

# Richard Cluver Predicts

In our 22<sup>nd</sup> year of service to the investing public of South Africa



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Lets start by noting that the DA did much better than most people expected last week, and the ANC was given a klap and; as I predicted last week, our share market has in a phase of brief euphoria moved upwards against the international trend. Note also that the Government has reacted by accelerating its measures to curb freedom of expression in South Africa.

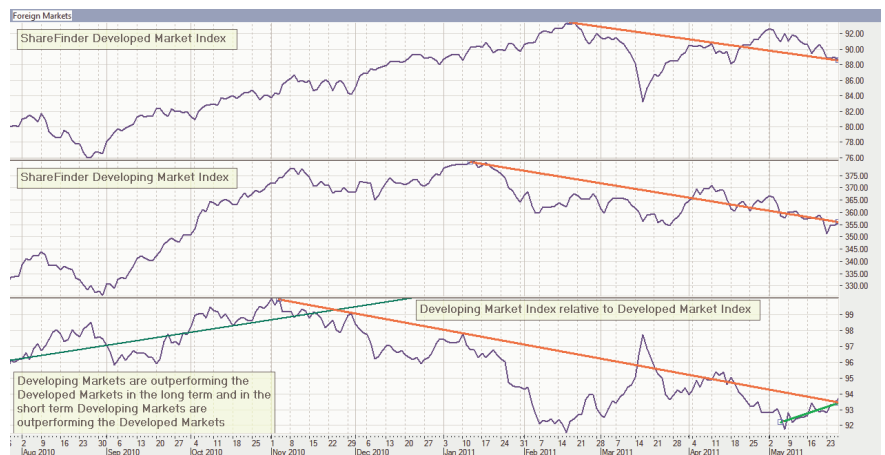
And it is a reasonable probability that Jacob Zuma's presidency is now in danger and that as a consequence we will soon witness further steps to appease the left wing. These need not all endanger the interests of investors. For example, it is likely that the decision not to back any local bid for the 2020 Olympics but to rather focus all our resources upon prioritising service delivery to the poor, will be well received in investment quarters.

Investors must accordingly hope that he and his cabinet will be mindful in everything they do that our trade deficit is being constantly balanced by an inflow of investment capital from the Developed World. If that inflow should reverse the Rand would rapidly lose value – something that is desirable from the point of view of supporting our exporters and the interests of job-creation – but if overseas investors perceive that the Rand is likely to go into reverse in the future it must be assumed that they will extricate themselves from our investment markets, thus prompting a possibly quite steep fall of the JSE.

So, for the present I continue to urge readers to get liquid and remain so for the present while we see which way the land will lie in the next few month.

Meanwhile, consider my graph composite on the right which highlights in relative strength terms that while Developing Markets have in the past few weeks been demonstrating short-term relative strength – the green trend line in the third graph of the first composite – the medium-term trend is in a pronounced bearish trend.

In my second graph I have plotted the relative strength of the Rand against the world's major currencies. So note that since late December it has required an ever-increasing quantity of Rands to buy currencies like the US Dollar and the Pound though that weakness is being capped at the 9.9 level suggesting that a breakout is imminent. An upward break out of the pennant

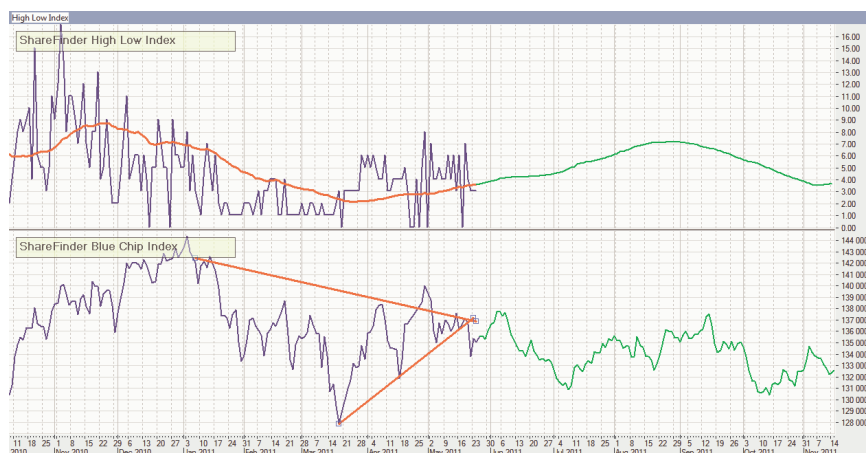


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I have highlighted could spell considerable problems for our investment markets. So the next few weeks could be critical.

Meantime, consider my third composite, price volatility has increased substantially in the past few weeks and appears likely to continue rising. More importantly, however, the ShareFinder Blue Chip index has broken sharply downward and Fourier projection suggests that the index could fall to a new low around July 8 followed by a ten-week recovery and then another cyclic down-trend until the spring. So don't be in too much of a hurry to buy at this time.



### The week ahead:

**New York's SP500:** I correctly predicted continuing weakness and I expect it 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 weak up-trend but the overall trend remains downward until the second week of June.

**Top40 Index:** I correctly forecast a brief recovery ahead of June weakness and I expect it to continue until the middle of next week when some sharp weakness appears likely ahead of a June recovery trend.

**ShareFinder Blue Chip Index:** I correctly forecast a brief recovery that now appears likely to continue until mid-June before the next decline appears likely.

**The Rand:** I correctly predicted that the Rand would weaken and I expect it to continue doing so until mid June.

**Golds:** I correctly predicted the beginning of a stronger phase that appeared likely to last until the end of May. Now I foresee a decline beginning in June.

**Gilts:** I correctly predicted the beginning of phase of strength that now appears likely to continue until at least mid June.

***The Predicts accuracy rate on a running average basis over the past 393 weeks has been 80.22%.***