



Richard Cluver Predicts

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



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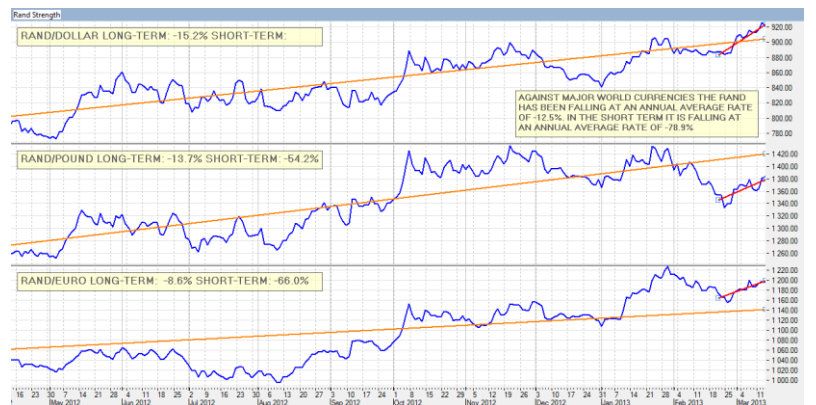
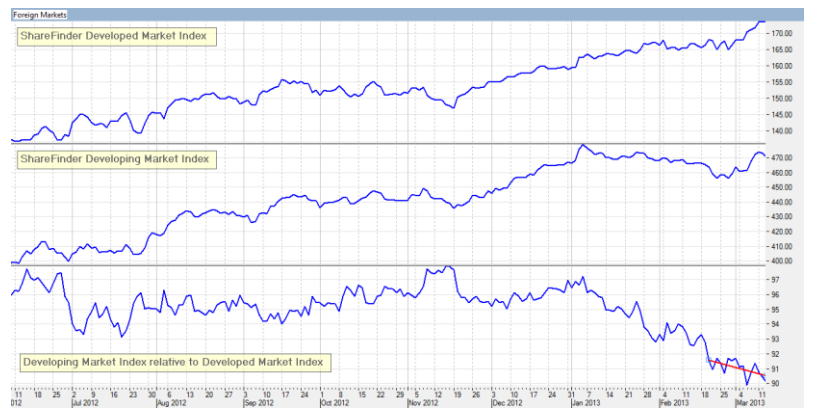
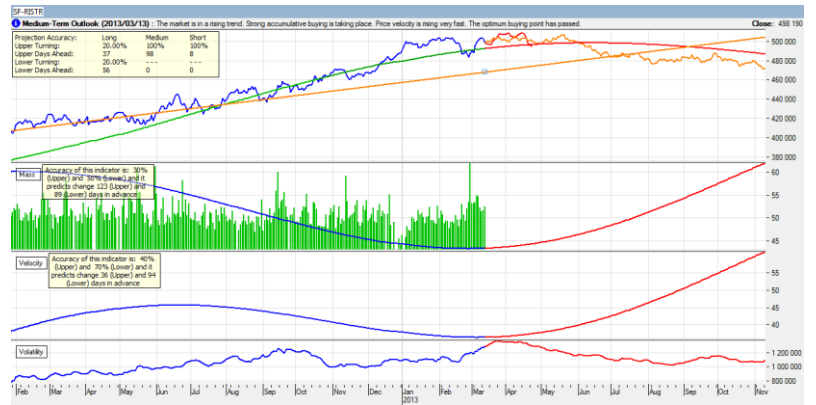
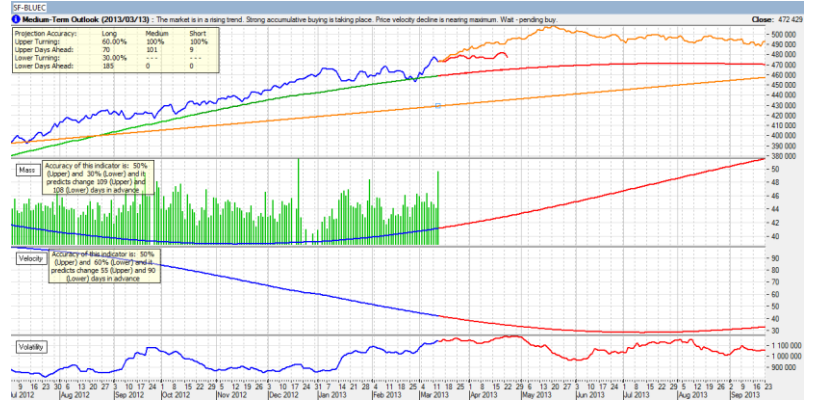
Blue chip shares continued unerringly on their upward climb this week towards a projected apex on May 20. Riskier shares, meanwhile, very likely peaked this week. My second composite highlights the probability that for them it will be all downward from here.

There is, however, significant divergence in the indicators of the second chart which emphasizes the typical confusion that is always prevalent when long market cycles are at a turning point. So be prepared for some choppy waters for the next few weeks.

There is no confusion, however, about the trend of international investors who have been steadily moving money away from the Developing World towards the perceived better outlook for New York and the principal Developed World markets as highlighted by the downward trend of the third, relative strength chart in my third composite.

Here in SA, this negative outlook upon the markets of the Developing World is, furthermore, made considerably worse by the reality of our worsening trade balance that is contributing to an escalating problem of diminishing foreign investor confidence. The real concern now, as I have so frequently warned for the past few years of trade imbalances, is that this diminishing confidence could lead to an avalanche effect as more and more foreign investors start to panic. Already, in the eyes of many economists, the Rand is somewhat undervalued and the situation could get significantly worse taking our equity and bond markets with it.

Add into this the toxic mix of an unfavourable overseas press concerning incidents like the treatment last week of the Daveyton taxi driver and a general



lack of confidence in the ANC administration, and it becomes clear that the only thing currently working in our favour is some general optimism about world investment markets that is offering positive contagion.

The month ahead:

New York's SP500: Bang on target, the weakness I predicted began in New York this week and is likely to continue for another week. From around March 20 there is likely to be a brief recovery until about April 5.

London's Footsie: I correctly predicted the beginning of a long market contraction which began on March 13 and which I now expect to continue until March 27 before a brief recovery begins in an overall downward slide.

JSE Industrial Index: I correctly predicted a brief weakening trend which I expect to last until March 22 before a recovery begins.

Top40 Index: I correctly forecast weakness which I expect to continue until March 21 before a recovery begins.

ShareFinder Blue Chip Index: I correctly predicted brief weakness. Now I foresee modest gains beginning stretching well into April.

The Rand: I predicted a sideways to weaker trend but things were worse than I expected. Now I see weakness continuing until March 21 when a fairly strong recovery seems likely.

Golds: I correctly predicted a brief recovery which I now see ending around April 3.

Bonds: I correctly predicted some weakness which appears likely to continue until about April 3.

The Predicts accuracy rate on a running average basis over the past 469 weeks has been 81.56%.

Richard Cluver

Clients are advised with regret that our alternative phone line on 031 764 7845 has been inoperative for a week. Telkom says it is working on the problem!

Our principal line on 031 9400012 is partially working but voice is often distorted. Until these problems are sorted out it would be wisest to use e-mail to communicate with us.