Richard Cluver Predicts
In our 29th year of service to the investing public of South Africa

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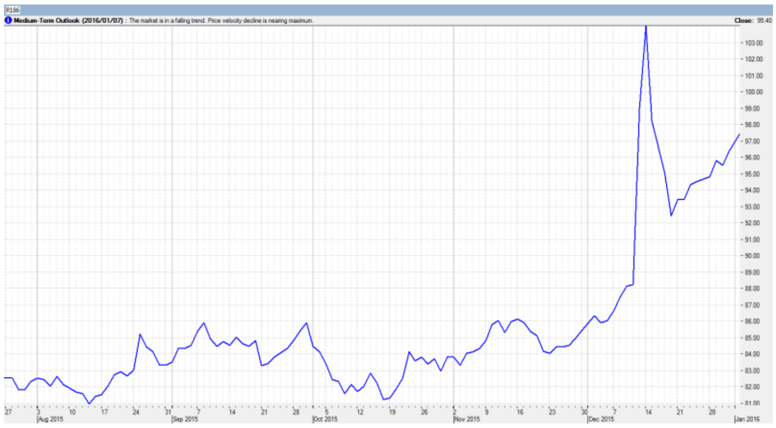
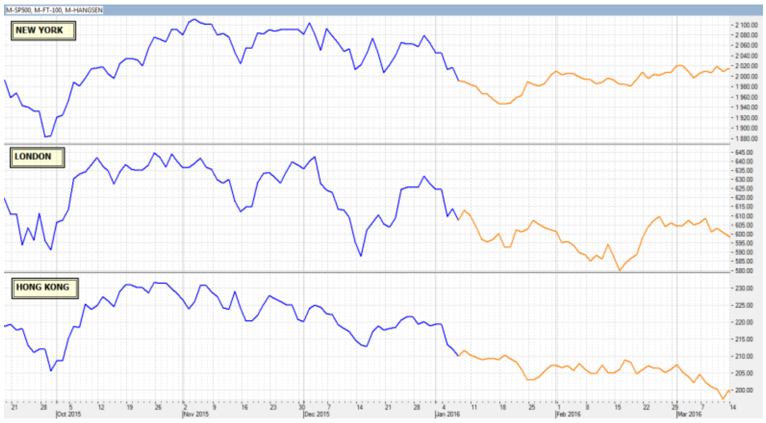
I spent the Christmas break reading two books; a new biography of Cecil John Rhodes entitled The Secret Society by Robin Brown and RW Johnson's "How Long Will South Africa Survive.

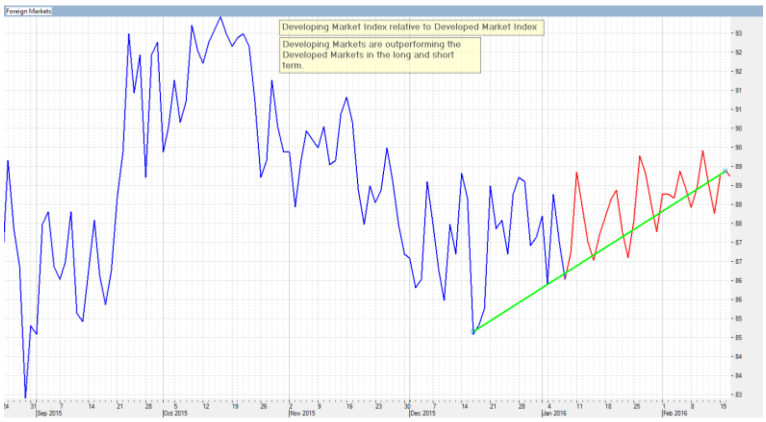
Particularly, given the horrors of ANC rule as detailed in a chilling chronography by AW Johnson, Rhodes emerges as a relative angel. If you read nothing else this year, please make it your responsibility to read AW Johnson. Published by Jonathan Ball and priced at R246, it is a simple detailing of all we have read in our newspapers over the past decade, but when read in sequence it reads like a deliberate and nearly accomplished plan to utterly destroy the South African economy.



I was so numbed by the book that I was barely shocked when President Zuma mounted his campaign of horror over the Ministry of Finance setting in motion a Rand bear trend that is still continuing as foreign investors, sensing a final unravelling of our economy as our Sovereign bonds are downgraded to junk status by mid year and most major pension funds are forced to sell out their South African holdings, are now getting out ahead of that event. The graph on the right tracks how our R186 long bond soared to a yield of 10.4 percent from its mid-October low of 8.12 percent, fell back in obvious counter-reaction and then resumed its path of destruction such that it is now trading at 9.54 percent.

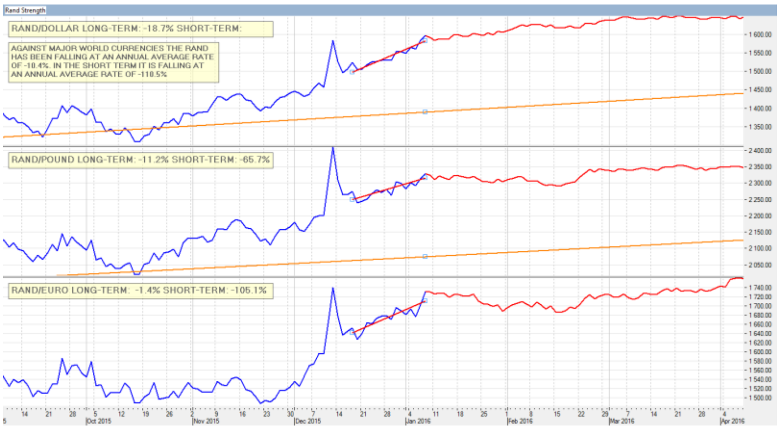


Then, this week came news from China of weaker economic data which sparked two successive mega share market slumps which had an immediate impact upon the world's major stock exchanges. However, if you consider the graphs on the right, it is clear that a bear trend was already in place in most markets of which the China effect has been merely a short extension.

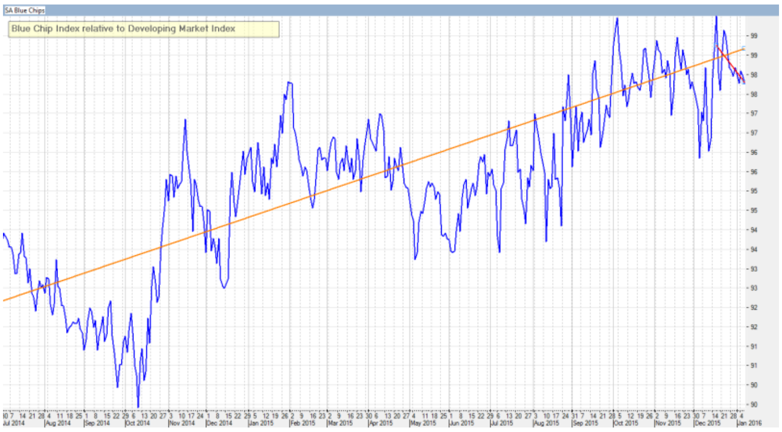


Moreover, ShareFinder projects that this phase of weakness is likely to continue for several weeks more. Amidst this, however, there is some good news for South Africa and the share markets of the "Developing World". As my third graph makes clear, the ShareFinder Developing Market Index has been trending upwards since mid-December and appears likely to continue doing so well into February.

I can hardly bear to present my next graph which tracks the Rand against the US Dollar, the British Pound and the Euro against which it has been collectively falling at a compound annual rate of 10.4 percent for the past five years and that rate has now accelerated to an average of 110.5 percent, a rate of destruction which will soon make all of us prisoners in our own land, unable to afford to travel beyond our borders and ripe for the plucking by our new finance minister who needs to raise significantly greater taxes in his forthcoming budget. It gives me little pleasure to say that I have frequently warned readers of the inevitability of this currency reduction as the Jacob Zuma administration has consistently operated on borrowed money, effectively doubling our external debt during his term of office.



Is there any good news? Well our private enterprise remains healthy despite every effort of the government to render it otherwise. Relative to the Developing Market Index our ShareFinder Blue Chip Index continues to outperform at a rate of 5.8 percent annually as is made clear by my second graph. As my final graph shows, the Blue Chip Index continues to deliver growth at an annual rate of 24.3 percent and, although it has been thumped since the start of November, it is now close to its projected bottom and likely to begin recovering from late February.



The next month:

New York's SP500: I correctly predicted weakness which I still see continuing until mid January.

London's Footsie: I correctly predicted a recovery until the end of the year. Now I see a decline continuing until February 15

JSE Industrial Index: I correctly predicted a decline followed by a recovery that is likely to start now.
Top 40 Index: I wrongly predicted the beginning of a recovery but I believe it has been delayed and is likely to begin now.
Golds: I wrongly warned that the recovery was over. Now I see a brief decline until the 18th followed by recovery until the 29th and downwards thereafter.

The Rand: I wrongly predicted a recovery. But now I see gains until the 22nd.

The Predicts accuracy rate on a running average basis over the past 573 weeks has been 83.59%. For the past 12 months it has been 93.34%.

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