

Richard Cluver Predicts

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



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I left readers last Friday with the observation that, although investment grade shares have been trending sideways in a period of consolidation for most of the past year, there was a positive view inasmuch as a sideways trend is infinitely more positive than the outright falls that have marked all previous bear phases of the market.

Now some of the world's most important financial figures have been opining that the world economic crisis is at least as bad as anything we have experienced since the great Wall Street crash of 1929 and the Great Depression that followed it...and some are even arguing that it is worse. What is clear, however, is that the great gurus of finance have shown themselves to be not quite as expert as most of us have always believed, and nobody has emerged with a clear idea of the way out of the mess.

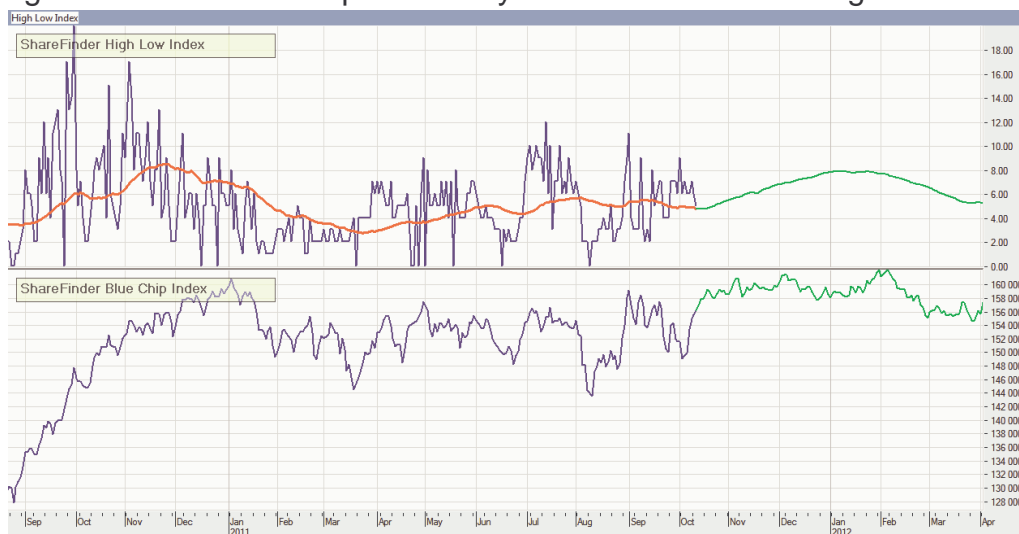
And if the experts are being shown up in a less than favourable light, the world's leading politicians have been shown up as even worse; putting party politics ahead of the needs of the ordinary folk they are supposed to represent and arguing among themselves while the world economy lurches from one crisis to the next.

That is the pessimistic view. But, as I have noted, market analysis is showing that, despite everything, nations are muddling through and, considering the chaotic state of central banking and politics, markets are relatively stable. It could be argued that, notwithstanding the regulatory indecision, the naturally balancing forces of the marketplace have been asserting themselves with growing confidence.

Ordinary consumers in first world countries, having lost massive amounts of personal wealth in the somewhat illusory value of their homes, have faced up to the threat in the only way they know how, by pulling in their horns, paying off their debts, and coping. And now retail figures all over the developed world are beginning to recover. As the world moves toward the Christmas season there are signs all over the planet that people are feeling comfortable enough to begin spending once more.

It is perhaps too much to hope for to claim that spring time is breaking out in the world's markets. But there are grounds for cautious optimism. If you consider the New High/New Low

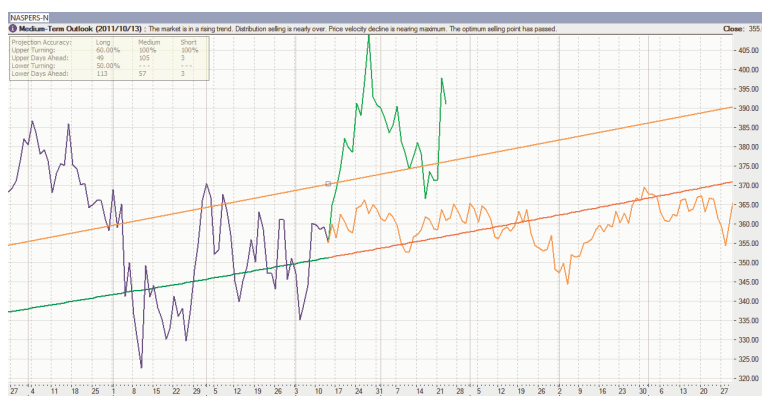
indicator on the right, it is clear that lows have been getting higher and highs lower since July and, as the green line projection suggests, a market recovery might shortly be anticipated. And, furthermore, Fourier projection of the ShareFinder Blue Chip Index senses that a pronounced recovery is already under way.



It is time, I would suggest, to start buying. And the blue chips that look the most attractive this Friday are Famous Brands and Naspers. The former, considering my projection on the right, could offer a good buying price of R43 in the next fortnight with a possible run up to R47 by the year end.



Naspers, between R353 and R355, could also offer a buying opportunity in the next few days with a long period of growth ahead.



The month ahead:

New York's SP500: I correctly observed that the turnaround might have started and I expected four or five up-days now likely before weakness sets in once more. That weakness is taking the form of a sideways trend which could last until late next week before further strength asserts itself.

London's Footsie: I correctly observed that a recovering trend was trying to assert itself. Now I sense some weakness before the next strong up-trend.

JSE Industrial Index: I correctly predicted a recovery and I sense it continuing until late in the month.

Top40 Index: I correctly forecast the beginning of a recovery which now looks like continuing, with many short-term reversals, for the rest of this month.

ShareFinder Blue Chip Index: I wrongly forecast weakness with the market projected to bottom around October 12, but I continue to expect weakness beginning early next week.

The Rand: I correctly predicted a sideways trend and now I expect further weakness.

Golds: I correctly forecast further weakness and I expect a volatile sideways trend well into November.

Gilts: I correctly a continuing recovery which I expect will last well into November.

The Predicts accuracy rate on a running average basis over the past 406 weeks has been 80.64%.

Richard Cluver