

Richard Cluver Predicts



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

Volume: 23

02 March 2012

Issue: 9

Listening this week to a group of stock brokers and analysts being interviewed on TV about why the market had been “getting weaker” lately, the consensus was that it had run so hard in January and February that some weakness now was inevitable.

Well they obviously were not looking at ShareFinder’s Blue Chip Index which, as the graph composite on the right clearly shows, Blue Chips have continued to perform and, although some mild weakness remains predicted for the end of this week, the way ahead looks good for the foreseeable future.

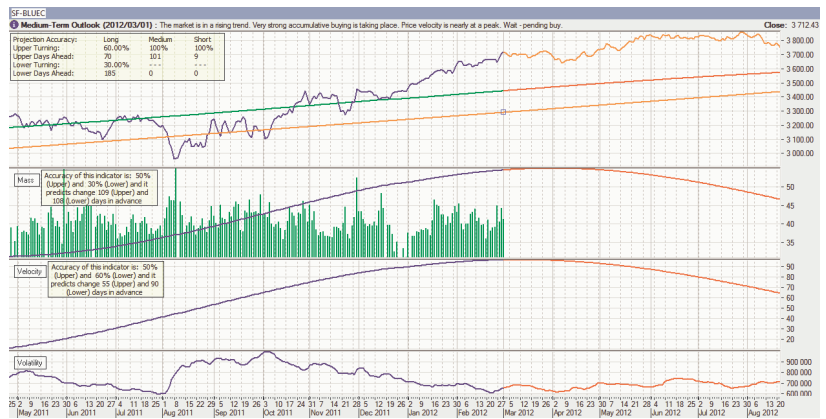
This, once again raises the issue of when this market will become overpriced? So let us again visit the issue of average dividend yields noting, in my second composite, that at a current average of 3.7 percent the market yield is still well above the average of 2.66 percent reached at the absolute peak in April 2007.

Though the market itself peaked at the end of October in that year, earnings and distributions that came through in the interim ensured that in October 2007 the average dividend yield had risen by then to 3 percent. And, of course, with corporates collectively issuing profit increase forecasts of around 20 percent in of the current reporting season, the dividend yield is likely to settle in a sideways to upward direction for the foreseeable future.

In simple terms then, the market is not overpriced by previous standards and on current projections appears unlikely to again reach April 2007 levels until sometime in the year 2013.

The month ahead:

New York’s SP500: I wrongly predicted a downward trend until March 6. Now I expect gains for the rest of the month but with some interim weakness starting around March 7.



London's Footsie: I correctly predicted weakness continuing until March. Now I sense a rebound lasting until mid-March before the down-turn continues until around March 26.

JSE Industrial Index: I correctly predicted a brief up-tick which I expect to now last until about March 7 followed by two weeks of declines.

Top40 Index: I correctly predicted a sideways trend. Now I predict that March will end stronger than it has begun but will include a down phase beginning around March 7.

ShareFinder Blue Chip Index: I wrongly predicted a decline until the end of this week but I continue to expect an overall gain for the month with an intermediate phase of weakness beginning around March 7.

The Rand: I wrongly predicted weakness until the middle of March. Now I expect gains until mid-March but overall expect little change for the month.

Golds: I correctly predicted weakness which I expect to continue for most of March.

Gilts: I correctly predicted a recovery. Now I sense weakness until March 7 followed by a brief recovery. Overall, however, I expect losses for the month.

The Predicts accuracy rate on a running average basis over the past 424 weeks has been 80.86%.

Richard Cluver