



# Richard Cluver Predicts

In our 24th year of service to the investing public of South Africa



Volume: 24

Issue: 3

## 18 January 2013

**It is now five 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. Our Fax number is 086 5588 562**

**No sooner had I penned my column last Friday than the JSE went into spasm! Was this proof of prophetic writing or just a flash in the pan?**

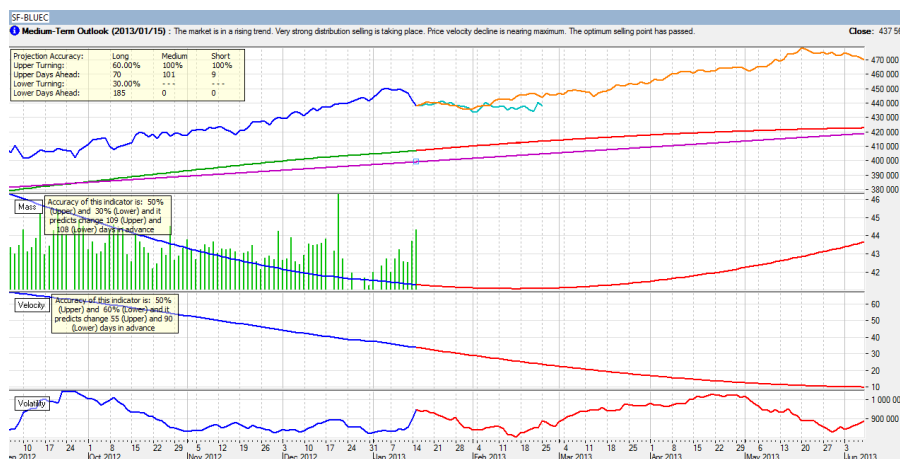
Sadly, the problem looks to be something of a more enduring nature and exactly what I warned about last week. Prompted by the ANC's reaction to the Angloplats restructuring plans, it appears as if overseas investors have reached a tipping point.

As I warned last week and in this week's issue of Prospects, South Africa had already lost its Flavour of the Month status during last year's mining strikes and Mining Minister Susan Shabangu's outburst this week that the Government would look at revoking Anglo's mining license might well have finally tipped the balance which could send the Rand into free fall.

Whether or not that happens could well depend upon how Government acts in the next few days. At the very least, Ms Shabangu needs to retract her antagonistic rhetoric and the Government as a whole needs to demonstrate a willingness to move towards a business-friendly stance. For too long they have acted as if South African business is the "Capitalist enemy" and that really does not go down well with overseas investors who whilst not owing us any favors, are obviously waking up to the fact that our market is looking both overbought and from the point of view of foreign investors is offering far lower total returns than a number of traditionally safer markets.

Unfortunately the local situation has now been further exacerbated by the release of a new World Bank growth forecast for 2013 which downgrades previous estimates. Developed markets are now expected to grow 1.3% this year after a previous forecast of 1.9% made in June last year; while emerging markets are expected to grow 5.5%, down from June's forecast of 5.9%. Developed market growth is then expected to firm to 2% in 2014, and emerging market growth to 5.7%. Commenting on the new estimates, World Bank president Jim Yong Kim has described the global economy as "Fragile and uncertain," a clarion call to fund managers to review their investment portfolios.

In the interim, ShareFinder currently argues that the current downturn is likely to be short-lived: a short downturn lasting until around the end of this month before a recovery sets in lasting until



the end of May. The Rand, however, is currently projected to remain under pressure until the third week of February.

Recently I have warned readers to get rid of the underperformers in their portfolios. Now, in most instances it is too late. Until the present mood of uncertainty and unease passes, shares like Mr Price are likely to keep on falling until at least the middle of next week and Shoprite until the second week of February.

However, unless the situation continues to be mishandled by the Government, I stress that at present this is a short-term correction we are looking at and in such circumstances it would be wrong to panic sell.

### **The month ahead:**

**New York's SP500:** I correctly predicted a week or so of recovery before the next bout of weakness which I now expect could start as early as Monday and last until the end of the month.

**London's Footsie:** I correctly predicted gains. Now I foresee a weakening trend until late February.

**JSE Industrial Index:** I correctly predicted a weaker trend. Now I expect a recovery until mid-February at least.

**Top40 Index:** I correctly predicted a recovery which I expect will continue until the end of February.

**ShareFinder Blue Chip Index:** I wrongly predicted gains. But I see a modest recovery from here followed by a sideways trend well into February.

**The Rand:** I correctly predicted a weaker phase but the recovery I expected has been delayed until the end of this month at the earliest.

**Golds:** I correctly predicted a period of volatile gains for the foreseeable future.

**Bonds:** I correctly predicted gains followed by weakness beginning around the 16<sup>th</sup> and lasting for the rest of the month.

***The Predicts accuracy rate on a running average basis over the past 463 weeks has been 81.54%.***

**Richard Cluver**