Richard Cluver Investment Services

# Richard Cluver Predicts

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

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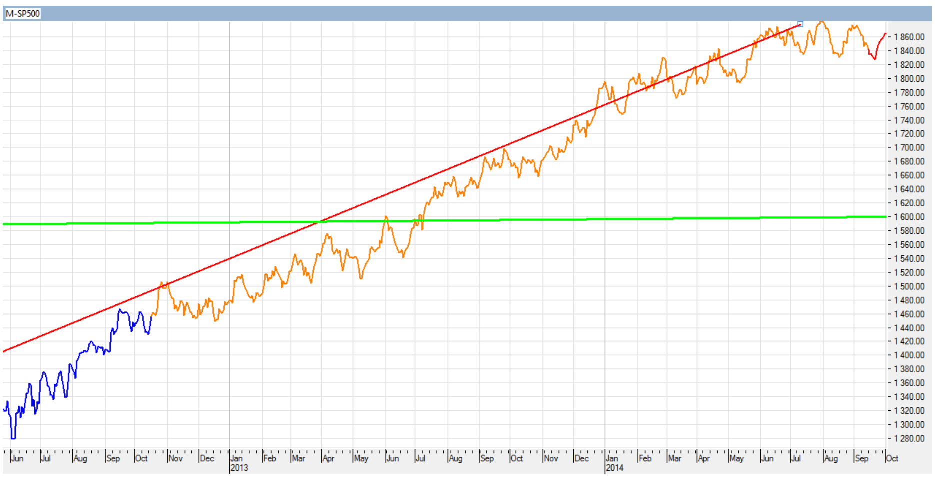
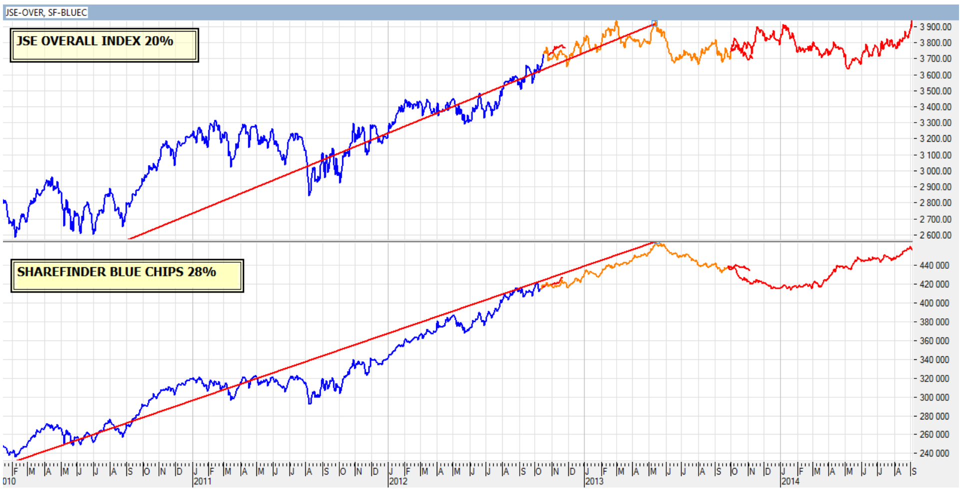
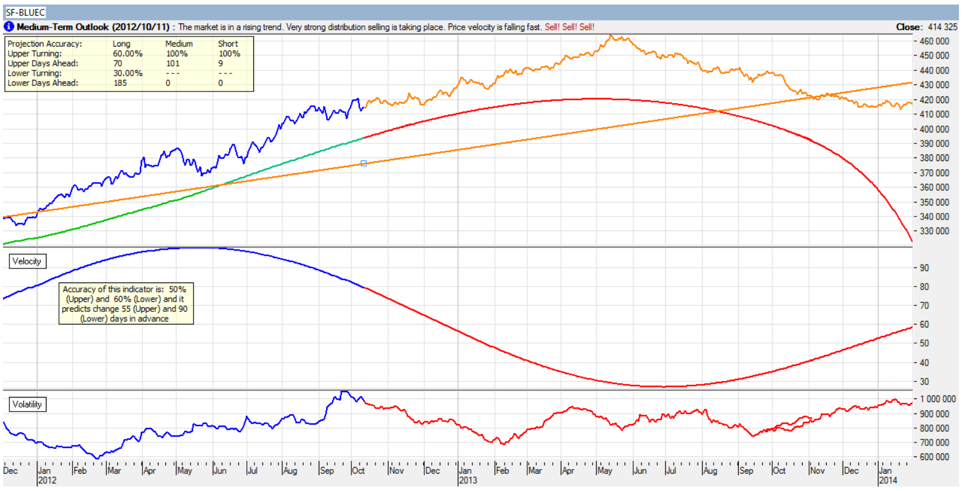
**With the mid-October blues behind us, the world's share markets have been soaring upwards in spectacular fashion fuelled by Quantative Easing which is pouring untold billions of US dollars into the global liquidity pool.**


Now it would be appropriate to put this growth rate into perspective by looking back to see how New York as measured by the S&P500 Index has performed through previous bull markets and, as my second graph illustrates, the current bull phase is not at all unusual. Over the past 22 years Wall Street has enjoyed three spectacular bull markets. The first lasted from 1996 to 2000 and saw the market climbing at an average rate of 27.6%. The second one lasted from 2002 to 2007 during which the average rate of climb was 15%. The current market is gaining at compound 22%.


Interestingly, if one draws in a trend line linking the two previous market peaks and extends it into the future, it implies that Wall Street will encounter this "resistance line" in July next year. My Fourier projection line suggests that the S&P500 will easily overcome this resistance and continue upwards until the end of July 2014 as illustrated in my third graph. I would, of course, not like to put too much store upon the accuracy of such a long-term projection because accuracy does tend to diminish by the square the longer one projects into the future. The projection does suggest a






modest retraction during November, but other than that there is no hesitancy predicted for the next 21 months.

So what does the same projection suggest for the JSE. Here, because there has been a distinct divergence between the market average and Blue Chip shares, I have chosen to project both into the future and have found a troubling correlation. Note that the projections in this composite both appear to peak in early May next year followed by a bear market which, in respect of the Blue Chips, is projected to continue on until late in January 2014.

Now again I stress that as one projects further and further into the future the accuracy of these forecasts diminishes steadily and so I would not put too much store upon this outlook at this stage. However, it is worth noting that ShareFinder's major technical analysis tools all support the view that a retraction is due from May next year. However, it should be put into perspective by my calculation that suggests that at this stage it will be nothing more than a 10 percent consolidation retraction that will bring a currently very overbought market back into line with its long-term trend.

***Time to advise readers that this column will not appear for the next two Fridays because I will be overseas.***

### The month ahead:

**New York's SP500:** I correctly predicted the beginning of a somewhat volatile but steady recovery trend which I expect will last until November 6.

**London's Footsie:** I correctly predicted a volatile sideways trend which has been underway since mid September but failed to predict this week's brief upturn. However I sense that it will be downwards from now until November 6.

**JSE Industrial Index:** I correctly predicted an upward trend until mid-November and I continue to see gains until November 9.

**Top40 Index**: I correctly predicted a volatile recovery which I see that continuing until the end of November, however, watch out for a brief downturn between now and next Thursday.

**ShareFinder Blue Chip Index:** I correctly predicted a mild downward followed by a rising trend which I expect to last until November 14.

**The Rand:** I correctly predicted a recovery which I expect will continue until the end of October followed by weakness until mid-November.

**Golds:** I correctly predicted declines which expect will continue until the end of next week before a recovery begins that is likely to last until the end of November.

**Bonds:** I correctly predicted gains which I see continuing until the end of the month before a new phase of weakness begins.

***The Predicts accuracy rate on a running average basis over the past 454 weeks has been 81.32%.***

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