



Richard Cluver Predicts

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



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The market has been up and down this week exhibiting the sort of volatility that is generally unsettling for investors. Yet if one considers the news headlines: "Wall Street gains on earnings data" "Rand at best level in seven weeks" "Bonds near record highs" things are looking good right now for South Africa Pty Ltd.

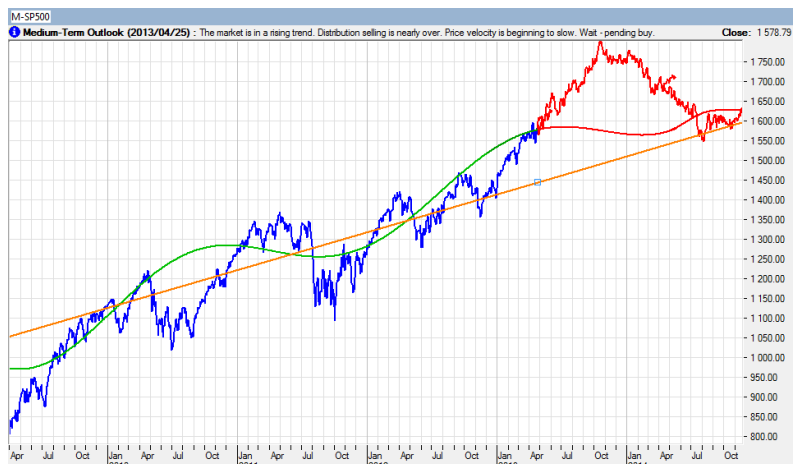
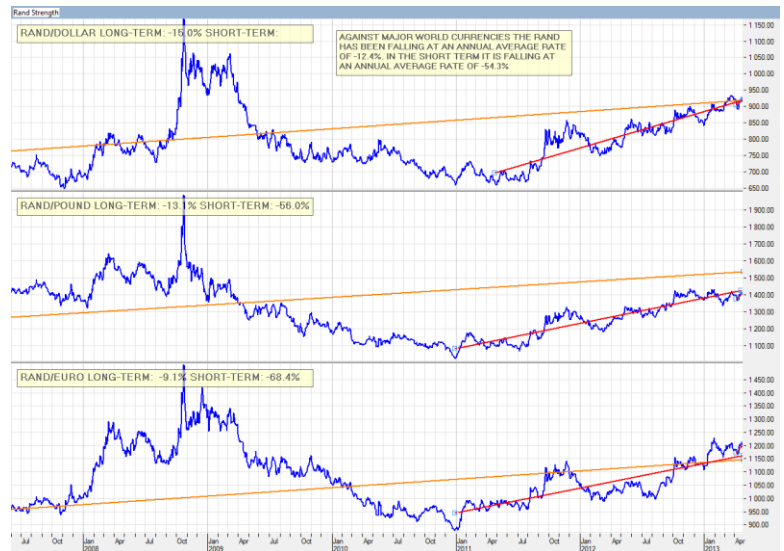
Thursday's US data gave a less worrisome view of the world's biggest economy than other data of late. Initial claims for unemployment benefits in the latest week dropped 16 000 to a seasonally adjusted 339 000 compared with expectations for 351 000. Furthermore, though before the start of the current reporting season analysts had been releasing predictions of sharply lowered earnings, to date 68% of S&P 500 companies that have reported results so far have beaten earnings forecasts. So for now there is good reason for some improvement in world market sentiment.

Here in South Africa also, there are clear signs that the worst is over with regard to the overseas jitters that saw overseas investors withdrawing their money from this country in significant quantities earlier in the year. My topmost graph makes it clear that, against the world's major currencies, the Rand has returned to its long-term track as denoted by the orange trend lines. It continues to lose value at a long-term annual rate of 4.9% against the Dollar, 6.1% against the Pound and 3.6% against the Euro. Over the past two years that rate has accelerated to 15%, 12.8% and 9.3% but, as my graph composite clearly illustrates the recent phase of weakness has simply returned the Rand to its correct position on the long-term scale. Against the Dollar it is now probably correctly valued, is still a little too strong against the Pound and it is too weak against the Euro.

So it is reasonable to expect that the recent phase of volatility might for the present be put behind us...unless of course there is a fresh outbreak of jitters on Wall Street such as ShareFinder's Fourier projection system is suggesting as a distinct possibility for later this year.

The latest version of that Wall Street projection is shown on the right with a short sharp dress rehearsal now projected to start on June 6 to 20 and the big one, a ten-month decline now scheduled to start on October 18.

(Footnote I hope this latter date is wrong because I expect to be in the Caribbean at that time)



The month ahead:

New York's SP500: The recovery came sooner than I expected and might now be expected to last through May.

London's Footsie: This week's recovery surprised me, but I think it is short-lived and still foresee a weaker trend for May.

JSE Industrial Index: The downward phase I predicted was interrupted by a surprise recovery this week. But I continue to foresee weakness in May.

Top40 Index: It seems that all of my predictions last week were a little out because the up-tick I predicted the previous week only came through this week, but I continue to forecast a down-trend until May 24.

ShareFinder Blue Chip Index: I correctly predicted a recovery which I see extending until May 17, but a brief week-long down phase is likely in the interim.

The Rand: The recovery I predicted on April 12 came through this past week, but I think it is over now. Now I see the Rand weakening until May 13.

Golds: I correctly predicted a brief up-tick which I expected to last until April 30 followed by a decline for most of May. I continue to hold that view.

Bonds: I correctly predicted gains which I expect to continue until May 10 before the next phase of weakness begins.

The Predicts accuracy rate on a running average basis over the past 475 weeks has been 81.67%.

Richard Cluver