

Richard Cluver Predicts



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

Volume: 23

03 August 2012

Issue: 19

What a week it has been....South Africans very unexpected winning gold medals in London and, with most of Europe mired in economic chaos, the JSE roaring ahead as if there is no tomorrow. Is it all too good to be true?

Well about the Olympics I am not qualified to comment except to note that life has taught me that morale has a major part to play in most endeavors. Winners tend to enthuse all those around them and my guessing is that spirits are extremely high in the Team SA camp. Likewise our South African businessmen, and more particularly those who run our JSE-listed companies, are used to delivering exceptional results and the world's investors know this...particularly when times are tough in their own countries..

Thus, for example, at a time when we endlessly hear that our hotel industry hopelessly overbuilt for the World cup and is now mired in bankruptcies, City Lodge reported on Tuesday that diluted headline and basic earnings per share for the year ended June 30, which include the costs and effects of its black economic empowerment (BEE) deal, are anticipated to be between 36% and 40% higher than the previous year. Now admittedly they are coming off a low base having last year been forced to cut their dividend because they were also rather overoptimistic about the World Cup, but a 40 percent gain in these times would be like a rainbow coming out were this Europe today. Not that the market was at all surprised as my graph composite on the right clearly indicates. The shares have come up from a low of R59 this time last year to a current R82 and, as the Fourier projection suggests, they could go to R97 by the end of the year. Not that I am urging anyone to buy the shares right now. I have them in my own portfolio and I will continue to hold them. But there are better shares to buy right now.

Before I left for Europe at the end of May I left my brokers with buying orders for more Capitec and Pinnacle Micro shares if they fell into my buying range and they successfully executed both orders. I would be happy to buy more of both were not that such action would leave me somewhat overexposed to these two counters. My Capitec buy is already up 9% and I expect the shares to go to R245 by January from a current R220.



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Published by Richard Cluver Investment Services

03 August 2012

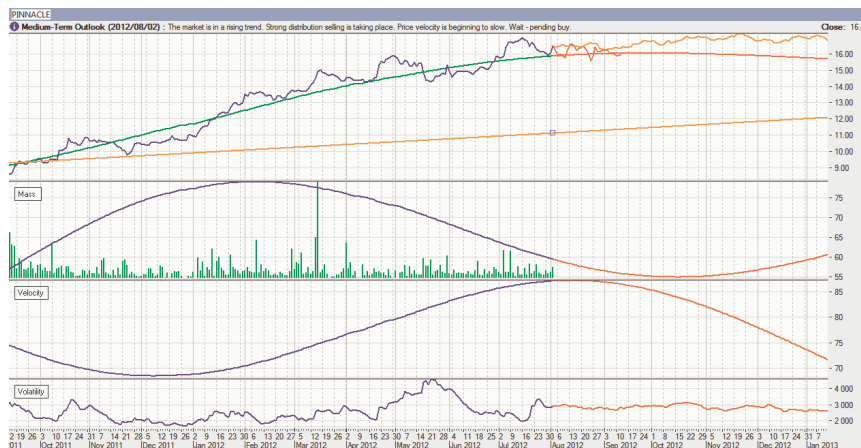
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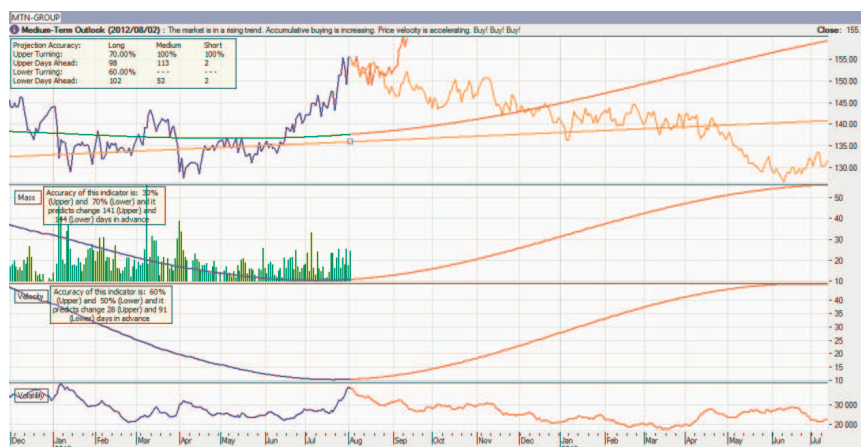
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Pinacle is up nearly 13% since I bought them and I expect them to continue up to R17. 19 from a current R16.04 by year end as illustrated by the composite on the right.

Currently I would have my eye on Shoprit and Clicks if both did not also feature strongly in my portfolio. The latter could fall to around R52.20 by the end of this month but I do not see a buying opportunity for Shoprit in the foreseeable future.



The share that I am particularly watching right now is MTN which, note my second composite on this page, could come down considerably in the months that lie ahead offering investors a juicy opportunity by around mid year if the projection continues to prove valid. For current holders of MTN I would urge considerable caution and a watchful eye on this company's imminent interim.



The month ahead:

New York's SP500: I wrongly expected the then current weakness to last until the end of June. The market has continued up since mid-June and I expect it to continue rising until around August 24.

London's Footsie: I correctly predicted a modestly stronger trend and I expect gains to continue until the end of August.

JSE Industrial Index: I correctly predicted gains for the foreseeable future. Now I expect a short-term decline with a brief recovery at the end of the week and then a month-long decline.

Top40 Index: I correctly predicted gains and now I sense imminent weakness.

ShareFinder Blue Chip Index: I correctly predicted a brief recovery until June 15th followed by a declining trend until the end of the month. Now I sense a month of declines.

The Rand: I correctly predicted rand weakness would end at the end of May followed by a recovery. Now I sense quite strong gains for the rest of this month.

Golds: I correctly predicted gains until the end of May. Now I sense further gains until around August 23.

Bonds: I correctly predicted gains and I expect them to continue until September.

The Predicts accuracy rate on a running average basis over the past 443 weeks has been 81.08%.

Richard Cluver