

Richard Cluver Predicts

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



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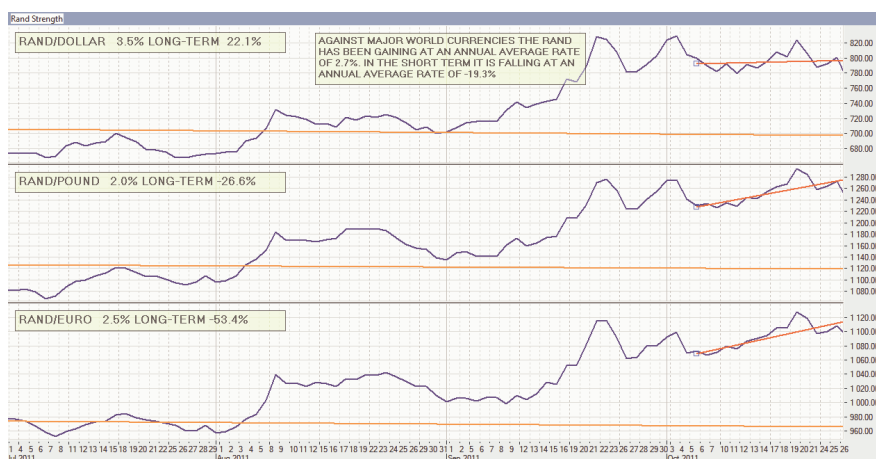
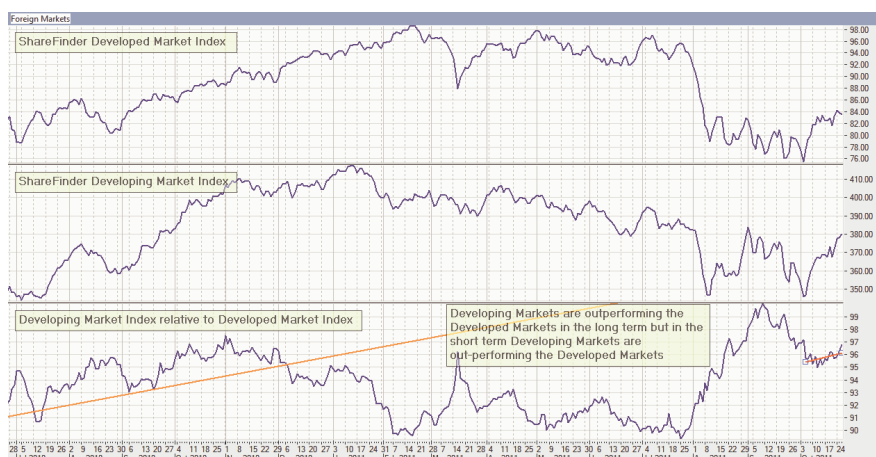
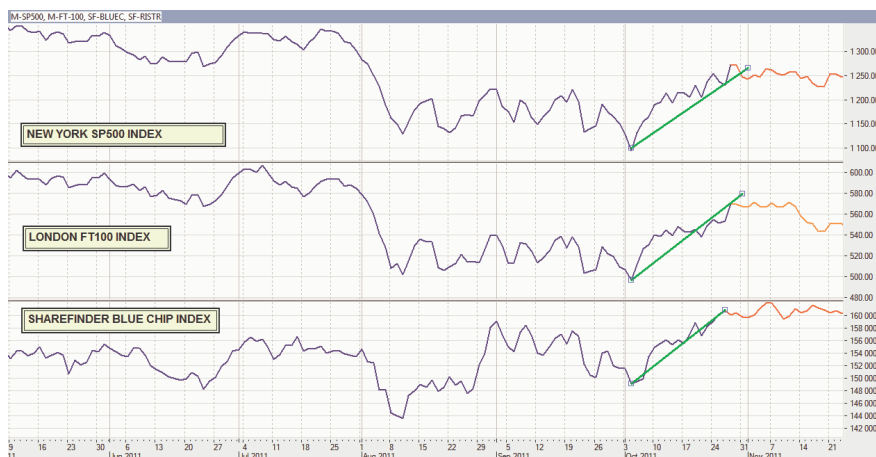
28 October 2011

Last week I offered the view that South African Blue Chips were on average very close to fair value and accordingly sensed that, once there were positive signs of the inevitable resolution of the Greek debt crisis, a rocket-propelled recovery was likely.

Well the Eurozone leaders finally did cobble together an agreement and, more importantly, managed to brow-beat their private banks into writing off half of their Greek debts in return for promises that an EEC rescue fund would come to their aid if the write-off too severely damaged their balance sheets. And as predicted the world's stock exchanges have exploded into joyous activity.

Interestingly however, while South African Blue Chips have indeed taken off, their rate of gain this past week has been at a mere 253% compound whereas New York has risen at 525% compound and London at 687% compound which implies that overseas investors are still a bit wary of South Africa just now: the Malema march issue perhaps! The second composite on the right illustrates the fact that Developing Markets as a whole have been outperforming Developed markets over the past week which is why the relative underperformance of SA shares is very troubling.

Of course, the recent collapse of the Rand relative to the major currencies will have emphasised to overseas investors how volatile is the risk of investing in this country and, while the Rand has gained over the past few days, it has a way to go before it again offers optimism to overseas investors.



Meanwhile Fourier projection of all three markets suggests that markets might very predictably trend sideways for the next week or so as they digest the events of the past week and while traders take profits.

Which share to buy today? Last Friday I noted that Shoprite Checkers appeared unlikely over the next 12 months to be cheaper than they were then. They have since climbed from R115 to R120 and could offer another bite at around R117 late in November.

The month ahead:

New York's SP500: I correctly predicted gains. Now I see them continuing until November 10.

London's Footsie: I correctly predicted gains that I thought would be short-lived. And I continue to see the market topping out quite soon...perhaps as early as Thursday.

JSE Industrial Index: I correctly predicted a recovery which I sensed would continue until late this week before a new bout of weakness sets in. I continue to hold that view with sideways volatility likely to last for the next 10 trading days before fresh weakness sets in.

Top40 Index: I correctly forecast gains until the end of next week before weakness appears likely.

ShareFinder Blue Chip Index: I wrongly forecast weakness. Nevertheless I continue to sense a retraction lasting a fortnight or so.

The Rand: I correctly predicted weakness. Now I sense a volatile strengthening until the middle of November.

Golds: I wrongly forecast weakness until well into November. However I continue to predict declines until mid-November.

Gilts: I correctly predicted gains which I expect to last until the end of this month.

The Predicts accuracy rate on a running average basis over the past 408 weeks has been 80.66%.

Richard Cluver