# Richard Cluver **Predicts**

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

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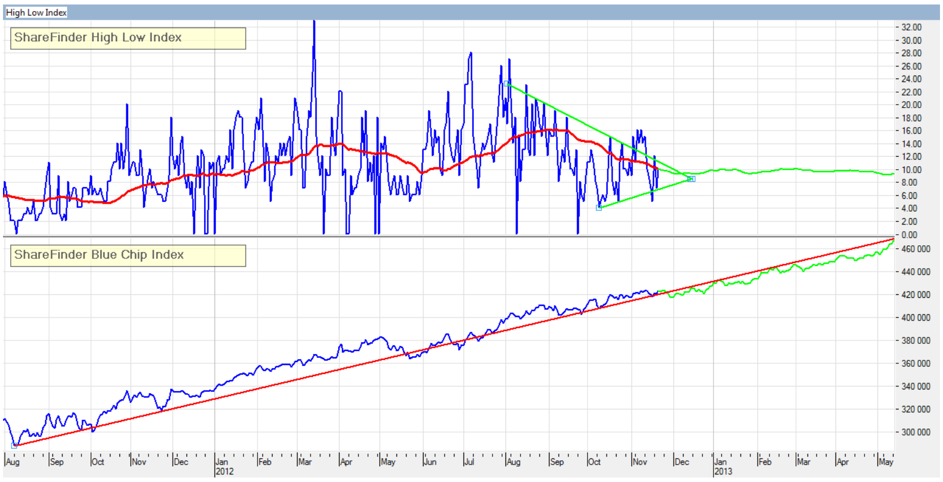
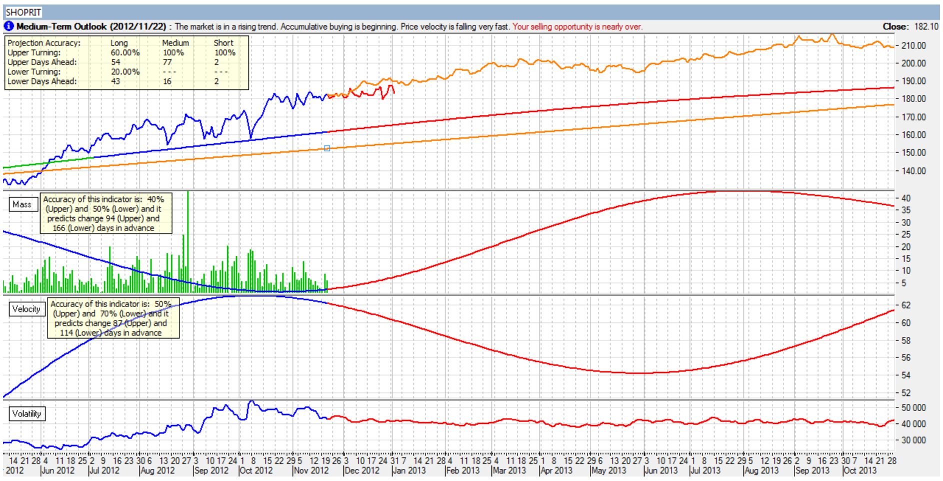
**Good economic news out of China yesterday sent the world's share markets into an upward flurry offering seasoned investors one of the best signs in a long period of uncertainty.**

When a comparatively modest sign triggers a powerful response, you can be sure that it was not the event itself but rather the fact that the market as a whole has turned impatient; that it will seize on any excuse to surge upwards when the mood is positive or downwards if the mood is negative. And it is precisely these mood signs that technical analysts seek to gauge using complicated mathematical models.

When the mood is positive, investors tend to ignore bad news. And please note there is still plenty of that around. There is clearly no end in sight in Europe where economists are saying that it will take many years of austerity to undo the profligacy of the past. And there is no end in sight for the US where President Obama has only a few weeks left to address the "Fiscal Cliff." And even if some compromise is worked out, the debt mountain his administration faces is nearly insurmountable and rapidly growing worse.

In a perverse way, all of this is good news for South African investors because, notwithstanding our concerns about the honesty and arguable ineptitude of the people in charge of our government, in the eyes of the outside world our Blue Chip companies are models of good governance and entrepreneurship which have over the past five years delivered compound annual average earnings growth in excess of 20 percent. As a result, the average share price has been rising constantly at compound 32 percent as illustrated in the lower of my two graphs above.




More importantly, as illustrated by the pennant formation in the upper graph, bullish and bearish sentiments in the marketplace are moving towards a consensus which within the next week or two



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will clear the way for another upward surge in prices. Note Einstein's rule of 72 decrees that when the price of an investment is moving upwards at a constant 32 percent your invested capital DOUBLES every 27 months which, in a world of economic stagnation, is scintillating stuff.
So, given these circumstances, what share would I buy in the next week or two? Well, though it is not cheap, I would choose Shoprite which has enjoyed a compound annual average dividend growth rate of 31.23% over the past five years and over the same period has seen its share price gain at compound 34.77%. As the graph composite on the previous page well illustrates, ShareFinder projects that it will gain at least 24% in the next 12 months. Projection suggests that you could buy at R180 a share in the next day or two.

## The month ahead:

**New York's SP500:** New York surprised me this week by rising in the face of the unresolved Fiscal Cliff issue. But I expect it to run out of steam and continue down until the festive season.

**London's Footsie:** London similarly surprised me with gains on the China figures and I now expect gains to continue for the next fortnight before trending down once more.

**JSE Industrial Index:** I correctly predicted gains which I see continuing until until December 4.

**Top40 Index**: I correctly predicted a recovery which I expect to continue until mid-December.

**ShareFinder Blue Chip Index:** I correctly predicted gains which I expect to continue until mid-December at least.

**The Rand:** I correctly predicted weakness which I expect to last until the end of this month after which gains seem likely.

**Golds:** I correctly predicted that a bottom had been found triggering a modest recovery which I expect to continue until the first week of December followed by weakness.

**Bonds:** I correctly predicted a phase of weakness. Now I see some modest gains until the end of the month.

***The Predicts accuracy rate on a running average basis over the past 457 weeks has been 81.4%.***

**Richard Cluver**