Richard Cluver Predicts

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

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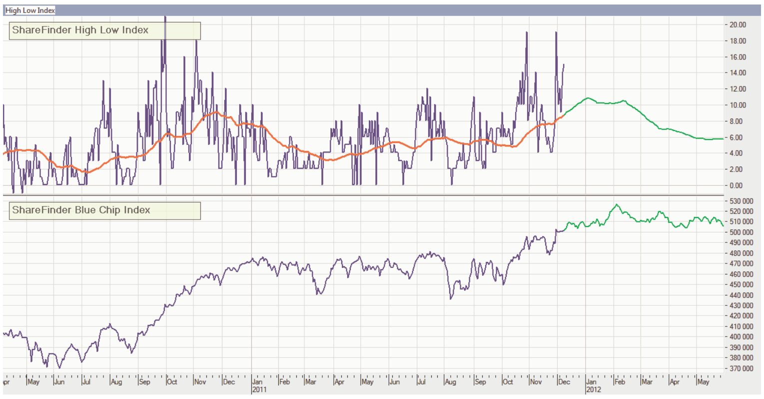
If I have at times in recent weeks yawed occasionally between optimism and pessimism about our investment markets outlook, I must take comfort in the fact that there can be very few people on this planet who have lately had a clear vision of the road map ahead.

However, what I have always been certain of, and continue to be, is that while our fate has regretfully been in the hands of politicians who are oftentimes likely to put narrow party political interests ahead of the best interests of the people they are elected to serve, there can have been little doubt at any time that practical solutions will in the end be found for the economic crisis that has afflicted most of the developed world. All are aware, I believe, that failure to find a solution must lead to an unthinkable economic catastrophe.

The problem, however, has been how long it will have taken to reach the correct solutions and the consequence of delay….. which could be as bad as not finding a solution at all. Nevertheless, as I write yet another European summit is close to some agreement on the way forward and delegates in Durban are cautiously up-beat that the Cop17 conference might lay solid foundations for legally-binding commitments to greenhouse gas emission reductions. The former is vital to our medium-term welfare and the latter, notwithstanding the gainsayers, is probably vital for the future of all mankind in the long run.



That said, market indicators have lately been signalling increasing optimism and, while ShareFinder's technical indicators have for long been warning of a market slow-down in the first months of 2012, those signs have lately begun to moderate and, apart from the inevitable volatility that often occurs during the thin trading period that is the Festive Season, there no longer appear to be any significant warning signs. If you consider the composite on the right, you will note that investment grade shares have been lately achieving both higher price levels and higher lows, a pointer to the observation that investors are becoming more optimistic about the future. Furthermore the green smoothing line in the upper graph is seen as peaking at the end of this month followed by a declining trend in the new year, pointing to diminishing price volatility which denotes the probability of less unsettled markets.

Finally, note our ever-accurate Fourier projection which now points to market prices continuing their rise at least until the end of January.

In all then, the outlook this Friday, is for a far better situation in the marketplace for at least the next six weeks, if not longer.

The month ahead:

New York's SP500: I correctly predicted a volatile downward trending market: that things would worsen at least until the end of the month. Now I sense nine or ten up-days before the Festive malaise sets in when some declines seem inevitable.

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http://www.rcis.co.za
richard@rcis.co.za

London's Footsie: While European markets yaw this way and that, prediction is nearly impossible so expect a sideways trend overall with dashes up and down in between.

JSE Industrial Index: I correctly predicted a recovery which I see continuing until weakness begins in the week starting December 20.

Top40 Index: I correctly forecast that the volatile upward trend would continue and I expect it to last a few more days before weakness sets in.

ShareFinder Blue Chip Index: I correctly predicted the market would bump along at the top. Now a last upward burst is likely before a seasonal slide begins around Monday December 19.

The Rand: I correctly predicted gains until mid-December. Now I foresee this strengthening will continue until mid-week followed by weakness for the rest of the month.

Golds: I correctly predicted a volatile sideways to weakening trend until the end of the year and I continue to hold that view.

Gilts: I correctly predicted gains throughout December and I continue to do so.

The Predicts accuracy rate on a running average basis over the past 414 weeks has been 80.53%.

Richard Cluver