

Richard Cluver Predicts

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



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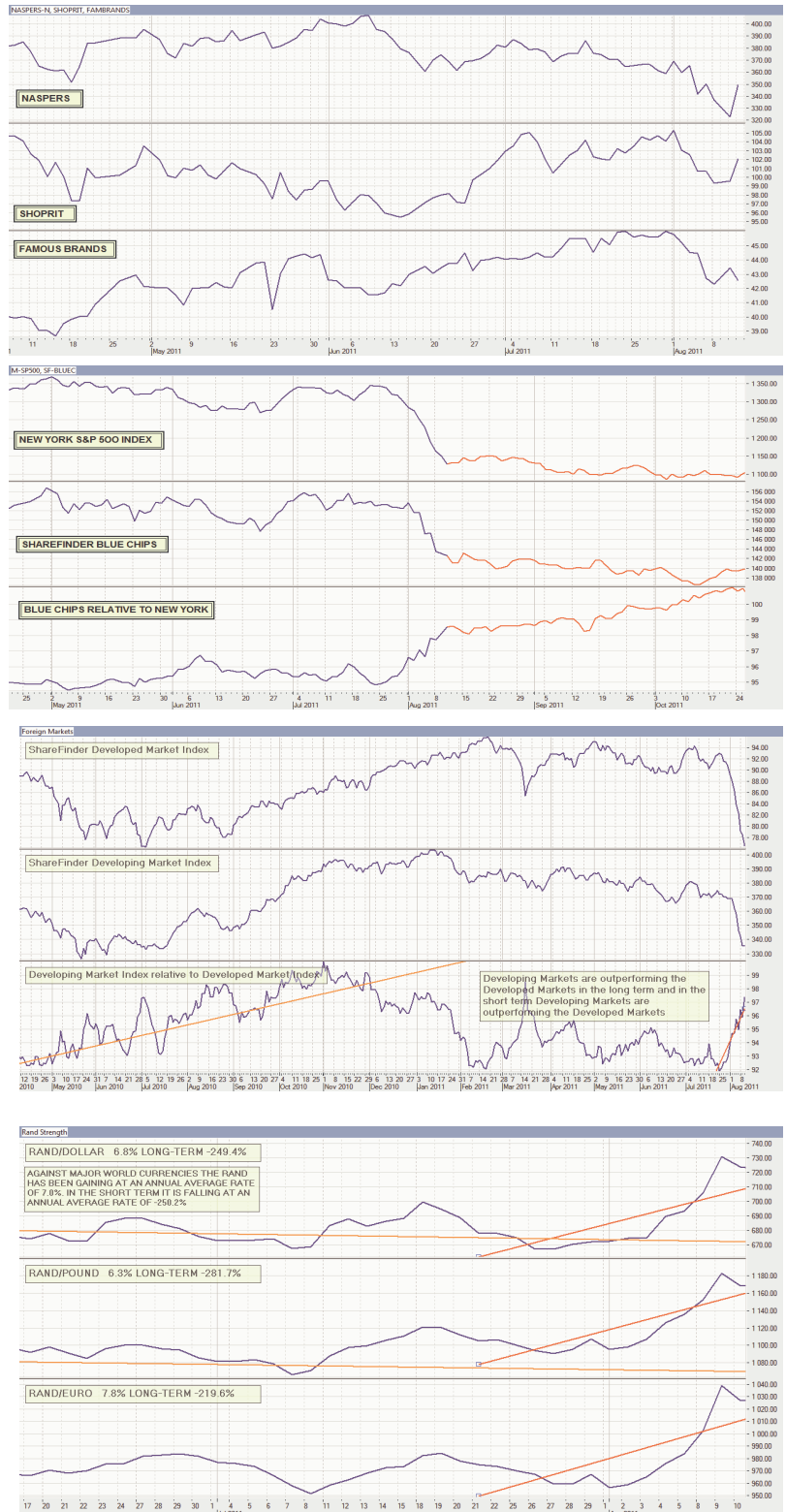
What a week it has been on the stock exchanges of the world, not to mention anarchy in Britain, an incipient economic crisis in Italy; all against the background of a raging debate about the United States' ability to honour its debts in the long term.

No wonder share markets plunged! And no wonder they are racing upwards again because the dips earlier this week were grossly overdone as illustrated by the composite on the right in which I have depicted the recent movements of three blue chips selected at random; Naspers, Shoprit and Famous Brands.

More to the point so far as South African investors are concerned, however, has been the relative strength of our blue chips relative to the average Wall Street share as represented by the broad-based S&P500 Index in my second composite. Our shares fell, but not significantly relative to those in the rest of the world; an important point to ponder whenever you are tempted to think of moving your money offshore.

Indeed, "Developing markets" as a whole have been massively outperforming the share markets of the "Developed" world as is made clear by my third composite. Between November and February the flow was towards the Developed World, but that trend has dramatically reversed itself.

The Rand, however, sharply reversed its long term rising trend relative to all major currencies but has begun to stage a come-back; posing a warning as to just how rapidly things could go badly for us if world sentiment turned really negative about South Africa, something that is brewing among international economic observers who



have been watching with concern as the ANC systematically wrecks the vibrant economy it inherited in 1994. In the longer term it might be wise to begin building up an overseas nest egg, particularly bearing mind the widely-held view among economists that the Rand is 20% overvalued currently.

The months ahead:

New York's SP500: I correctly predicted the probability of a recovery beginning. Now I sense a continuation of this up-trend well into September...but don't expect a smooth ride.

London's Footsie: I correctly predicted further declines in the short-term with the latter beginning of a recovery lasting into next month. And I continue to forecast gains.

JSE Industrial Index: I correctly forecast further weakness with late gains beginning. And I expect a continued recovery into September.

Top40 Index: I correctly forecast initial weakness followed by a recovery. And I foresee it will continue well into September.

ShareFinder Blue Chip Index: I wrongly forecast that weakness would continue until mid October but marked by several failed short-term upward attempts. Now I foresee a stronger up-trend with a few hiccups along the way.

The Rand: I correctly predicted a short-term recovery which I expect to continue at least to the end of August.

Golds: I correctly forecast continuing gains until the end of the month before the next phase of weakness. And I continue to hold that view.

Gilts: I correctly predicted a phase of weakness but wrongly expected it to continue for at least a fortnight. Now I expect a resumption of the strengthening trend.

The Predicts accuracy rate on a running average basis over the past 397 weeks has been 80.32%.

Richard Cluver