

Richard Cluver Predicts



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

Volume: 23

Issue: 27

28 September 2012

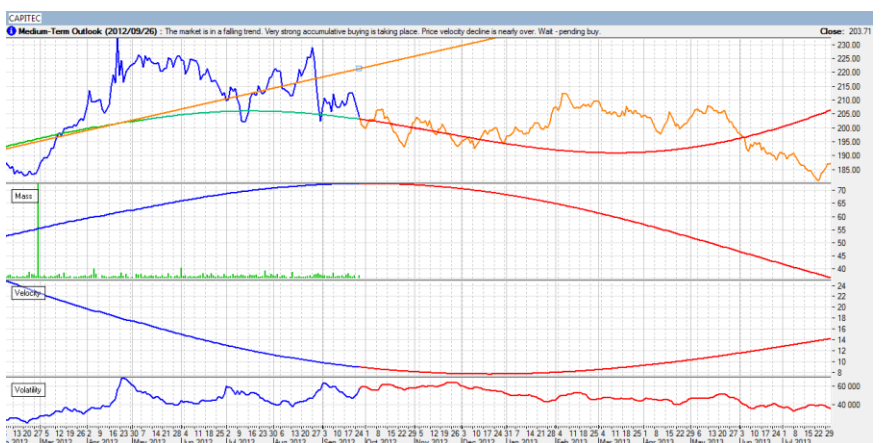
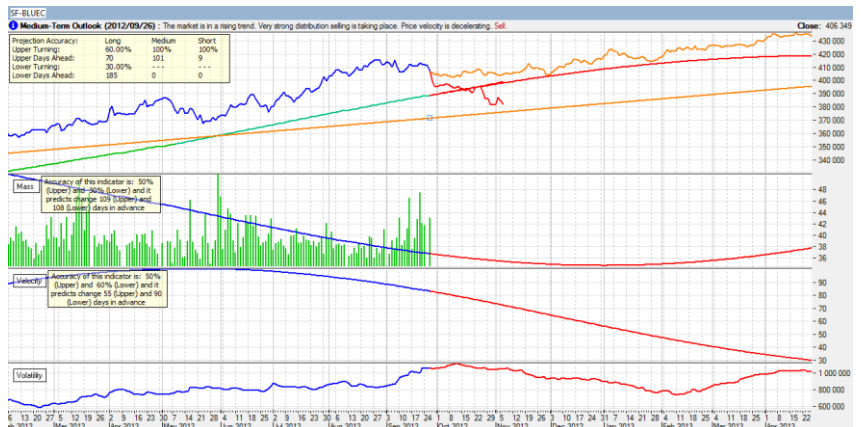
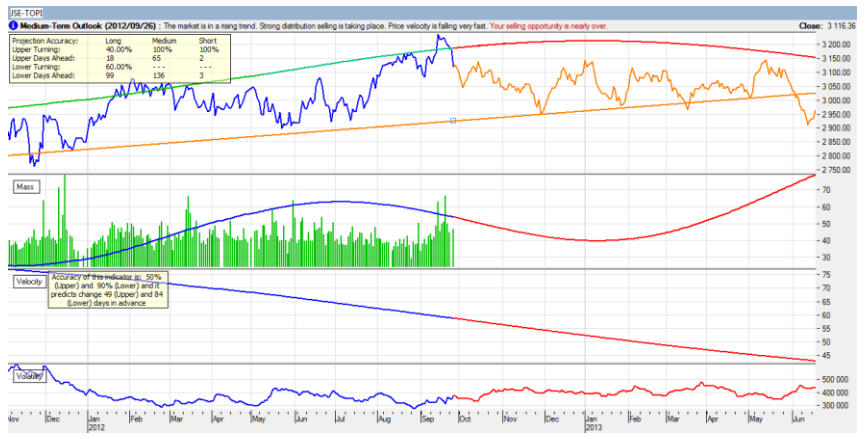
The long-predicted spring contraction of the JSE is now well and truly under way with shares across the counter sliding markedly down.

As the composite of the JSE Top 40 Index illustrates on the right, the decline began on September 14 and, if the usually correct Fourier Projection is to be believed, this initial downturn will last until the end of November when the index is set to rebound off its long-term trend line (the straight red line in the upper graph). A series of ups and downs will follow for the whole first half of next year implying a troubled and volatile period ahead.

Furthermore, as I have repeatedly pointed out lately, the switch into blue chips has become very pronounced lately so that here the Spring decline has been modest and it is likely that the bottom will occur between October 9 and 31 before the upward trend resumes with the market in this sector likely to rise around 17 percent over the next six months.

So the implication is clear. If you have paid attention to my newsletters since mid-year you will have shed the weak performers from your portfolio and should now be sitting with cash in hand to do some buying over the next four weeks.

Most of you will have Capitec in your portfolio which implies that some of that set-aside cash will be taken up in the coming rights issue. The rights issue of 14 shares for every hundred you own is pitched at R160 a share and that investment should net you a gain of around 45 percent by year-end if the share returns to its previous high of 232. However I should point out that,



contrary to my own view following Capitec's announcement of a 61% increase in income for the six months ended last month, ShareFinder's Fourier projection system suggests that these shares should be on the way down until next July.

Best buys in the next few weeks are likely to be Clicks at 56.68, Famous Brands at R71.80 and AVI at R59.38 today, Shoprite at R165.90 and Invicta at R80.69 next Wednesday October 3.

The month ahead:

New York's SP500: I correctly predicted a brief recovery lasting until mid-week before the next decline. Now I see a week of gains before the next decline until mid-October.

London's Footsie: I correctly predicted as decline which is likely to continue until the end of next week when a brief upward spike looks likely to interrupt a decline lasting until the end of October..

JSE Industrial Index: I correctly predicted a decline which is likely to last until around October 10 before a three-day up-tick interrupts it and a further decline begins..

Top40 Index: I wrongly predicted gains until the beginning of October followed by a up and down downward trend until October 18. Now I sense that the market has bottomed but it will be a volatile recovery throughout October.

ShareFinder Blue Chip Index: I correctly predicted a downward trend which I expect to last until the end of October.

The Rand: I correctly predicted a modest strengthening before fresh weakness began. Now I see Rand recovery beginning on Tuesday. Fresh weakness is likely to begin on October 8 and last most of the month.

Golds: I correctly predicted a brief fall followed by gains that are likely to last until Thursday followed by declines until + - October 23.

Bonds: I correctly predicted gains which I expect to continue until the end of October.

The Predicts accuracy rate on a running average basis over the past 451 weeks has been 81.22%.

Richard Cluver