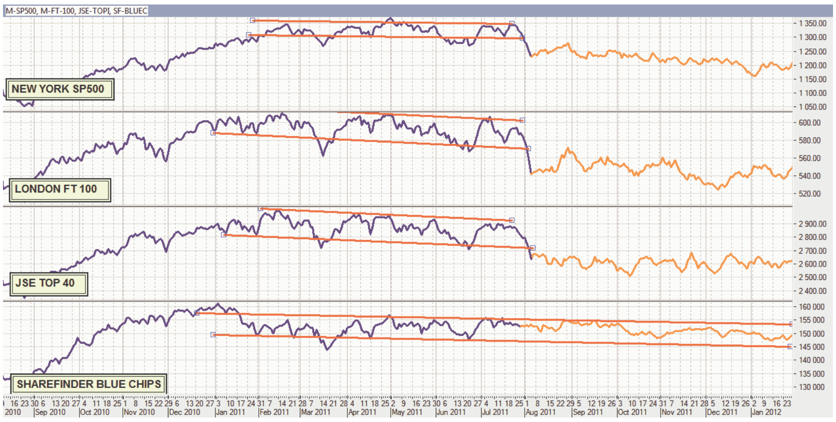
Richard Cluver Predicts

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

Volume: 22
Issue: 19

05 August 2011

Isn't so often the case? The world has just clawed itself back from the brink of economic Armageddon and, instead of registering relief and a new sense of optimism, leading share markets have fallen out of bed!



In the graph composite on the right I have drawn in parallel trend lines which represent the channels within which New York, London and the JSE Top 40 Index have been moving since the beginning of the year. This week's downward breaks are thus very significant for, if there is no rapid rebound in the next day or two, they will be seen by analysts everywhere as highlighting a profound change in investor sentiment.

Of course, as I explained in last Friday's "***Predicts***" and in ***The Investor*** this past week, the world has only bought itself some borrowed time. What has freaked Wall Street, however, is the realisation, on top of lack-lustre economic statistics for the United States for the past quarter, that the US Government is deadly serious about its intended spending cut-backs.

Now it is true that The US Federal Reserve has indicated it is ready to institute another round of credit creation, but this is unlikely to offer the necessary stimulation in time to prevent a continuation of the current stagnation.

Now my third graph in the composite indicates that our commodities-dominated Top 40 Index has also fallen out of bed, highlighting investor fears of a global slow-down. But note my fourth graph which depicts the performance of the ShareFinder Blue Chips. True they have all been trending down at a very modest minus 2.4% compound rate since the start of this year, but there is no sign of investor panic in this latter case.

My quick advice this morning is thus to reassure readers who have taken my advice and confined their money to investment grade shares. This is no time to panic. Indeed, the next few weeks could well offer some delicious bargains for those of you who heeded my advice earlier this year and created cash ahead of this long-awaited dip. But do not act in haste. An upward rebound could well occur although at least another week of declines appears currently probable. For now, however, the smart investor will simply watch and wait to see how markets react in the longer term.

The months ahead:

New York's SP500: I correctly predicted weakness. Now I sense the probability of a recovery beginning.

London's Footsie: I wrongly predicted gains until the end of August. Now, although I expect further declines in the short-term, I predict the beginning of a recovery lasting into next month.

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JSE Industrial Index: I correctly forecast weakness until mid August. And I continue to see this for at least another week before the recovery begins.

Top40 Index: I correctly forecast weakness. And I foresee it will continue at least for the next week before a recovery begins.

ShareFinder Blue Chip Index: I correctly forecast weakness. Now I foresee it continuing probably until mid October but marked by several failed short-term upward attempts during that time.

The Rand: I correctly predicted that the Rand would weaken. Now I expect a short-term recovery before weakness again sets in at the end of the month.

Golds: I wrongly forecast weakness for the rest of this month. Now I foresee continuing gains until the end of the month before the next phase of weakness.

Gilts: I wrongly predicted a phase of weakness. However, I continue to expect it for at least another fortnight.

The Predicts accuracy rate on a running average basis over the past 396 weeks has been 80.27%.

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