



Richard Cluver Predicts

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



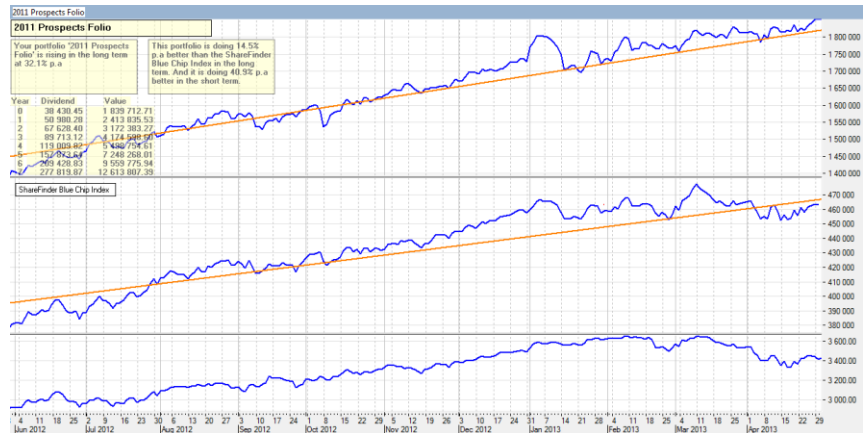
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Buoyed by the European Central Bank decision yesterday to lower its lending rate to 0.5 percent, world markets rallied yesterday and, though a few Blue Chips appeared to be taking a little strain, the JSE was continuing to look optimistic at the start of trade today.

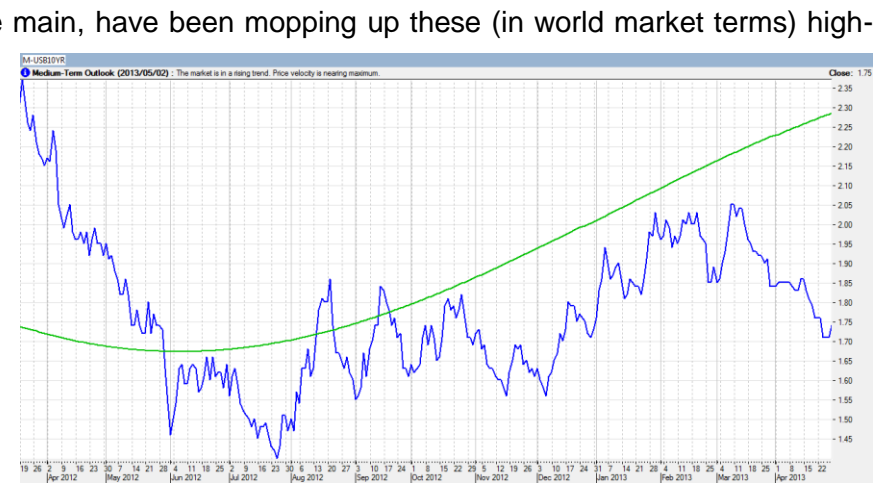
Significantly, the Prospects Portfolio made a new all time high value of R1 849 946 yesterday as illustrated graphically on the right although the Blue Chip Index is down 3% from its March 11 peak value and the JSE Top 40 Index is down 6.3% from the same peak. This performance by the Prospects Portfolio highlights the fact that a diminishing number of really top performers are now the only counters on the JSE that are still climbing strongly. Both here and abroad it is only the bluest of blue chips that are finding upside favour with investors.



And this flight into safety is even more clear when we look at the recent performance of local bonds as illustrated by the R186 long bond in my second graph on the right. Bonds are graphed in terms of their interest yield and so her a falling graph indicates that the ruling market rate has fallen steadily from a yield of 8.4% a year ago to a current 6.7% as foreign buyers in the yielding relatively low risk sovereign bonds.



In contrast, note my third graph, US Treasury Bonds as represented by the 10-year bond on the right, have lately come into favour again after being steadily sold off from July last year to March this year. Now investors should note that it is highly unusual for bonds to flourish at a time when global interest rates are as low as they have been any time in nearly a century. The

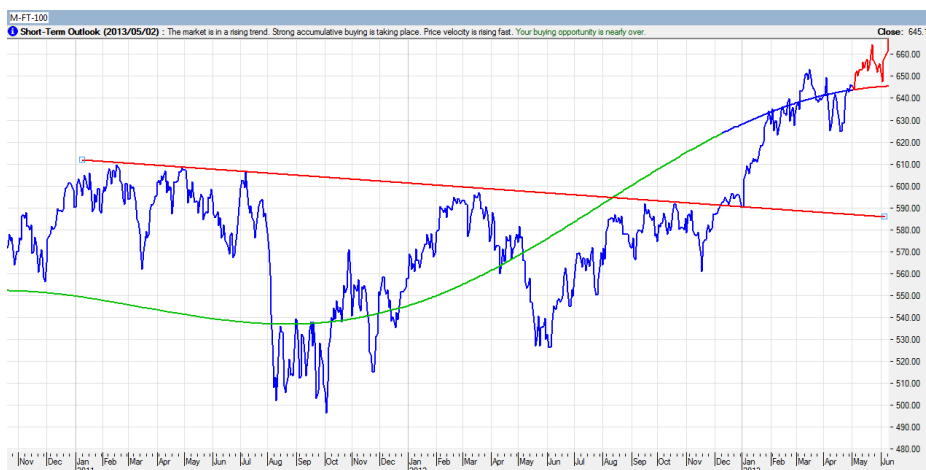


implication is very clear; that the market has NO expectation that interest rates will begin rising again any time soon which takes one to the next conclusion that the greatest fear right now is not inflation but deflationary pressures: a fear that money value is being destroyed through financial loss rather than endangered by the printing presses running overtime.

All of which suggests that the world's stock exchanges are under threat of a new bear phase which brings me to the graph of the London Stock Exchange FT100 Index which has lately made what many

chartists would argue is a very distinct head and shoulders formation. ShareFinder's short-term Fourier projection suggests that the Footsie will break upwards as suggested by the red projection on the extreme right of the graph. However, if this trend fails to gain upward momentum then a fall back to the red support line I have drawn becomes a distinct probability triggering a 10% average share price loss.

It is a time to remain very alert!



The month ahead:

New York's SP500: The recovery I predicted continued, supporting my prediction that May will remain a good month for New York.

London's Footsie: The weaker trend I predicted was clearly developing this past week but I expect London to break upwards today and continue doing so for the next day or so in an overall positive trend that could last until May 23 before the next significant short term decline's begins.

JSE Industrial Index: The brief recovery should now be over and at best a sideways trend might be expected until mid-May.

Top40 Index: I correctly predicted a weaker phase which is likely to re-assert itself from mid-week until May 24.

ShareFinder Blue Chip Index: I correctly predicted a recovery phase but I think it is now over and that a weakening trend will set in between now and May 21.

The Rand: I correctly warned that the recovery I had predicted was probably over and the currency has trended sideways for the past few days. Now expect weakness until May 14.

Golds: I correctly predicted a decline which I continue to expect for most of May.

Bonds: I correctly predicted gains which I expected to continue until May 10 before the next phase of weakness began. Now I think that weakness will come sooner and last until May 15

The Predicts accuracy rate on a running average basis over the past 476 weeks has been 81.71%.

Richard Cluver