

# Richard Cluver Predicts

In our 22<sup>nd</sup> year of service to the investing public of South Africa



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**If Gilbert and Sullivan had been writing the scenario, we would have been rolling in the aisles. But the events of this week were not comic opera. Greece and Italy are not some mythical countries ruled over by singing buffoons.....and yet!**

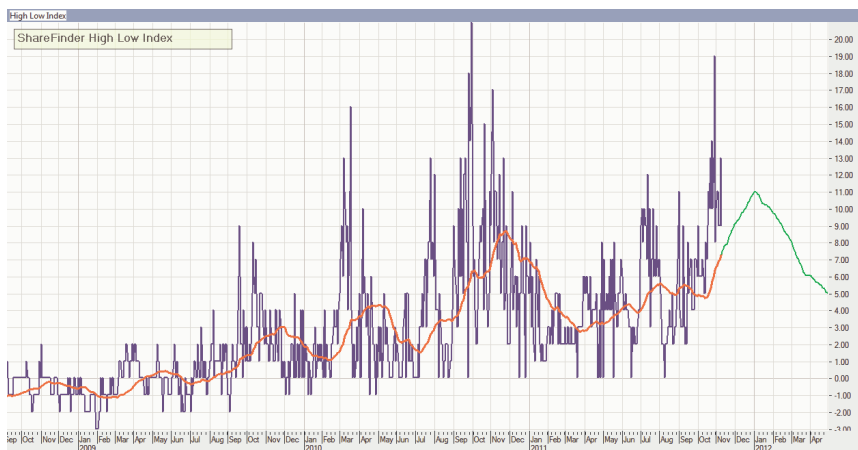
Going up in smoke in the past few weeks has been our trust in banks, state presidents and politicians in general..... And who would have imagined that, back here at home, ordinary folk in Julius Malema's home town would be celebrating his fall from power!

It is understandable that the disciplining of Malema would have boosted South African markets for there have been growing concerns that the Youth League's call for the nationalisation of our mines and banks has been gaining traction. But who would have imagined that the resignation of Italy's prime minister Berlusconi would have seen that country's bond market strengthening.

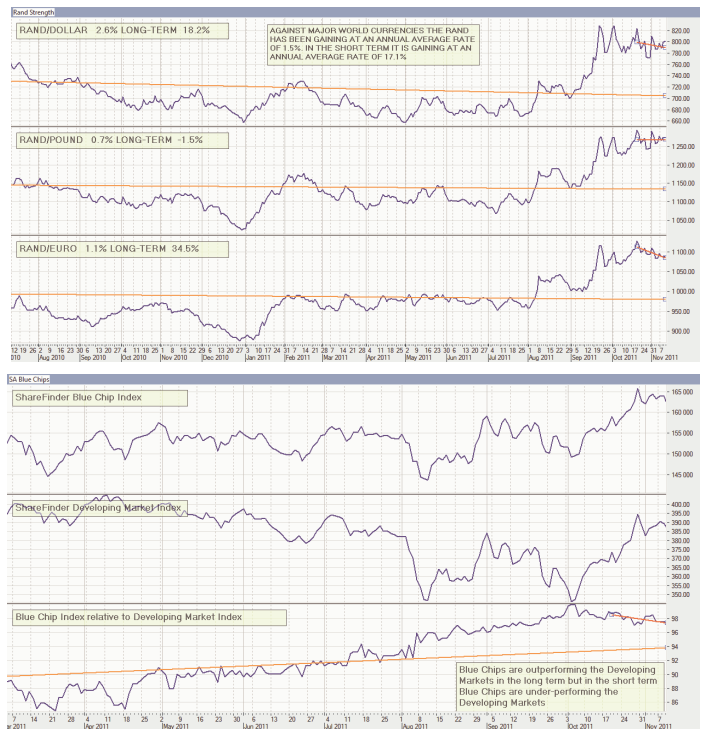
Collectively, it is emerging that the world of ordinary hard-working people has grown heartily sick of jumped-up self-opinionated nobodies unduly influencing their lives and, more importantly, their livelihoods and lifetime savings.

So what does all of this mean for ordinary folk? As always when I find myself troubled by events that might impact upon my investment future, I have found solace and clarity in the recognition that the men and women running our blue chip companies are the smartest and most able around; that is why the companies gain blue chip status. And, though they flutter like seismic measuring instruments when they are seeking the way forward, over time our investment markets clearly point the way forward when they measure the value of such securities. And so for openers today I offer you the ShareFinder NewHighs/New Lows market analysis which clearly shows that while market price volatility has understandably been on the rise in recent weeks, optimism about the future is clearly indicated. And the red Fourier line which overlays this graph projects positively forward to the end of December at least.

More than that in times like this we really cannot expect, but do note that the major economic indicators here and worldwide, are ticking upwards. Jobs are being created here and in the Developed World, retail spending is on the rise and, even if governments are getting themselves ever deeper in debt, ordinary folk everywhere are



paying off theirs. Meanwhile note that Developing Markets are outperforming the Developed World and relative to most major currencies, the Rand is gaining strength once more



The only note of caution currently then is that our Blue Chips are not doing as well as the average of Developing Markets and that, in addition to Moody's downgrading of our bond market this week, is a warning sign.

Collectively the outlook for our market is about as good as it could be in the circumstances and, if the ANC's Appeals Review Committee is able to deal expeditiously with Malema's appeal so as to end uncertainties surrounding this affair, our local outlook might be expected to improve considerably.

#### The month ahead:

**New York's SP500:** I correctly predicted declines continuing until the end of November and I continue to foresee that albeit with short-term volatility..

**London's Footsie:** I correctly predicted declines and the situation might worsen in the latter part of next week before a recovery begins.

**JSE Industrial Index:** I correctly predicted weakness and it could get sharply worse in the next few days.

**Top40 Index:** I correctly forecast weakness beginning and it might get considerably worse before a recovery sets in around November 21.

**ShareFinder Blue Chip Index:** I correctly forecast a retraction and I expect it to last till the end of November with quite a lot of day to day volatility along the way.

**The Rand:** I wrongly predicted a volatile strengthening. Now I expect possibly sharp weakness until the middle of next week after which I expect a strengthening trend to begin.

**Golds:** I have for a fortnight been wrongly forecasting weakness which only began on Wednesday. Now I expect to see declines with some day-to-day recoveries continuing into December.

**Gilts:** I correctly predicted the beginning of weakness which I expect to continue until December.

***The Predicts accuracy rate on a running average basis over the past 410 weeks has been 80.62%.***

**Richard Cluver**