



Richard Cluver Predicts

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



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This is my last column until the middle of July. I am, as usual at this time of the year, off to the Mediterranean to go sailing along the Turkish coast.

However, if you have followed my moves carefully over the past year and built a portfolio that closely resembles the 2011 Prospects Portfolio, you will have little to be concerned about while I am away. The composite on the right projects the Prospects portfolio for the next 12 months and suggests that, from a present value of R1 906 605, it will continue climbing at an average rate of 31.7 percent to reach R2 197 364 by this time next year at which stage it will be offering an aggregate forward dividend yield of R68 000 a year. That is somewhat better than JSE Blue Chips as a whole (second graph of the composite) which appear for now to have reached full value and are likely to move in a sideways trend for the foreseeable future.

The determining long-term influence upon our market is likely in the foreseeable future to be the trend of First World markets which, as I have frequently warned of late, appear likely to be headed for a peak in mid-October as illustrated in the projection in my second composite. The second composite on the right projects London's Financial Times Top 100 Index which since last November has been roaring upwards at an unsustainable compound 48 percent which suggests that a short-term breather is likely until early July followed by one last upward burst that, on present projections, appears likely to top out on about October 17.

New York, as measured by the Standard & Poors 500 Index appears similarly headed for an October peak on exactly the same date. Like the Footsie index, the S&P500 has been rocket propelled by the Federal Reserve's printing presses, soaring at an equally unsustainable compound 51 percent as illustrated in my topmost graph composite at the top of the next page.

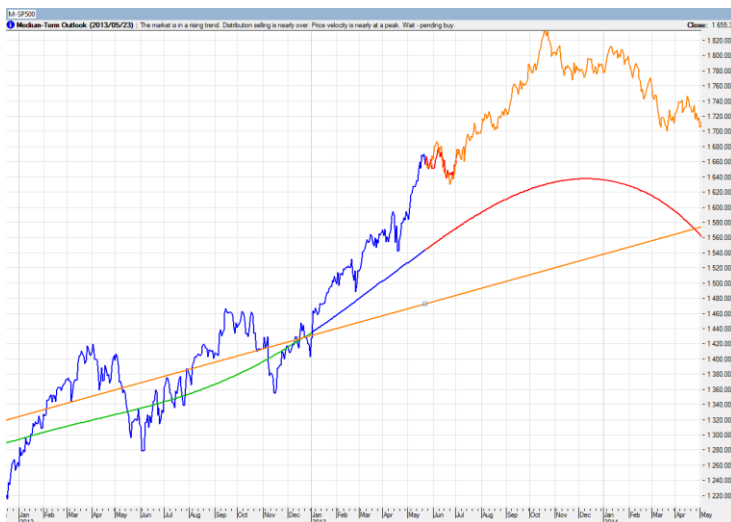


Compare that 51 percent with Federal Reserve calculations that US GDP growth is likely to be no more than 2.5 percent this year with unemployment stubbornly hovering around 7.5 percent, and it must be obvious to the simplest of observers that money press inflationary fears are the principal driving force.

Furthermore, it is clear that nobody is really able to quantify the likely impact of Japan's massive bid to end 20 years of economic stagnation except to recognize that Nippon's principal export for the foreseeable future is likely to be deflation which is likely to provoke further money-printing by the leading nations.

Though nobody will openly admit it because to do so is against OECD rules, but what we are witnessing is an all out effort by the world's most heavily indebted nations to debase their currencies and accordingly reduce their debt burdens. In other words, they are all intent upon creating inflation against which the ordinary investor's only defense is Blue Chip shares.

Sadly, the price of this will be borne by the world's pensioners whose life savings are heavily invested in sovereign debt for most governments require that around a third of pension capital be invested in the bond market.



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The month ahead:

New York's SP500: I correctly predicted further growth which I see extending until July with some interim weakness.

London's Footsie: I correctly predicted a continuing upward burst. Now however I see a weaker trend for most of June followed by a recovery beginning around June 21.

JSE Industrial Index: I correctly predicted a downward correction which should last until mid-June before a recovery begins.

Top40 Index: I correctly predicted a downward correction which is likely to last until August.

ShareFinder Blue Chip Index: I wrongly predicted a sideways to very modestly rising trend. I now do not foresee a recovery beginning until mid-June and that is likely to only last until mid-July.

The Rand: I correctly foresaw that the Rand would weaken but now I see gains fairly steadily until August.

Gold: I correctly predicted a continuing decline for most of May and I see it continuing until August.

Bonds: I correctly predicted the beginning of a new bout of weakness which I expect to continue until August.

The Predicts accuracy rate on a running average basis over the past 479 weeks has been 81.74%.

Richard Cluver