, funded by the US Federal Reserve's cavalier treatment of the monetary base.

As I have repeatedly warned readers, the US policy of printing money in massive quantities in order to try and stimulate itself out of recession would inevitably cause a tidal wave of inflation. And, although South Africa has been shielded from most of the effects by the simultaneously rising value of the Rand, that is precisely what we have been seeing in

respect of most basic commodities. In the graph above I have illustrated the percentage price change of three basic commodities, Copper (Red) Brent Crude (Blue) and Platinum (Green) which highlights the fact that all are moving in pretty close harmony. And as an aside it should be noted that platinum...our principal foreign exchange order.. has been trailing the others.

From local investors' point of view, the more interesting fact is how closely Sasol follows the price of Brent crude as illustrated in my second graph. So, noting how dramatically both the price of Sasol and Brent crude turned around in May 2008, might we expect a similar event at some stage in the near future?

In my opinion, we will not see the same dramatic turnaround simply because the circumstances now are very different from those in 2008. Then the oil price drop was the result of the market upheaval in the US that followed on the sub-prime property scandal which had resulted in an excessive build up of financial liquidity in the marketplace which abruptly ended with the crisis of collapsing investment banks. This time around, as I have already noted, excess liquidity is being created by the US Federal Reserve cranking up its printing presses and it is likely to remain for a long timeat least until the Fed starts mopping it up. And that is something it is unlikely to do in the short-term, particularly while US unemployment figures remain high.



So how high might both crude and Sasol share prices go this time? Technical analysis suggest that in the short term, a sharp price reversal could be due: note the red Fourier cycle projections on both graphs. However, it is also important to note that over the past 14 years Sasol shares prices have been moving upwards in a 19% channel consistent with a combination of the steadily-rising crude oil price over that period and local inflation. Projecting then from its previous price peak of R503, it would accordingly not be unreasonable to see Sasol peak at something above R850 a share this time around.



The week ahead:

New York's SP500: I correctly predicted a weaker phase for this month though last week there were signs of a recovery beginning around April 20. Now, however it appears unlikely that a recovery might begin before early May.

London's Footsie: I correctly predicted a sideways trend for the month, but now the signs are beginning to look a lot weaker with the probability of declines until early May.

JSE Industrial Index: I correctly forecast a weaker trend which I see continuing until the second week of May.

Top40 Index: I correctly forecast a weakening trend which now appears likely to continue into early May.

ShareFinder Blue Chip Index: I correctly forecast that the recovery would run out of steam with a weaker phase likely to continue until around April 26.

The Rand: I correctly predicted that the recent phase of gains would begin to reverse itself. Now the period of weakness appears likely to continue well into May.

Golds: I correctly predicted golds would peak this past week and now I see weakness extending well into May.

Gilts: I have correctly predicted the beginning of a weaker phase which is now likely to last well into May.

The Predicts accuracy rate on a running average basis over the past 388 weeks has been 80.12%.