

# Richard Cluver Predicts

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



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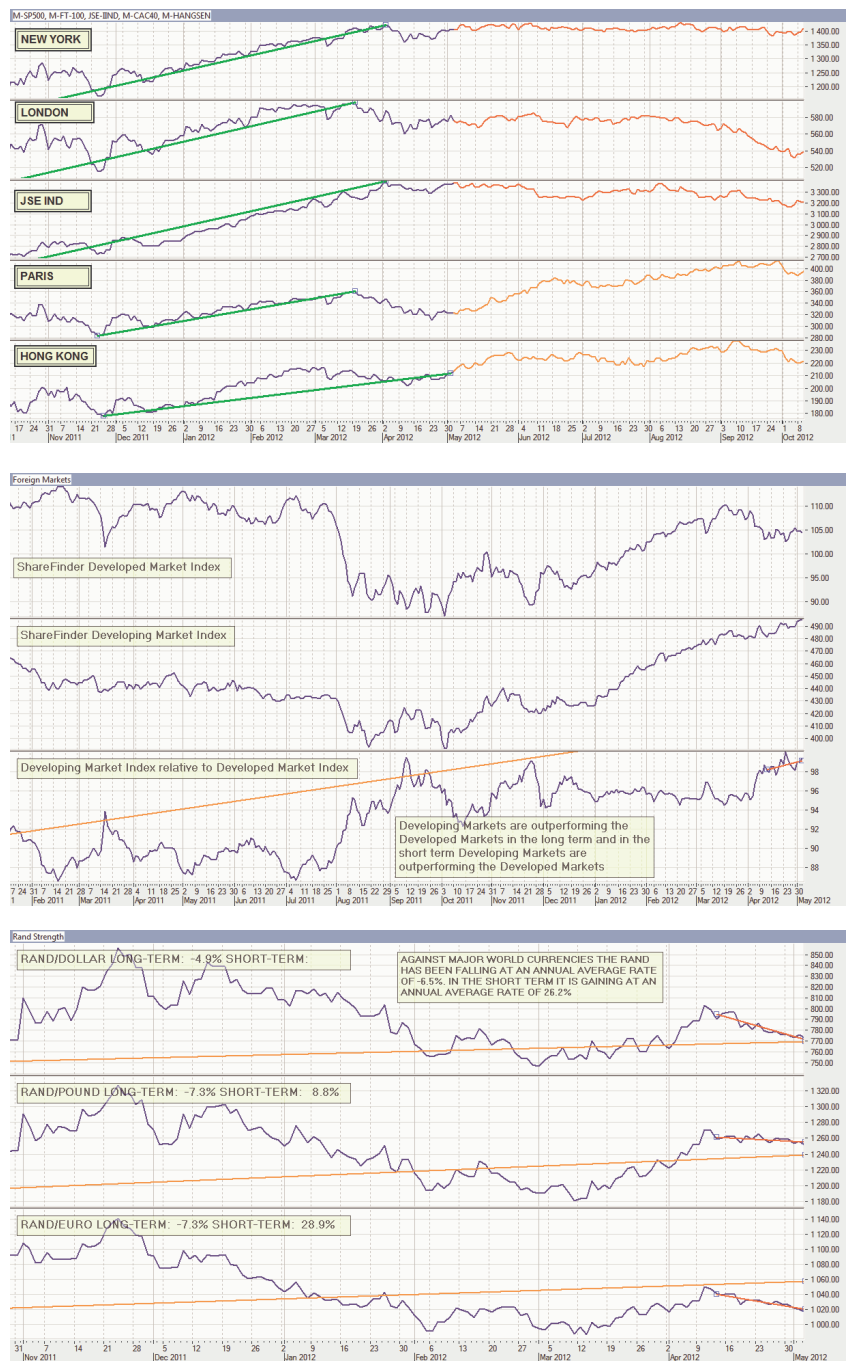
**“Sell in May and go away”.....I was reminded of this old stock market superstition by one of the country’s leading portfolio managers last weekend at a lunch in Johannesburg. He thought it would be another weak May.**

Now the fact is that the adage is honoured more in the breach than by reality and it looks as if this May will be another occasion that disproves the rule.

As the graph composite on the right well illustrates, markets worldwide weakened significantly during April but have strengthened during the past few days. Furthermore, of the five markets I have depicted on the right, only London is currently projected to weaken initially.

So what is happening out there in the ebb and flow of money around the world? Note in my second composite that in sharp contrast to the markets of the Developed World, those of the Developing World have continued the climb which began back in August last year while markets like London, New York and Paris which constitute the bulk of Old World money investments began falling quite sharply during March.

Furthermore, money which was flowing out of South Africa and the rest of the Developing World, has reversed its flow. Here at home the Rand has begun strengthening again against all major currencies since April 10. And, perhaps the most sensitive indicator we have of improving sentiment, investors have lately been buying strongly



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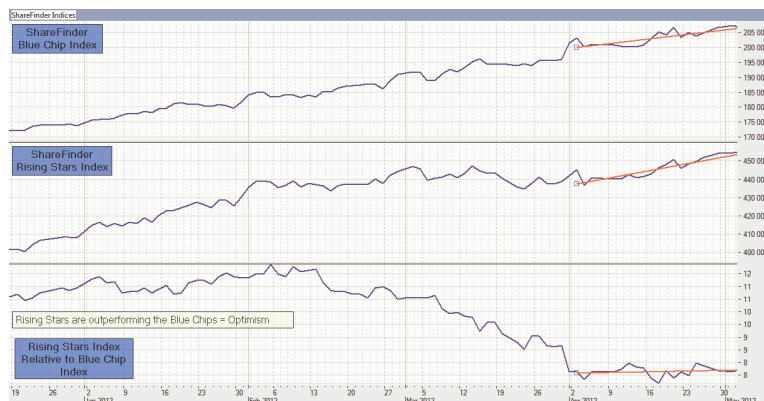
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into the sector that I label the Rising Stars, shares of companies which, while usually offer exceptional growth rates but are relatively riskier in the long term by comparison with the Blue Chips. Note in my composite on the right that while Blue Chips have lately been rising at a compound annual rate of 48.4%, the Rising Stars have been rising at 56.4% compound with the net result that in relative strength terms the Rising Stars graph eclipses the Blue Chips. May, in other words, looks like it will prove in every way to be a really good month this year!



### The month ahead:

**New York's SP500:** A late spurt nearly made me correct in my earlier prediction that April would be a month of gains and, although New York has begun rising lately, I continue to predict that May will see weakness.

**London's Footsie:** I correctly predicted gains for the latter part of April and now I see a sideways to modestly stronger May.

**JSE Industrial Index:** I correctly predicted gains and I continue to see gains for the rest of the month.

**Top40 Index:** I correctly predicted a sideways to slightly stronger trend which I now expect to continue until approximately May 15.

**ShareFinder Blue Chip Index:** I correctly predicted some initial weakness but now I see steady gains for the rest of the month.

**The Rand:** I correctly predicted a recovery into the new month followed by weakness which I expect to continue until May 18.

**Golds:** I correctly predicted declines which I expect to continue for most of May.

**Bonds:** I correctly predicted gains which I expect to last until May 9.

**The Predicts accuracy rate on a running average basis over the past 432 weeks has been 81.04%.**

**Richard Cluver**