

Richard Cluver Predicts

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



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Who would have thought that US Federal Reserve Chairman Ben Bernanke could have come to the Jackson Hole conference of central bankers last Friday with nothing but the quiet assurance that his bank would do whatever was necessary to keep the US economy on a growth path....and that would have been enough to pitch Wall Street into a strong recovery?

Well it should not surprise anyone for what we are witnessing is unprecedented levels of investor uncertainty. Not since the aftermath of "Black Thursday" on October 24 1929 which pitched the world into the 12-year-long Great Depression, has the world seen such levels of uncertainty.

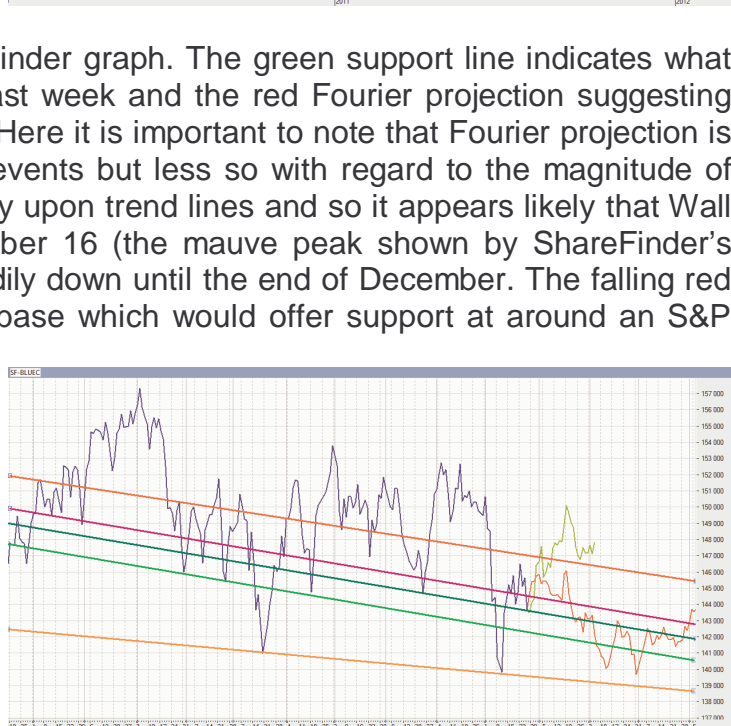
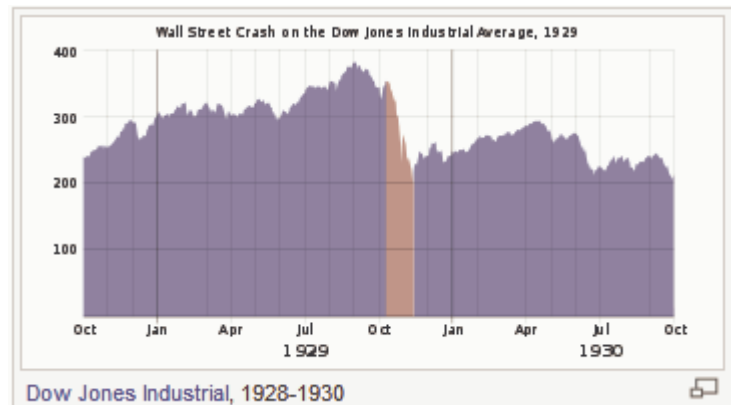
Just in passing it is worth noting that in the month of October 1929 the Dow fell 11.73% whereas for the period July 21

2011 to August 9 the more widely representative S&P500 index fell 16.14%. It rose again until August 17 before plunging back again and then last Friday in the wake of Bernanke's speech it began rising strongly once more.

Courtesy of Wikipedia I reproduce a graph of what happened to the Dow that fateful October with the period of the Great Crash highlighted in red.

Next consider what Wall Street has been doing this past month from my own ShareFinder graph. The green support line indicates what most chartists have been pondering this past week and the red Fourier projection suggesting what could happen in the next five months. Here it is important to note that Fourier projection is very accurate with regard to the timing of events but less so with regard to the magnitude of movements. For magnitude it is better to rely upon trend lines and so it appears likely that Wall Street will peak between now and September 16 (the mauve peak shown by ShareFinder's short-term calculations) and then slide steadily down until the end of December. The falling red trend line represents a secondary support base which would offer support at around an S&P level of 1010 in late December should Wall Street keep on falling. Should this latter decline occur it would mean the Wall Street will by then have lost another 17% from this weeks closing levels.

What are the implications for South African blue chips in the event of this scenario? Here note that Fourier projection suggests that the market could continue on down until the end of October before beginning



to recover with the light green and orange support lines suggesting that from these levels the market could bottom after falling between three and four percent from current levels. My own gut feel, however, suggests that our market could not get off as lightly as that if Wall Street is thumped to the degree that these calculations suggest.

In summation, the outlook is far from rosy in the short term and it might, accordingly, be opportune to revisit your portfolio to further weed out any remaining weak counters left over from the heavy pruning I suggested at the end of last year. The following list of underperformers is offered for your consideration:

Name	Close	3 Month Price Gro...	5 Year Price Grow...	Grade	Dividend Gro...	Risk	Total Retu...	Rating	Strategy
RICHEMONT	40.52	-36.96	14.00	1 11...	18.01	19.37	14.00	Costly.	Wait - pendin...
SABMILLER	253.50	-0.84	13.15	317.1	16.50	-21.81	15.37	Fair.	Wait - pendin...
REX-TRUE	12.50	-31.49	12.29	255.8	-10.12	-4.63	15.49	Fair.	Wait - pendin...
HCI	82.40	13.90	12.04	1 86...	5.00	19.80	12.95	Fair.	Optimum buy...
GOLDONE	3.94	25.72	11.89	293.8	0.00	73.15	11.89	Very costly.	Prepare to sell.
DISCOVERY	38.25	-10.58	11.78	463.3	26.68	-10.71	13.82	Fair.	Optimum sell ...
CAPEVIN	82.00	-29.88	11.55	420.5	22.76	-9.57	15.88	Fair.	Optimum sell ...
BHPBILL	240.22	-40.21	11.50	657.9	28.53	33.00	14.46	Fair.	Wait - pendin...
SABVEST	9.00	-10.30	11.38	747.2	40.66	-5.95	13.26	Costly.	Wait - pendin...
VUKILE	14.20	-15.20	11.26	226.4	11.91	-16.05	19.54	Fair.	Wait - pendin...
RAINBOW	16.95	-9.34	10.79	243.2	20.52	-16.89	14.76	Fair.	Wait - pendin...
MONEYWB	0.60	-68.06	10.75	---	0.00	75.30	10.75	Very cheap.	Wait - pendin...
METAIR	16.15	56.81	10.57	5 57...	52.94	88.22	14.59	Very costly.	Sell.
TIGBRANDS	204.19	31.10	10.54	208.1	13.30	-21.67	13.08	Fair.	Wait - pendin...
GROWPNT	19.15	22.03	10.34	681.3	9.90	-13.54	17.18	Costly.	Sell.
AF--OVR	9.30	0.00	9.16	243.2	-12.95	-58.89	12.17	Cheap.	Optimum sell ...
LEWIS	78.74	-10.57	8.89	405.1	19.78	21.06	13.50	Costly.	Wait - pendin...
HUDACO	75.00	-42.43	8.81	447.0	35.04	10.93	13.67	Fair.	Wait - pendin...
ZURICH-SA	220.00	20.27	8.54	70.1	-32.64	-44.03	9.00	Costly.	Optimum buy...
MEDCLIN	32.03	15.69	8.54	297.4	20.32	-14.02	10.82	Costly.	Selling op. ne...
AWETHU	0.04	213.10	8.44	-471.5	0.00	424.01	8.44	Fair.	Wait - pendin...
PREMIUM	14.90	-3.95	8.41	352.0	19.55	3.23	16.26	Fair.	Wait - pendin...
MERAPE	0.94	-67.39	8.22	-11.3	0.00	190.58	10.34	Very cheap.	Buy.
REDEFINE	8.30	26.67	8.18	665.5	14.70	-15.21	15.89	Fair.	Selling op. ne...
SPURCORP	13.50	-7.08	7.77	369.0	21.62	13.47	12.28	Fair.	Wait - pendin...
EXCELL	0.87	-19.88	7.73	37.9	-16.67	66.85	7.73	Costly.	Too late to bu...
OMNIA	78.50	-18.80	7.61	2 94...	12.99	6.16	7.61	Costly.	Wait - pendin...
ACUCAP	37.30	26.48	7.57	616.9	10.89	-14.74	14.95	Fair.	Wait - pendin...
TREMATON	1.50	0.00	7.39	170.3	0.00	48.68	8.39	Very costly.	Optimum sell ...
CIPLAMED	6.35	-20.04	7.02	198.2	0.00	30.26	8.99	Fair.	Wait - pendin...
STANBANK	99.80	-12.92	4.54	158.6	18.17	-4.41	8.41	Fair.	Wait - pendin...
WINHOLD	1.65	-2.37	4.50	299.3	12.14	12.02	10.56	Costly.	Wait - pendin...
FPT	6.75	24.13	4.48	228.1	9.09	-16.88	4.48	Fair.	Wait - pendin...

The month ahead:

New York's SP500: I correctly predicted the beginning of a recovery trend. I see the recovery lasting until mid-September.

London's Footsie: I correctly forecast the beginning of a recovery and I expect it to run out of steam early in the new week.

JSE Industrial Index: I correctly forecast the beginning of a recovery but now I foresee weakness lasting into late September.

Top40 Index: I correctly forecast a brief recovery. Now I expect weakness lasting into late September.

ShareFinder Blue Chip Index: I correctly forecast an up-trend. Now I foresee weakness until late September.

The Rand: I correctly predicted a sideways trend continuing until the end of September and I continue to see this with the possibility of some slight gains overall.

Golds: I correctly forecast a bounce back and I see it continuing with considerable volatility until the end of September.

Gilts: I correctly predicted a resumption of the strengthening trend. And I expect it to continue until mid September.

The Predicts accuracy rate on a running average basis over the past 400 weeks has been 80.44%.

Richard Cluver