Richard Cluver Predicts

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

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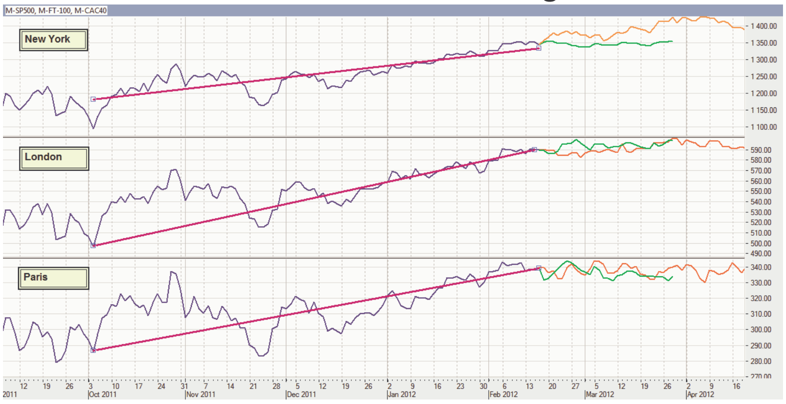
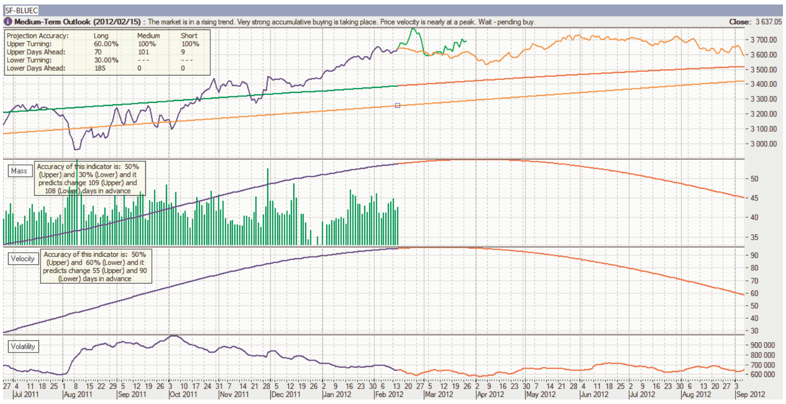
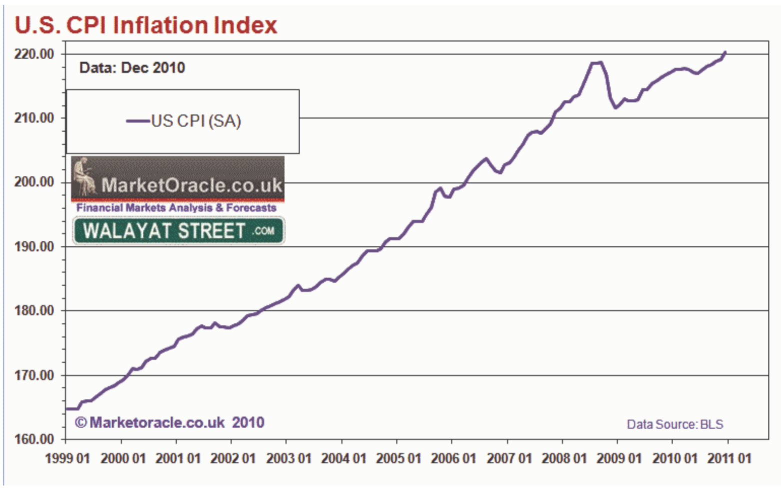
Listening to the news and scanning favourite share prices this week one might have been forgiven if one formed the impression that it had been a dull to losing week.



The composite on the right makes it clear that it has been business as usual in the world's leading stock exchanges with New York annual continuing to rise at a compound annual rate of 38.6%, London at 59% and Paris at 58% while here at home blue chips continued rising at compound 48%.



Who would believe, viewing this evidence, that Greece is closer now to a debt default than at any time in the immediately troubled past with the strong probability that a knock-on could similarly push Italy, Spain, Ireland and Portugal over the brink as well precipitating a protracted European recession which would in turn clip significantly at economic growth both here in South Africa and throughout the developing world.



The graphs are, to say the least, abnormal in the extreme and can only be explained, as I have repeatedly argued, by recognising that the palliatives being applied, principally by the US Federal Reserve, must inevitably lead to hyperinflation.

With US January's inflation numbers due out today, it is interesting to note that in the US it now requires $22.7 to buy what just one dollar would have bought 99 years ago. That is an annual rate of inflation change of 2172%, emphasising the compound effect of such numbers.

My third graph illustrates how inflation has soared exponentially in the US over the past 12 years. Cheaper energy costs in December held inflation in check at 3%, masking rises in food, housing and transportation but crude oil has since been rising over concerns about peace in the Middle-East and so it is very likely that there will be yet another inflation number increase in today's data.

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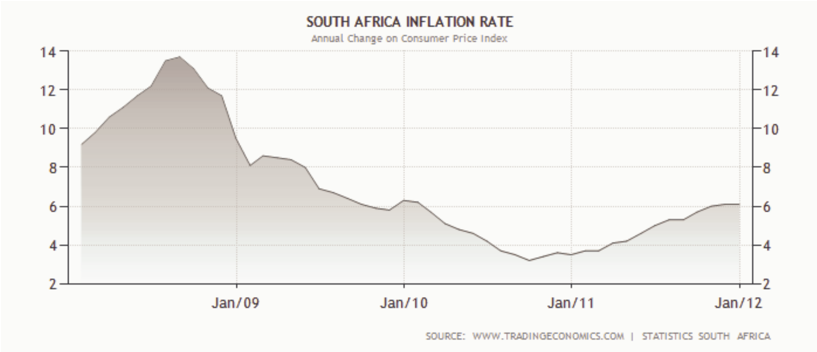
Meanwhile the SA rate is likely to moderate as a stronger Rand reduces the local cost of our price critical imports like crude oil. The graph on the right highlights the fact that the rate of increase had begun slowing towards the end of last year. Note, however, at 6.1% in December it was more than twice the US rate.



The month ahead:

New York's SP500: I correctly predicted a weaker trend but the market is likely to recover somewhat next week before the next dip begins around February 27.

London's Footsie: I correctly predicted the beginning of weakness which I continue to expect will last until around February 21 followed by a brief up-tick and then further weakness until early March.

JSE Industrial Index: I correctly predicted an approaching market peak which I expected would happen in the middle of the past week. Now I sense that peak will happen today followed by declines until mid-March.

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 could well end today 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 followed by a yo-yo recovery until the middle of March.

Golds: I mis-timed my predicted recovery which I now see beginning today.

Gilts: I correctly predicted the weakening phase would continue until early next week followed by a recovery lasting until the first week of March.

The Predicts accuracy rate on a running average basis over the past 422 weeks has been 80.89%.

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