



Richard Cluver Predicts

In our 26th year of service to the investing public of South Africa



Volume: 26

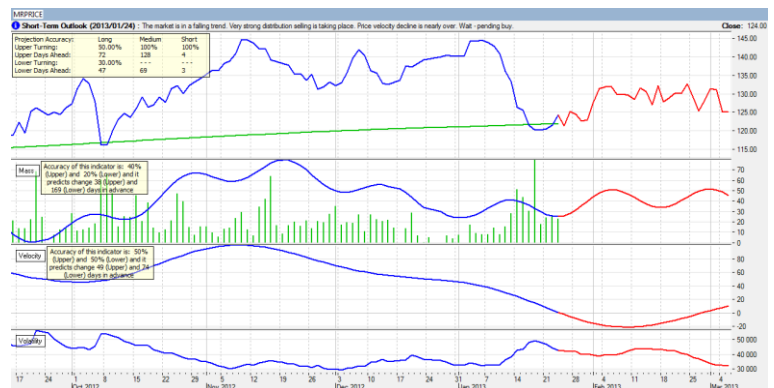
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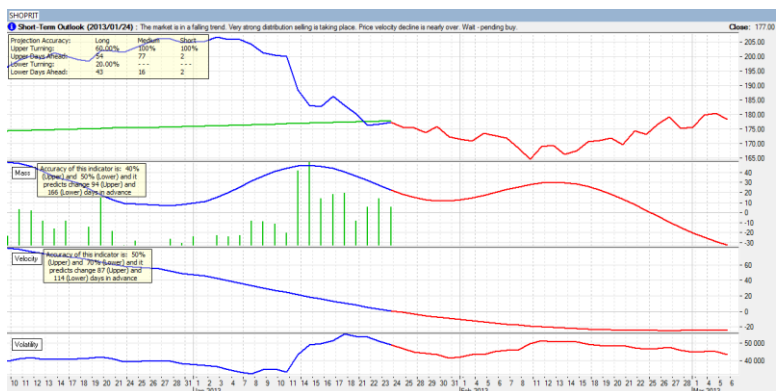
We have finally abandoned the hope that our old phone number would be ported by Telkom to our new address in Kloof. However we have one new 031 number. In future if you want to contact us phone 031-9400012 or 087 230 9812. Our Fax number is 086 5588 562

Never buy on a falling market. This is one of the oldest rules of the marketplace and it is well supported in practical experience which is why I have cautioned many readers lately to keep their powder dry when viewing the seeming bargains that the recent retail share sell-off has opened up.

But with the market beginning to settle this week, has the buying time arrived? Well that certainly is the case so far as Mr Price is concerned. But viewing the short-term projection graph on the right, don't expect Mr Price shares to return to their recent high levels in the short term.



But it certainly is not the case where Shoprit Checkers is concerned for, if ShareFinder's projection graph (second on the right) is to be believed, the shares will continue on down until early February.



What should be considered is, as I have repeatedly warned recently, South Africa has recently become a worrisome destination for foreign investors' money and they have since the start of this year been net sellers of R2.3-billion of equities. There is also a view that retail trading figures lately have not justified the optimism of investors who last year drove shares like Mr Price and Shoprit to towering PEs. Sooner or later then some sector rotation was inevitable and we are now facing clear signs that investors have been abandoning the obviously overheated retailers in favour of companies like Naspers and SAB which have significantly lower exposure to South Africa. That said, however, it should be noted that Naspers stands on a PE of 39.9 and SAB Miller on a PE of 28.1 compared with Shoprit's 29.2 and Mr Price's 21.8.

Putting all of the foregoing together, I can see little argument for switching out of these retailers into a company like Naspers. Neither can I see an argument for going overweight in either Shoprit or Mr Price. However, if you have previously missed the boat and are wanting to get into

the retail sector, then both Shoprite and Mr Price are fundamentally underpriced relative to their peers and both Naspers and SAB Miller are significantly fundamentally overpriced.

The month ahead:

New York's SP500: I wrongly predicted the start of a bout of weakness. But I continue to expect it.

London's Footsie: I wrongly predicted the start of a bout of weakness. But I continue to expect it.

JSE Industrial Index: I correctly predicted a recovery until mid-February at least and I continue to expect it.

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

ShareFinder Blue Chip Index: I correctly predicted a modest recovery. Now I sense a weakening trend in the new week.

The Rand: I correctly predicted a weaker phase which I expect to continue until the first week of February before a recovery appears likely..

Golds: I correctly predicted a period of volatile gains. Now I foresee further gains until January 29 followed by weakness until February 11.

Bonds: I correctly predicted weakness for the rest of the month and now I see it continuing until late in February.

The Predicts accuracy rate on a running average basis over the past 464 weeks has been 81.53%.

Richard Cluver