Richard Cluver Predicts

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

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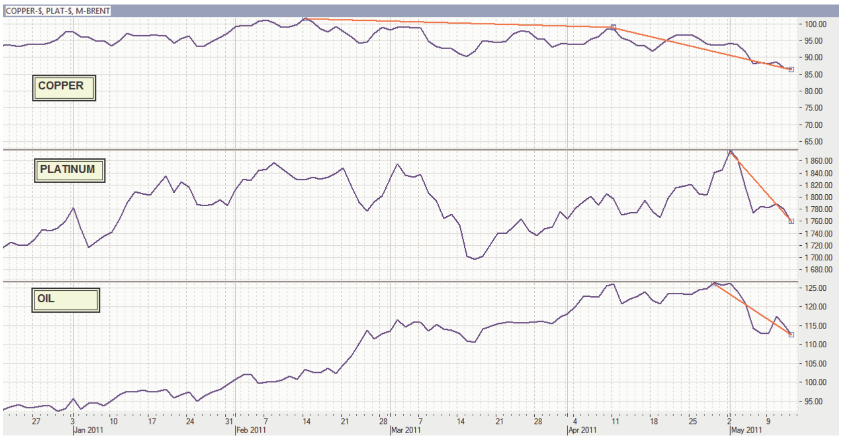
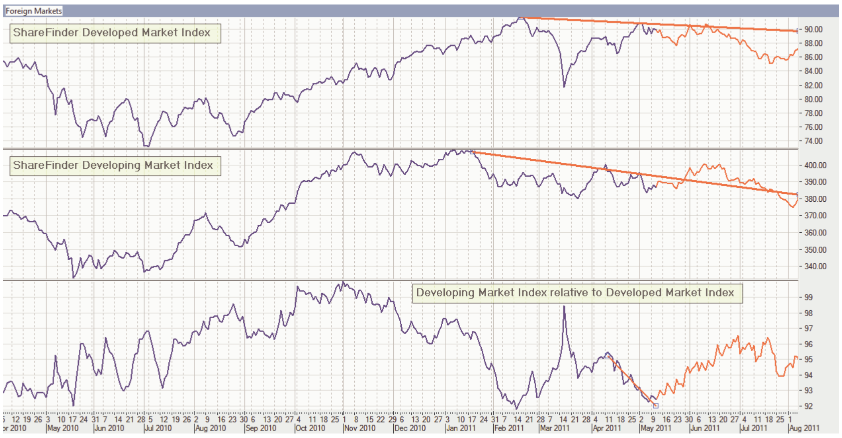
I trust all my readers took note of the last column in this series which warned that a general share market retreat was on the cards. The massive volatility that has recently shaken the commodities is a clear warning of widespread nervousness in the markets.

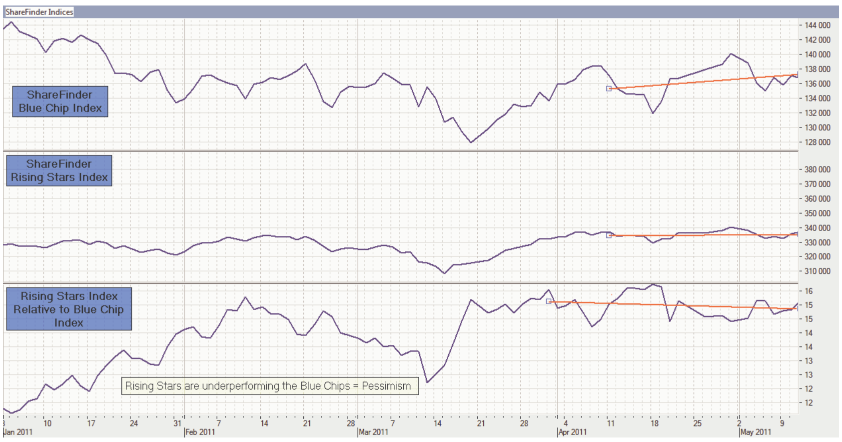
The commodity markets are, of course, dominated by futures and option trading and the principal feature of these types of trades is that they allow for significant gearing. Faced with the fact that a ten for one future position can lead to massive cash losses, traders understandably react far more swiftly to cover themselves at the slightest sign of approaching weakness. But it is not long before the main equity markets begin to follow suit. The composite on the right illustrates how Copper prices began falling on February 14, followed by oil April 28 and then Platinum on May 2.



Ahead of the commodities, there was general weakness in the share markets of the Developing World which began as early as mid-January to be followed by a weakening trend in the Developed World from mid-February.



South Africa has performed rather better than most world markets. Nevertheless, reacting to the tenor of overseas markets local investors have of late begun to shun the riskier Rising Stars category of shares and have begun moving into the relative safety of Blue Chips as illustrated by the relative strength graph which is the third in my third composite on the right.



It is accordingly time for long-term investors to carefully examine their portfolios in order to weed out any weak performers, thus creating cash with which to be able to take advantage if some severe weakness should occur in the near future. Do make good use of the ShareFinder Quality List underperformers list which I circulated in the latest issue of Prospects this week!

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The week ahead:

New York's SP500: I wrongly predicted gains and I expect weakness to continue until at least the first week of June.

London's Footsie: I correctly predicted declines which I expect to continue until at least the first week of June.

JSE Industrial Index: I correctly forecast a weaker trend which I expect to continue until the second week of June.

Top40 Index: I correctly forecast a weaker trend. Now I expect a brief recovery ahead of June weakness.

ShareFinder Blue Chip Index: I correctly forecast a brief recovery followed by weakness and then a recovery lasting until the end of May.

The Rand: I wrongly predicted gains. Now I expect the market to weaken until late May followed by a sideways to moderately stronger trend.

Golds: I correctly predicted weakness extending well into May and now I expect a gradual recovery to begin.

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 391 weeks has been 80.15%.