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

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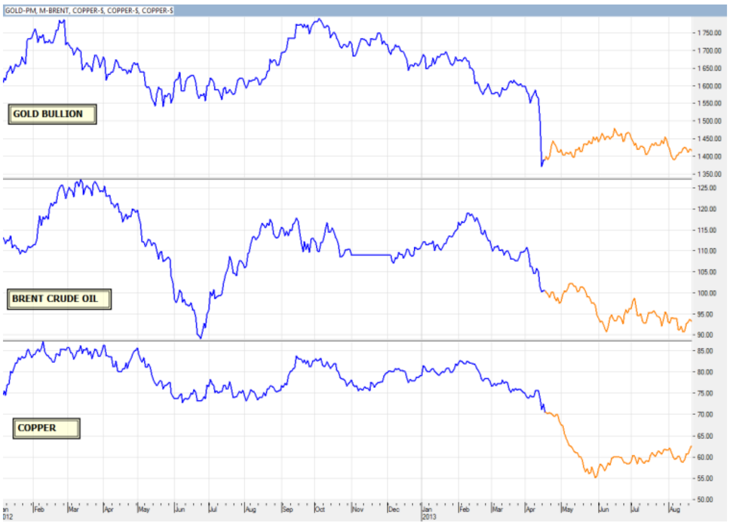
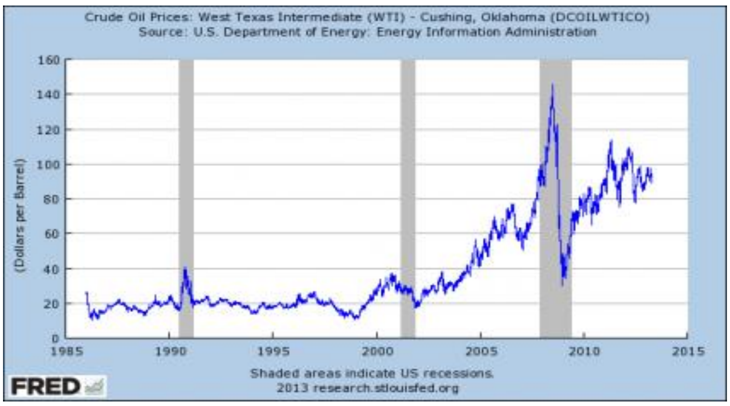
Talking point this week was the dramatic fall in the gold price which could have dramatic consequences for South Africa for, notwithstanding its twilight industry status in this country, gold mining still contributes as much as iron and steel combined to our international earnings. And of course it is still a major employer of labour.

The event has, of course brought out the conspiracy theorists in droves with suggestions that the whole thing has been a set up by the big banks acting in cahoots with hedge fund billionaire George Soros.

What needs to be recognized, however, is that while the fall in the bullion price has been dramatic – some claim it has been the single greatest short-term fall in 30 years – it has not happened in isolation. Key commodities like oil and copper have simultaneously been falling in price since the fourth quarter of last year which inevitably points to a slow-down in the world economy. And of course that is in keeping with data coming out of China emphasizing that the world's last great growth engine has been significantly slowing lately.



What cannot be ignored, however, is that such declines have time and again preceded recessions and share market retractions of major proportions. The grey vertical bars in the bullion price graph on the right mark the seven post war recessions in the US and it is quite clear that the gold price fell ahead of each of them. And considering the last three it is quite clear in the third graph composite that when the oil price fell the US was in or about to enter recession. Note also that each sharp commodity price decline was similarly preceded by a significant up-tick in prices. Students of commodity charts should hardly be surprised by such events since exponential price increases inevitably result in steep subsequent declines, which takes me to the graphs which I published in this month's Prospects newsletter in which Fourier cycle projection, in reaction to the steep share price increases that have been occurring in First World share markets as exemplified by Wall Street and London, suggests that sharp market crashes are scheduled for later this year.



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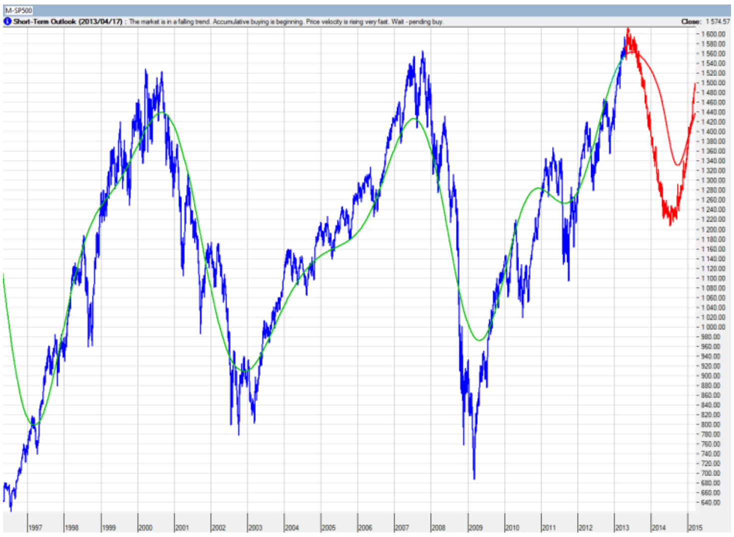
In case you missed them, I have reproduced them again on the right. The topmost graph tracks Wall Street's broadest measure of market behavior, the S&P500 Index which ShareFinder here projects will go into a tail spin on May 16 and last until July 9 2014 and in the process cut the average price of shares by 25 percent.

I don't need to remind you of the old adage that when Wall Street gets a cold the rest of the world catches pneumonia. However, my second graph on this page offers a sobering view of what is already happening here. The JSE Top 40 Index is the one that most overseas investors watch when they consider South African investment and, as you can see ShareFinder's projection emphasizes that here the great correction is already under way. It began on February 8 and will last until March 5 next year during which the average share will lose a third of its value.



What to do? Well regular readers of this column do not need to be overly concerned. If you have followed me diligently and patiently replicated the Prospects Portfolio that I have been constructing and managing since January 2011 then the worst you are likely to experience is a four and a half percent decline as illustrated by my final graph.

Rest easy!

The month ahead:

New York's SP500: The downturn I predicted came a few days earlier than I expected and I expect it to last until April 26 before the last recovery phase begins!

London's Footsie: I correctly predicted a downward trend for the rest of the month. Now I expect it to last until May 17.

JSE Industrial Index: I correctly predicted a downward phase which I expect to continue at least until May 27…the day I head for the Mediterranean!.

Top40 Index: I wrongly predicted an up-tick which I expected to last until around April 25 before a new down-trend began. It lasted only until April 16. Now I see a down trend at least until May 28.

ShareFinder Blue Chip Index: I correctly predicted a recovery which I see extending until May 21 at least.

The Rand: I wrongly predicted a recovery which I expected to continue until April 29.Now I see the Rand weakening until May 9.

Golds: I correctly predicted that the bear trend was likely to continue into May and saw a brief up-tick beginning on Monday and lasting until April 30. I continue to expect the brief up-tick but expect the bear trend to last at least until May 28.

Bonds: I correctly predicted weakness which I expect to continue until May 27 at least

The Predicts accuracy rate on a running average basis over the past 474 weeks has been 81.68%.

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