Richard Cluver Predicts

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

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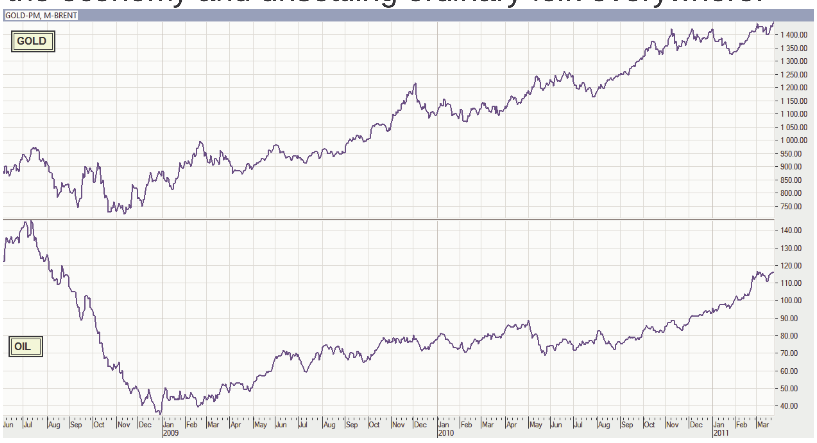
Please note I will be taking a week off in Paternoster so Predicts will NOT appear next Friday

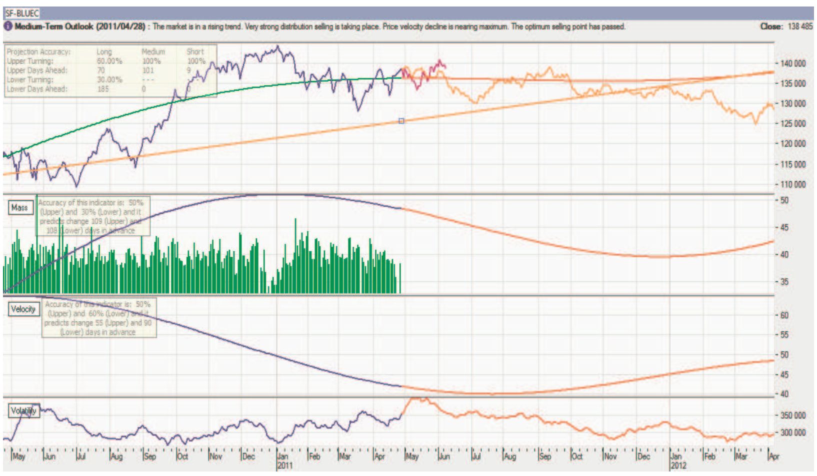
Once again the marketplace is buzzing with rumours that the pundits in charge are about to pull the plug and precipitate a sharp market correction. "Expect at least a ten percent pull back," is the word on the street.

Well, notwithstanding the paranoid beliefs of the conspiracy theorists, let's note that NOBODY is in charge of the markets. That said, however, there are a stack of negatives out there which are supported by ShareFinder's very sophisticated technical analysis indicators, suggesting that the next three months could be negative ones for the market.

First, for the superstitious there is the statistically disproven but nevertheless long believed old market adage "Sell in May and go away" which had its roots in the view that Northern Hemisphere investors started preparing at this time of the year for their summer holidays in June to August. More important is the blight of a soaring oil price which has already pushed our own Producer Price Index up from 6.7% to 7.3% and is the main underlying cause of a 36% year on year increase in the World Bank's global food price index increase last month. And here at home there is the massive cost to absorb of a fortnight of public holidays and the May 18 elections which together are stagnating the economy and unsettling ordinary folk everywhere.



Wall Street is this week digesting some of America's worst unemployment statistics in a long time and "Helicopter Ben" Bernanke has just announced another cash dump in his now frantic but largely unsuccessful efforts to stimulate the US out of comparative economic stagnation. So those inflation numbers are likely to surge even further sparking a headlong rush into hedges such as gold bullion which yesterday hit yet another record high of $1537.32 simultaneous with Brent crude oil reaching a new peak of $126.29. Inevitably this near panic stations search for hedges against the collapsing value of the US Dollar under Bernanke's watch will filter through to equity markets as well. But hiccups are inevitable along the way.



Now consider the composite on the right which tracks the ShareFinder Blue Chip Index with ALL the indicators headed south and share price volatility headed for its highest peak since the October 2008 global bear market onset!

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In conclusion, this is not a time to be a confident buyer. Cash will be king in the coming weeks, so get liquid. In the current market conditions it would only take something like a Spanish default to topple the markets!

The week ahead:

New York's SP500: I correctly predicted gains which I now expect to continue until at least May 26……unless an unforeseen economic event happens!

London's Footsie: I wrongly predicted declines until early May but I continue to forecast an imminent decline lasting until around May 10.

JSE Industrial Index: I wrongly forecast a weaker trend but I continue to expect it lasting until around May 10.

Top40 Index: I correctly forecast a weaker trend which I continue to forecast continuing until the second week of May.

ShareFinder Blue Chip Index: I correctly forecast a brief recovery ahead of a continuation of the weaker phase which I expect to last until around May 12.

The Rand: I misread my own indicators last week predicting a weaker phase. Now I continue to expect gains until around May 11.

Golds: I correctly predicted weakness extending well into May and I now extend that prediction until early June.

Gilts: I correctly predicted gains until early May. Now I expect gilts to bounce along the bottom of their yield curve until a new phase of weakness sets in around May 16.

The Predicts accuracy rate on a running average basis over the past 390 weeks has been 80.16%.