

Richard Cluver Predicts

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



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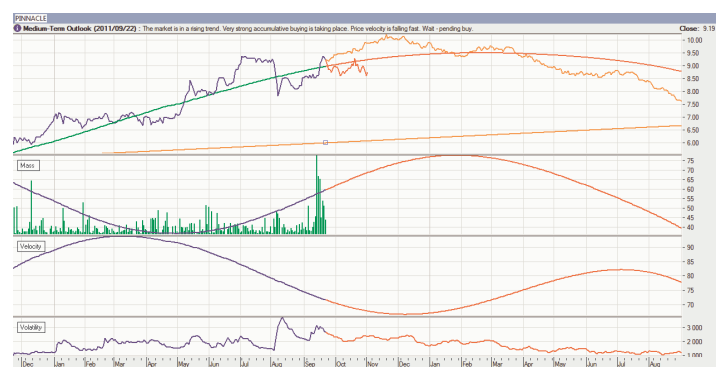
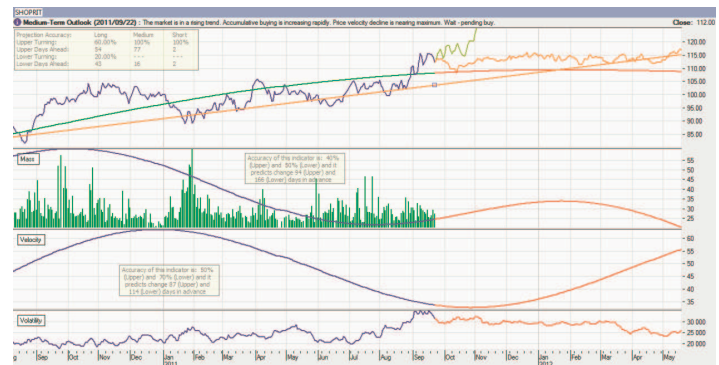
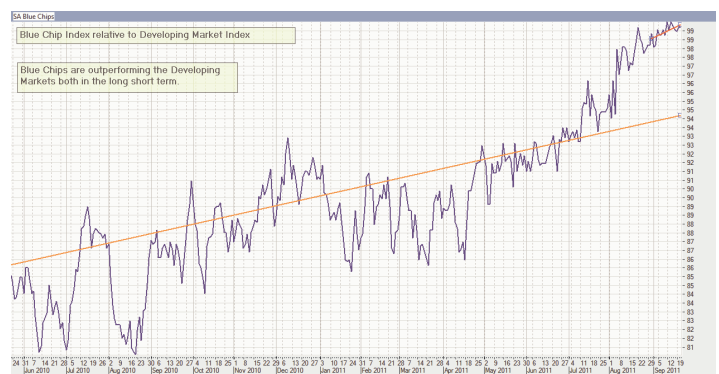
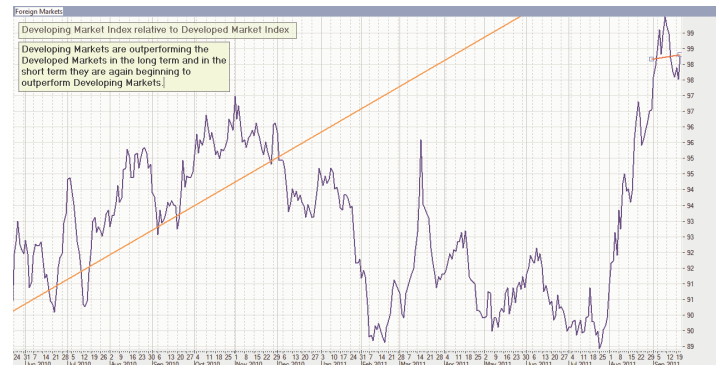
23 September 2011

If you can keep your head when all about you are losing theirs....that is the essence of the contrarian investor. So with the whole investment world fearful that Greek debt contagion could slam most western economies into recession, I am today suggesting that South African investors act boldly and do some judicious buying.

Though more than 12-billion Rands worth of foreign investment have so far this month flowed out of South Africa, withdrawn by overseas investors who have somewhat illogically concluded that the Greek debt crisis will somehow adversely affect this country in the long-term. In a sense, their fears have become a self-fulfilling prophecy for, because of those withdrawals, the Rand, and in turn our bonds and equities have been canded this past week. However, note my first graph which compares the relative strength of Developing Country share markets to the markets of the Developed World and you can see that late this week the tide began to reverse again. More importantly, note my second graph, South African Blue Chip shares which customarily outperform the Developing Market Index, have of late been massively outperforming. Now, while in a sense this represents a flow out of riskier investments towards the safety of high quality shares, it does serve to emphasise that the marketplace still strongly believes in South African blue chips.

The share I am recommending today is Shoprit Checkers: a somewhat defensive position I will admit, because in the face of potential economic melt-downs it is usually safe to take the view that regardless of how tough things get, people must still eat. As my third graph indicates, Shoprit has come off a little in the past few days and could fall as low as R110 a share in the next week or so. However I would be comfortable buying at between R110 and R114.

Flying in the face of reason and being ultra-bold, I am also recommending Pinnacle Tech Holdings. Here, recognising that Pinnacle's principal business is importing



and wholesaling electronic goods, it could be hard-hit if the Rand were to remain weak in the months ahead. However, I expect that the current crisis will be relatively short-lived and that the Rand will return to its old strengthening trend. After all, in a sea of growing monetary uncertainty, South Africa is an island of relative stability and high returns. As depicted by my last graph on the previous page, it is likely that Pinnacle shares could come off a little more in the next few days, possibly reaching a low of R9 before they begin rising again.

I should add that I personally hold both of the aforementioned shares in my personal portfolio and have just put in buying orders for more Pinnacle shares.

The month ahead:

New York's SP500: As I correctly advised last week, things were not looking too good for Wall Street and that outlook continues to look troubled for the next fortnight with recovery only likely to begin around October 10.

London's Footsie: I wrongly forecast the beginning of a recovery which I now expect is unlikely to start before October 6.

JSE Industrial Index: I correctly forecast that the incipient recovery would shortly run out of steam and, though a brief recovery might begin early in the new week, it is unlikely to be very long-lasting with markets only finding bottom around October 10 at the earliest.

Top40 Index: I correctly forecast the brief recovery would to run out of steam very soon. Now I foresee a declining trend until the end of October with a few brief up-days during that time.

ShareFinder Blue Chip Index: I correctly forecast that the up-trend would run out of steam very soon followed by declines until early October. Now I doubt whether blue chips will bottom before October 9.

The Rand: I correctly predicted weakness but wrongly hoped for short-term gains beginning last Monday. Now the best I can say is that the Rand appears likely to weaken less dramatically in the next few weeks. But recovery seems quite far away at this point.

Golds: I correctly forecast that a downturn would begin this week and I expect modest weakness to continue into October.

Gilts: I correctly predicted that bonds would move sideways for another week and hoped for a recovery that could begin at the end of the month. I still sense a recovery then but fear that bonds could weaken quite a lot more before then.

The Predicts accuracy rate on a running average basis over the past 403 weeks has been 80.53%.

Richard Cluver