Richard Cluver Predicts

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

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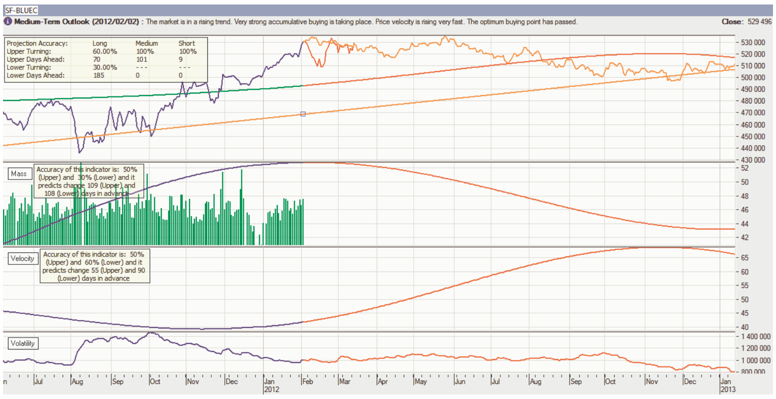
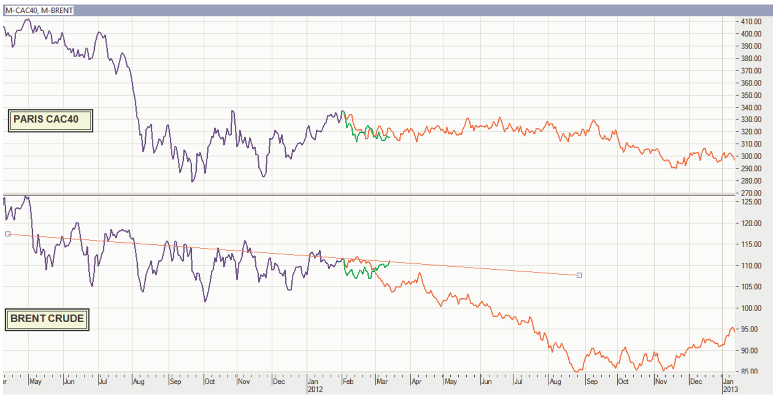
Last Friday I correctly called this week's market activity, projecting more weak days in the coming week but nevertheless envisaging yet another record-breaking high by the end of the week. And it is just possible that we could see one more week of upward activity.

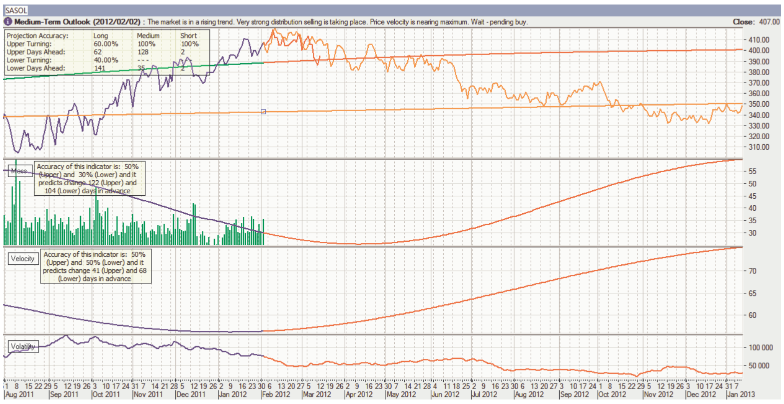


Readers should, however, be warned, that this market is now overdue for a short-term correction which could very well translate into a fairly protracted phase of weakness if there is no resolution of the European crisis or the Middle-Eastern conflict escalate to an extent that global oil supplies should be threatened. The red Fourier projection in my topmost graph (supported by the peaking of the Mass indicator) traces out a likely future scenario.



My second graph composite examines these trends inasmuch as they affect Europe as portrayed by the recent trend of the Paris Cac40 index which, like the ShareFinder Blue Chip Index is seen to weaken until April before recovering slightly and then again head downwards from September.

Meanwhile, crude oil prices have been falling steadily since last May and in this projection are seen to accelerate their downward spiral from February which speaks of a global oil surplus developing and is contrary to problems in the Middle East. Obviously this latter trend could change dramatically if Iran carried out its threat to blockade the Straight of Hormuz. An average of 14 supertankers carrying 15 million-17 million barrels per day transit the strait every day, with three-quarters of the oil heading for Asia to supply energy-hungry China, India and Japan. And this threat should not be treated lightly. Already the US fifth fleet including the carrier USS Abraham Lincoln have been positioned I the Gulf region and The Persian Gulf emirate of Abu Dhabi is rushing to complete a $3.29 billion underwater oil pipeline from the United Arab Emirates to an export terminal on the Gulf of Oman to bypass the endangered choke point.



Interestingly, in the light of this and Sasol's announcement this week that its profits are up between 80 and 90 percent, the composite on the right similarly projects the probability of a declining oil price in the months that lie ahead.

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The month ahead:

New York's SP500: I correctly predicted a brief downward correction and recovery and now, as I warned last week, I now expect a week or two of weaker trends.

London's Footsie: I correctly predicted brief weakness followed by a recovery and then a fortnight-long downward correction lasting until around February 20..

JSE Industrial Index: I correctly predicted an approaching market peak which could well occur today followed by weakness until around February 16.

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

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 beginning today and lasting until approximately February 16.

The Rand: I correctly predicted a recovery which could now be at an end with a new phase of weakness lasting until around February 17.

Golds: I correctly predicted gains. Now the phase of weakness that began this week should last until February 7 before further gains occur.

Gilts: I correctly predicted gains which I now expect to end around February 10.

The Predicts accuracy rate on a running average basis over the past 420 weeks has been 80.8%.

Richard Cluver