

Richard Cluver Predicts

In our 23rd year of service to the investing public of South Africa



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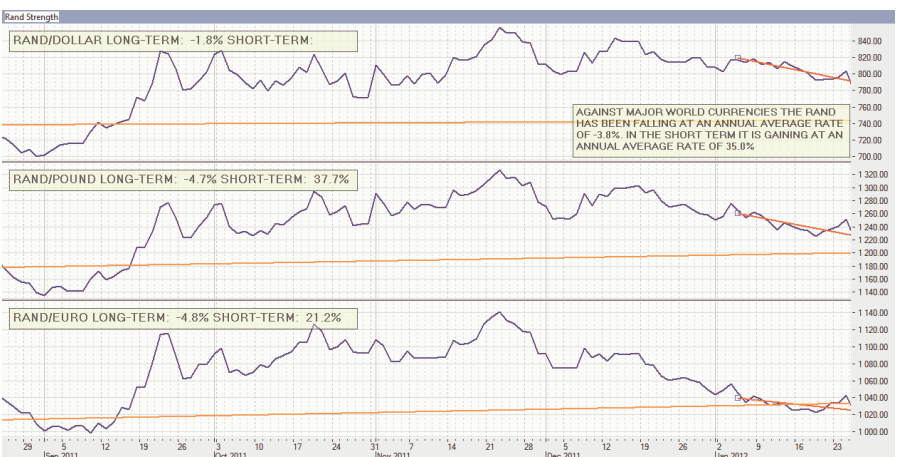
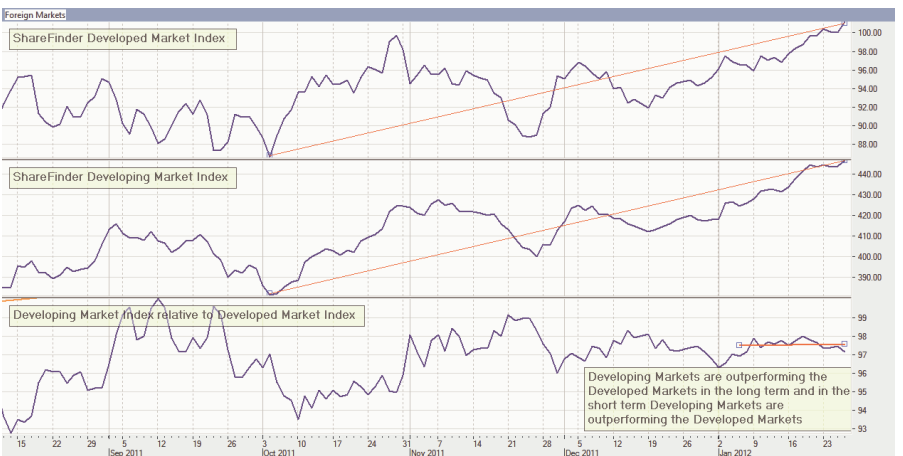
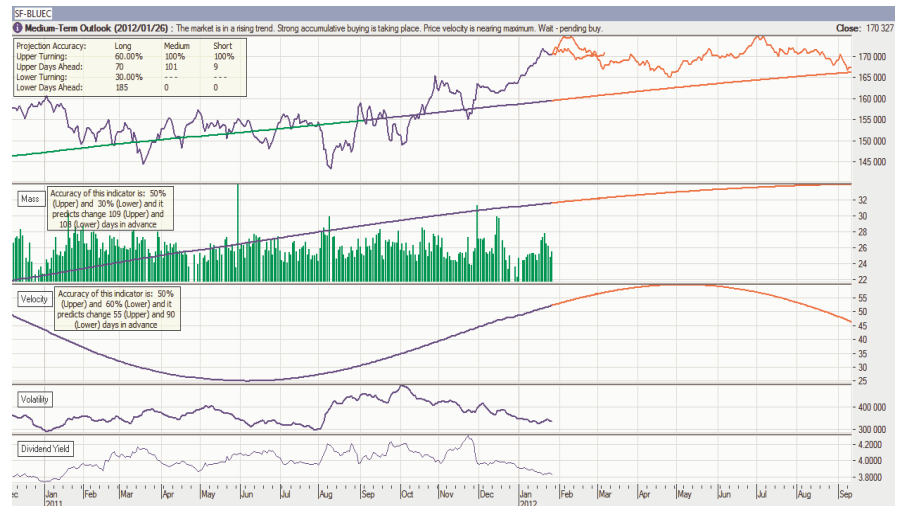
The JSE All Share Index passed its previous all time high on January 13 and, notwithstanding a couple of days of weakness earlier this week, it yesterday resumed its upward surge. And ShareFinder, while projecting more weak days in the coming week, nevertheless envisages yet another record-breaking high by the end of next week.

However, though not all the technical indicators agree, it appears very likely that next Friday could be the peak for the All Share Index for now and that it could be downhill all the way until the end of the year. Happily, however, for readers of this column who follow my recommendations and have largely confined their holdings to Blue Chips, no significant down-trend is envisaged for such shares, merely a softening of the market until April.

The background to this perceived coming weakness has been evident for a few weeks inasmuch as international investment capital flows have lately been swinging away from the Developing World back to the safety of Wall Street, no doubt inspired by encouraging economic data flowing from Wall Street suggesting that the US is at last showing significant signs of economic recovery.

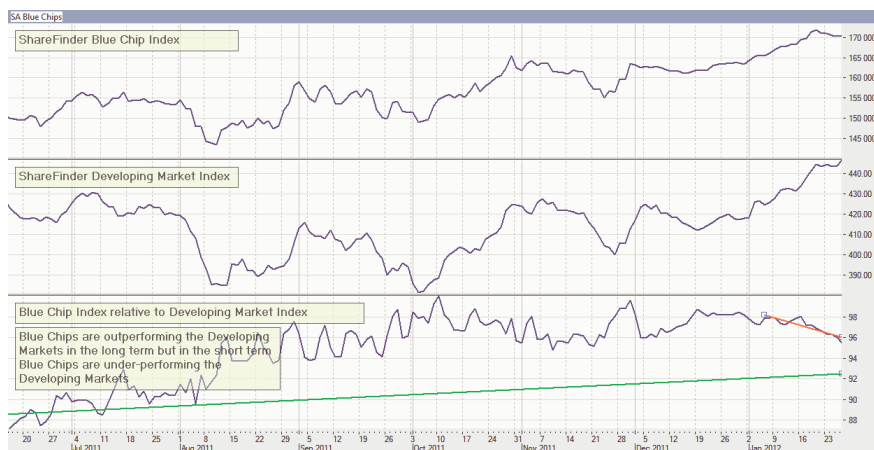
As my second graph composite illustrates, Developing markets have still been outperforming Developed markets, but only just, and the investment flow to Developing Markets is understandably flowing towards powerhouses like China and not to South Africa.

Though the Rand had been recovering strength against the currencies of our major trading



partners since late November, it has been weakening since

January 19 and, understandably the result has been that since the first week of January our Blue Chips have been underperforming the Developing World markets as an average as illustrated by the third graph in the composite on the right.



In summary then, if you need to do any selling as the end of the tax year approaches and pension fund decisions need to be taken, do it in the next few days as our market approaches a short-term peak. If you are holding cash and planning to do some buying, rather hold off until around the end of April when the predicted period of short-term weakness appears likely to end.

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The month ahead:

New York's SP500: I correctly predicted a brief downward correction before the bulls gained the ascendant once again. Now I expect Tuesday to see the peak of the market ushering in a week or two of weaker trends..

London's Footsie: I correctly predicted brief weakness. Now I expect the market to top out in the middle of the week for a fortnight-long downward correction.

JSE Industrial Index: I correctly predicted an approaching market peak and continue to predict imminent weakness until around February 10.

Top40 Index: I correctly forecast a recovery lasting until early February but with increasing volatility and now I sense a decline beginning around February 3.

ShareFinder Blue Chip Index: Until now I have correctly predicted a continued recovery with some minor ups and downs until at least the first week of February. Now I see a decline until February 10.

The Rand: I correctly predicted a volatile strengthening trend. Now, however, I sense weakness beginning around the middle of the new week.

Golds: I correctly predicted weakness until January 11 followed by a recovery which I now expect to last until mid-February.

Gilts: I correctly predicted gains followed by brief brief weakness until about the end of next week. Thereafter I expect gains until approximately February 20.

The Predicts accuracy rate on a running average basis over the past 419 weeks has been 80.75%.

Richard Cluver