Richard Cluver Predicts

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

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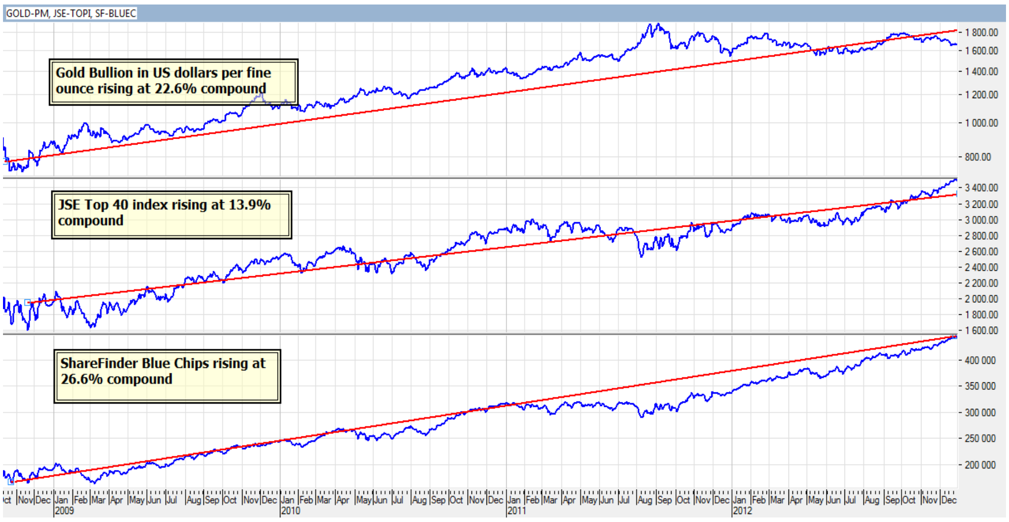
Wishing all our clients and readers a prosperous New Year. Regrettably it is now three weeks since our move to new offices in Kloof and Telkom is still dragging its heels on porting our old phone number. In the interim you are invited to use the emergency numbers 031 7647 845 and 087 230 9812 which will operate for the foreseeable future

We have entered the new year with markets worldwide surging upwards like there is no tomorrow and inevitably, when markets demonstrate such a feeding frenzy, a day of reckoning must come, but the good news is that there appears to be no immediate prospect of a downturn.



The graph on the right illustrates ShareFinder's Fourier projection of where our Prospects Portfolio appears likely to be headed in the months ahead with just two significant pauses on its way to the heights, a brief two and a half week decline in March and another 14 days in July. To that I would add at least one more at the end of February when US politicians again go head to head over the postponed Fiscal Cliff matter. Meanwhile, it is noteworthy that analysts have calculated the current compromise, far from easing America's long-term financial problems, will in fact add around an extra 4-trillion dollars to that country's existing 16-trillion indebtedness. Given Helicopter Ben Bernanke's commitment to printing however many additional dollars are needed to maintain fiscal stimulation in the US, together with the EEC's commitment to doing the same, then it must be plain to everyone that the long-term effect will be a massive debasement of the principal currencies of the West which will be matched by a similar increase in value of Blue Chip shares,

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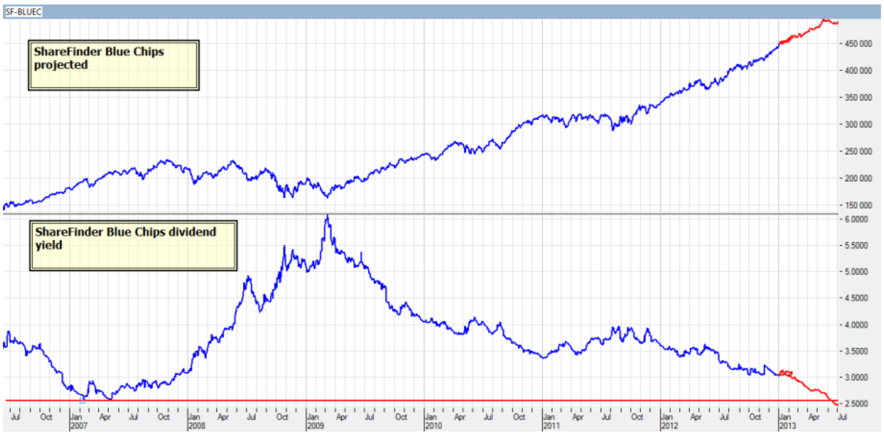
property, fine art, jewellery and all other traditional stores of currency as illustrated by my second graph on the previous page which highlights how the US dollar price of gold bullion has been rising in price at a compound annual average rate of 22.6 percent since the onset of the financial crisis in 2008, matched by the JSE Top40 Index which has been gaining at 13.9% compound and the ShareFinder Blue Chip Index which has been adding 26.6%.



All of which poses the question: When will this market become overpriced? My composite on the right highlights the fact that at the present rate the Blue Chip Index average dividend yield will match its previous low of 2.56% in June this year and appears likely to continue on down to around 2.26% by the end of 2013 accompanied by a fairly pronounced slow-down of share price growth in the second half of the year.

The month ahead:

New York's SP500: I correctly predicted gains until the end of the year. Now I expect a weakening trend.

London's Footsie: I correctly predicted the market would trend down. Now I foresee gains until the 21st.

JSE Industrial Index: I correctly predicted gains followed by a weaker trend in early January and a recovery beginning around January 11.

Top40 Index: I correctly predicted a recovery which I expect to continue erratically until the end of January.

ShareFinder Blue Chip Index: I correctly predicted gains which I expect to continue until January 7 followed by weakness until the 14th.

The Rand: I correctly predicted gains. Now I see a sideways to weaker phase until the end of January

Golds: I correctly predicted an upward trend which I expect to end on January 18.

Bonds: I correctly predicted gains until well into January. Now I foresee weakness beginning around the 16th

The Predicts accuracy rate on a running average basis over the past 461 weeks has been 81.51%.

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