

# Richard Cluver Predicts

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



Volume: 23

Issue: 6

10 February 2012

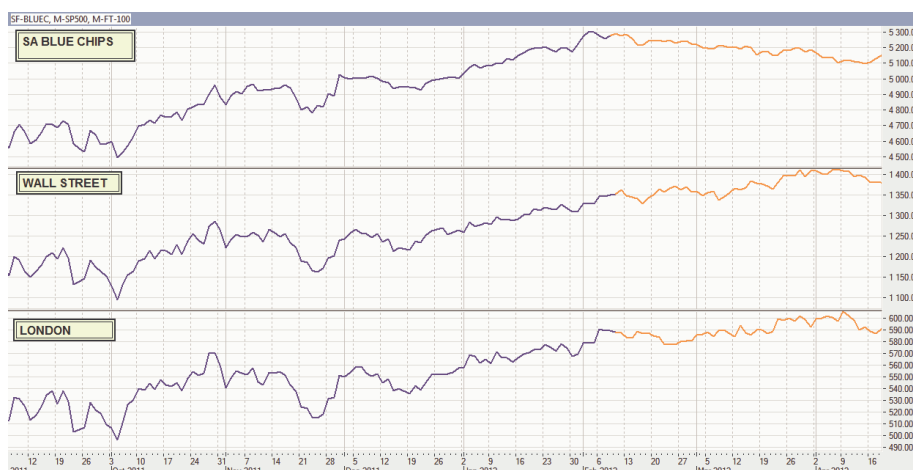
**Signal events here at home and abroad could just boost the JSE upward surge for another few days: removal of the last obstacle to a Greek loan settlement negotiated at the last moment yesterday and President Zuma's announcement of a host of major infrastructure spending projects.**

It is unlikely, however, that Greek agreement on the austerity agreements demanded by EEC bankers is the end of that story for Greece has proved to be notoriously unreliable when it comes to meeting such agreements. And as proof of this view, the euro eased against its U.S. and Japanese counterparts in Asian trading today as investors remained sceptical about the ability of Greece to follow-through on the agreement.

Furthermore, Greek indebtedness is just a sub section of a far wider and now very well documented story of European credit excess which will not be resolved until millions of Europeans are prepared to take to heart the fact that there is no such thing as a free lunch; that unfunded pensions, costly free medicare and the massive financial excess that goes with modern socialism cannot be funded by ever-expanding loans.

All of which brings me to President Zuma's up-beat infrastructure expansion announcements. It all sounds wonderful and it should give the construction sector a massive shot in the arm.....provided it is real. As DA parliamentary leader Lindiwe Mazibuko has correctly observed today; Where is the money to come from? Hopefully Finance Minister Previn Gordhan will explain in his budget speech shortly that all this can be funded without further massive borrowing, but investors are likely to remain sceptical, noting that South Africa is already under notice from the ratings agencies which have noted that Jacob Zuma's South Africa has abandoned the fiscal prudence of the Trevor Manuel years and has begun heading down the same slippery slope as Europe.

In neither instance then do we expect any significant gains in the immediate future...at least until we are offered more convincing proof that promises can be translated into effective action. Meanwhile, ShareFinder's projections suggest that in the week ahead, blue chip shares will be heading south and this weakening phase could well develop into a medium-term trend lasting at least until April.



In the short-term, as I have been warning for several weeks now, there is likely to be some weakness on Wall Street and in London as well, that is unless the market makers can be reasonably convinced that the Greek agreement really has legs.

## **The month ahead:**

**New York's SP500:** I correctly predicted a week or two of weaker trends and I expect the trend to continue until approximately February 20.

**London's Footsie:** I correctly predicted the beginning of weakness which I continue to expect will last until around February 20. Followed by a brief up-tick and then further weakness.

**JSE Industrial Index:** I correctly predicted an approaching market peak which I expected to be followed by weakness which I now see ending in the middle of the new week.

**Top40 Index:** I correctly forecast a decline which I expect to last until mid-week.

**ShareFinder Blue Chip Index:** I correctly predicted a decline which I see lasting until the middle of the new week followed by a recovery lasting most of February.

**The Rand:** I correctly predicted a new phase of weakness which I expect to last until February 22.

**Golds:** I correctly predicted a phase of weakness lasting until February 7 before further gains would occur. Now I see this recovery continuing until the first week of March.

**Gilts:** I correctly predicted this week would see the end of the rising trend and I see this weakening phase lasting until around February 21.

***The Predicts accuracy rate on a running average basis over the past 421 weeks has been 80.84%.***

**Richard Cluver**