



Richard Cluver Predicts

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



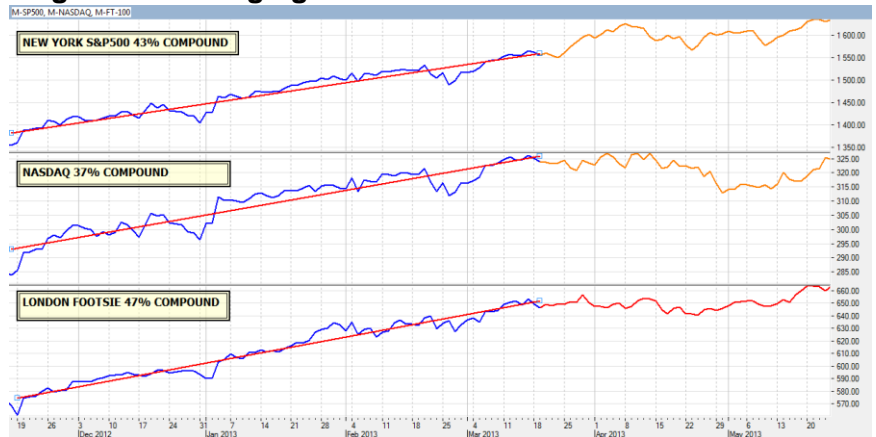
Volume: 26

Issue: 10

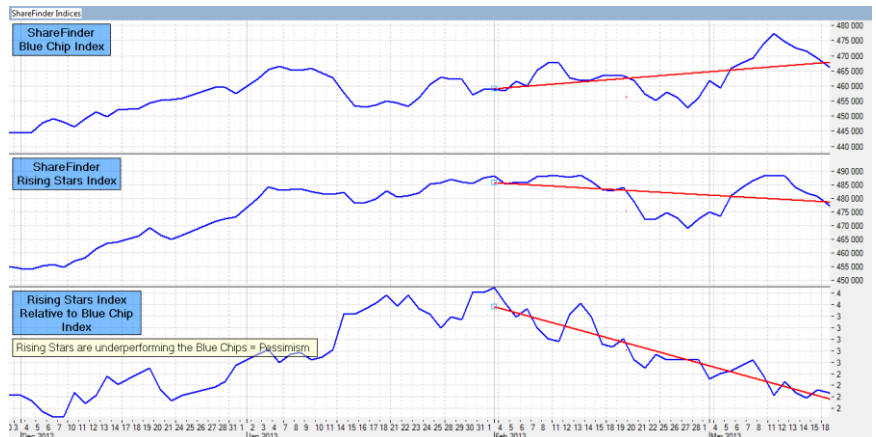
22 March 2013

Notwithstanding the crisis in Cyprus which has reminded the world very forcibly that the monetary problems of the Eurozone are far from over, the share markets of the “Developed World” have continue their upward surge into new high ground.

And, as my projections on the right suggest, the probability is that they will continue upwards for the foreseeable future. What a pity a relative few readers took advantage last year when the rand was strong and Developed markets were comparatively weak, to invest in my London stock exchange managed portfolio. In pound terms it is already up over 25 percent while our market trails modestly behind!

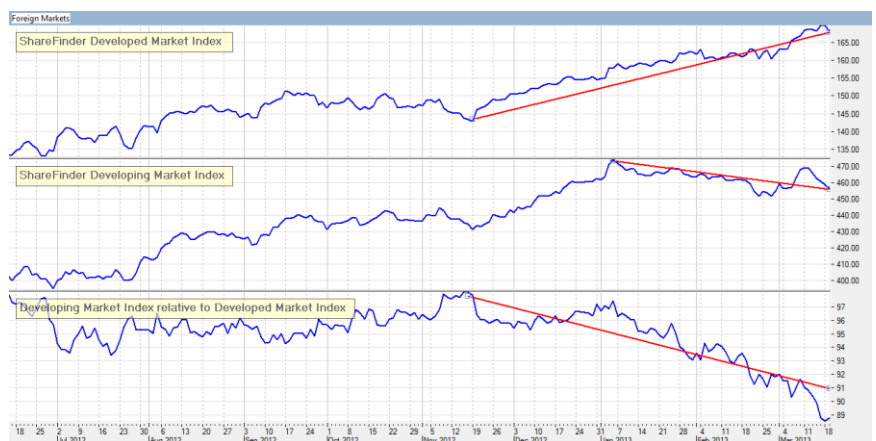


My second composite illustrates how our investment grade shares have been performing recently. So note that while New York’s broadest measure of share performance the S&P500 Index has been climbing at a compound annual rate of 43 percent since November, our own blue chips have been achieving a modest 17 percent while our riskier “Rising Stars” category has actually been falling at minus 11 percent. In contrast, New York’s Nasdaq – the measure of somewhat riskier Wall Street shares – has been climbing



at 37 percent. Furthermore, undeterred by their own financial problems, London’s Footsie Index has been climbing at a record 47 percent compound. Not that South Africa’s position is particularly unusual. As I have frequently lately been pointing out, the Developed World is currently on the receiving end of the bulk of short-term investment capital flows at the expense of the markets of the Developing World. Thus, while our Blue Chips continue to be on the receiving end of capital flows because of an overall trend of capital flight towards the safest areas of the investment markets,

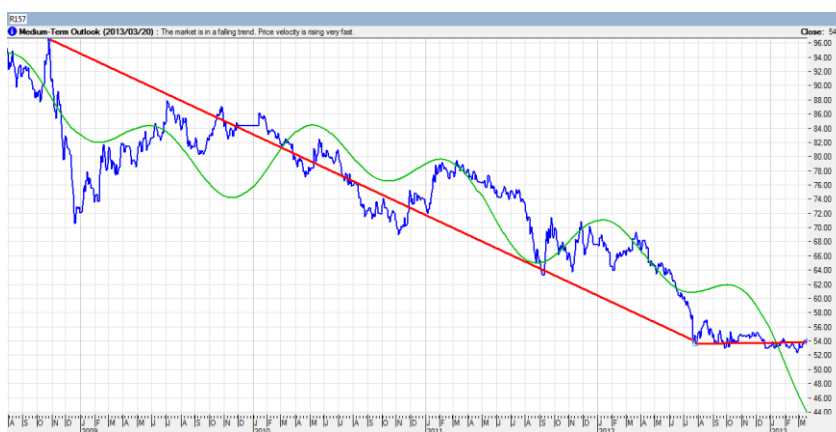
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their performance is positively sluggish at 17 percent compared with New York's blue chip measure, the Dow Jones Industrial Average pictured on the right which since December has been climbing at an unbelievable 57 Percent compound.



Normally, of course, when investors become worried about the medium-term investment market outlook their money begins to flow towards gilts. However, with interest rates worldwide at historic lows due to the artificial stimulatory actions of central banks, there is a universal perception that the only way for interest rates to go in the future will be up which offers the certainty that in the long run bond investments will lead to capital losses. Perhaps the only exception to this view might be South Africa where interest rates have been held exceptionally high – with our long bonds offering 5.4 percent and our prime rate being held at 8.5 percent compared with New York's long bond offering of 3.2 percent. We are obliged to hold our rates high in order to attract a capital inflow in order to achieve a means of meeting the cost of our balance of trade deficit....although until recently this practice has had the adverse effect of artificially strengthening the Rand and making it very difficult for our exporters to remain competitive. However, as my last graph firmly underscores, our bonds have been in a sideways trend since last August and are likely to turn negative if foreign investor perceptions about South Africa worsen further.



I often wonder why President Zuma wanted a second term of office. Granted that his administration is arguably the most inept in living memory which begs the view that perhaps they were unable to see what uncharted waters the South African economy was headed into. Nevertheless the reality is that he and his party supporters are going to need to face up to some very – for them – unpalatable decisions in the not too distant future as our monetary problems are likely to escalate significantly.

Strategy: Make sure your money is safe in ultra blue chips. Avoid speculative shares

The month ahead:

New York's SP500: I correctly predicted a brief weakness in an otherwise upward-trending market and I expect it to continue until March 26 when a volatile sideways to upward trend will begin.

London's Footsie: I correctly predicted the beginning of a market contraction which I foresee lasting well into April.

JSE Industrial Index: I correctly predicted a brief weakening trend until now. And now I foresee a recovery phase beginning and lasting late into April.

Top40 Index: I correctly forecast weakness which I now expect to continue until March 25 before a recovery begins lasting well into April.

ShareFinder Blue Chip Index: I correctly predicted brief weakness which I see lasting until early April before a modest recovery is likely.

The Rand: I correctly predicted weakness until March 21 before a recovery began. Now I see the probability that the recovery will not begin until the 25th.

Golds: I correctly predicted a brief recovery trend which I expect to continue until the end of the month before the next bout of weakness.

Bonds: I correctly predicted some weakness which should shortly end in a very modest sideways to slightly strengthening phase.

The Predicts accuracy rate on a running average basis over the past 470 weeks has been 81.6%.

Richard Cluver

Clients are advised that our alternative phone line on 031 764 7845 has been restored. Our principal line on 031 9400012 is partially working but voice is often distorted.