

# Richard Cluver Predicts

In our 23<sup>rd</sup> year of service to the investing public of South Africa



Volume: 23

Issue: 3

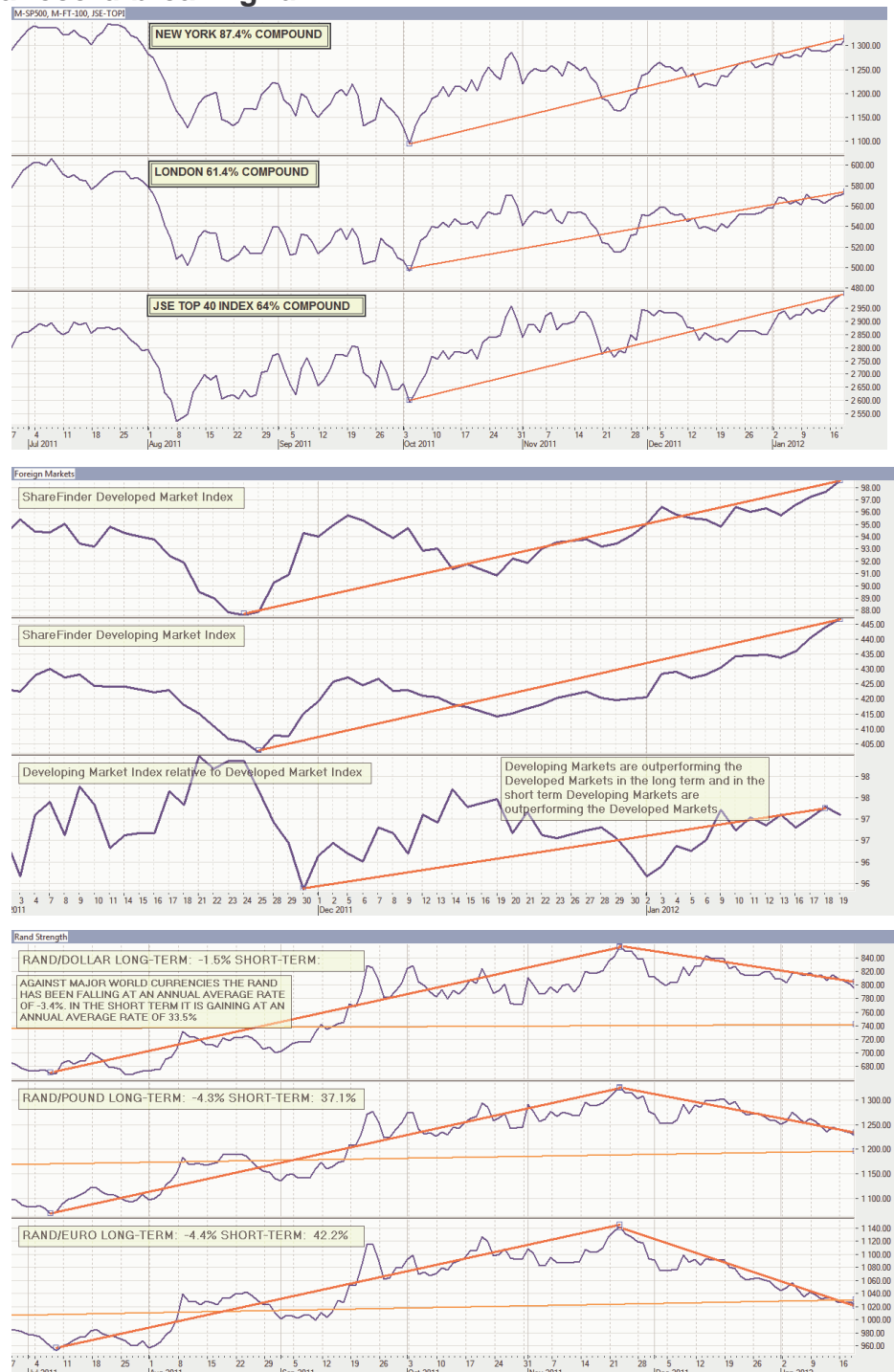
20 January 2012

**A continuation of improved employment data out of the US together with a far better than expected response to European bond auctions this week was all that world equity markets needed to continue a record-breaking run.**

The composite on the right illustrates how markets here and overseas have been thundering upwards since the beginning of October in a clear response to rising world inflation rates which are, in turn, the result of central bank money-printing activity which I have so often warned about.

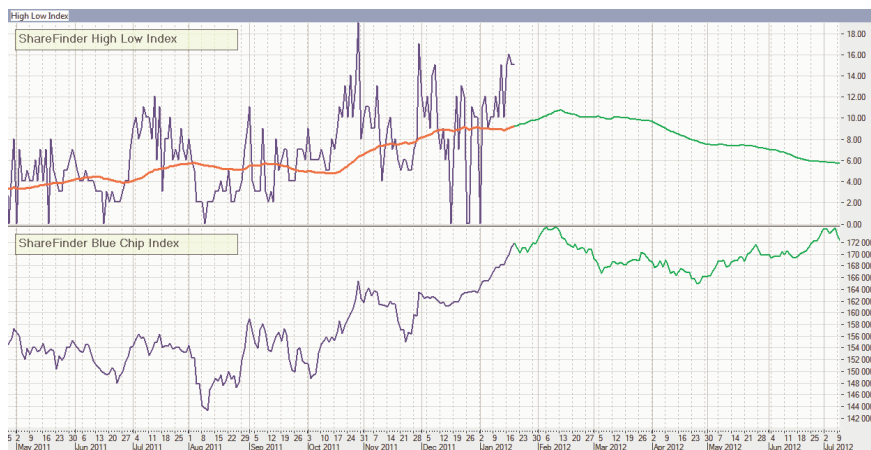
Furthermore, while investors are piling into equities in First World countries, they are even more enthusiastic about Developing World markets. In relative terms Developing markets are doing 16% better than those of the Old World.

And the result is obvious when one observes the performance of the Rand relative to the currencies of our principal trading partners as illustrated by my third composite. Understandably the Rand is strengthening most against the Euro, but even against the resurgent dollar it is gaining at an annual rate of 33%. Note, a falling Rand graph denotes gains for it means that fewer Rands are needed to buy other currencies.



Understandably some clients have lately become nervous about this heady trend and have phoned me to ask whether I do not think they should be taking some money off the table? Well, both of ShareFinder's main forward-looking indicators suggest that in respect of Blue Chips the

bull run is likely to continue until at least the middle of February with the Fourier projection on the right suggesting that a mild retraction is likely from the end of February to the end of April. Short-term analysis, however, does sense an imminent downturn that is unlikely to affect the long-term trend.



Thinking of adding shares to your portfolio? If this predicted weakness occurs, the following dividend and price growth performers are still offering fair value: Famous Brands, WBHO, Naspers, Truworths, MTN Capitec, Advtech, Clicka and Emira.

### The month ahead:

**New York's SP500:** I correctly predicted a recovery which is likely to soon run out of steam and run down until approximately February 8.

**London's Footsie:** I wrongly predicted a period of weakness. However I continue to foresee declines lasting until around February 14.

**JSE Industrial Index:** I correctly predicted a recovery which I expected to peak around about now followed by weakness for the first two weeks of February.

**Top40 Index:** I correctly forecast a recovery lasting until early February but with increasing volatility. Now I expect the market to peak around February 3.

**ShareFinder Blue Chip Index:** I correctly predicted a recovery with some minor ups and downs. Now I expect it to peak early in the new week with the decline likely to continue until mid- February.

**The Rand:** I correctly predicted a volatile strengthening trend and I expect it to continue gaining until around February 7.

**Golds:** I correctly predicted weakness until January 11 followed by a brief recovery. Now I sense declines until mid-February.

**Gilts:** I correctly predicted gains followed by brief weakness within an overall gaining trend lasting until around the 20<sup>th</sup> .

**The Predicts accuracy rate on a running average basis over the past 419 weeks has been 80.7%.**

**Richard Cluver**