

# Richard Cluver Predicts

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



Volume: 22

Issue: 34

## 18 November 2011

Relative peace has returned this week to financial markets after the wild uncertainties engendered by the European debt crisis over the past few weeks.

As my first graph composite on the right clearly illustrates, Developing Markets are once again outperforming Developed Markets.

However, as illustrated by the second composite, the Rand continues to take strain. Here a rising graph highlights weakness for, logically, it takes increasing numbers of Rands to buy Dollars, Pounds and Euros when the Rand is weakening. Since the end of August the Rand has been losing strength at a compound annual average rate of 80% against the Dollar, 58% against the Pound and 47% against the Euro.

However, happily for South African investors, as my third composite illustrates, our blue chip shares have been growing in price at compound 54.1 percent while Developing Market indices are rising at 45.7%

Happily too, although our long bonds have been under selling pressure for the past seven trading days, yesterday saw the tide turning once more. Furthermore, while US 10-years bonds are losing value at a compound annual rate of 30%, our R157 long bond has been gaining strength again at 29% compound which signals a positive outlook.



For the foreseeable future the outlook continues to look favourable and I remain cautiously optimistic....particularly when I make my weekly portfolio reconciliation each Monday and see

how much both my capital and income have grown.

**The month ahead:**

**New York's SP500:** I correctly predicted continuing declines. Now I see a recovery beginning.

**London's Footsie:** I correctly predicted declines and correctly warned that the situation could worsen in the latter part of the week before a recovery began. Now I foresee a volatile recovery beginning.

**JSE Industrial Index:** I wrongly predicted that the market could get sharply worse in the next few days. However I continue to foresee volatility and a declining trend until around the 29<sup>th</sup>.

**Top40 Index:** I correctly forecast weakness beginning and it might get considerably worse before a recovery sets in around November 29.

**ShareFinder Blue Chip Index:** I correctly forecast a retraction and I expect it to last till the end of November.

**The Rand:** I correctly predicted a possibly sharp weakness which I see continuing until the end of the month after which I expect a strengthening trend to begin.

**Golds:** I correctly predicted declines with day-to-day volatility until at least the first week of December.

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

***The Predicts accuracy rate on a running average basis over the past 411 weeks has been 80.63%.***

**Richard Cluver**