



# Richard Cluver Predicts

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



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**How far can the market fall and how long will the bear market last? These were the most talked about issues among investors this week.**

On fundamental issues like the world economic situation, China's transition from a heavy infrastructural development phase to a consumer-led economy and our own internal problems with a dysfunctional government, it is clear that no quick resolution is likely. But markets tend to react to other externals like the money-printing exercises of the US Federal Reserve and the European and Japanese central banks which collectively generated mountains of additional cash which inevitably flowed to the world's share markets pushing them upwards

Now that the US has ceased such stimulation, reciprocally causing a global market decline, investors everywhere are on the run. And as inevitably happens when such panic sets in, markets tend to over-react creating such mouth-watering value that, equally inevitably, a counter reaction eventually sets in among those smart enough to have anticipated the situation and set money aside to start buying at the next perceived bottom.

Right now there are bargains aplenty among blue chip shares whose business models are such that they are easily able to ride through recessions and booms alike. So the only real question that readers of this column should be asking themselves is when should I start buying back and which shares should I be buying?

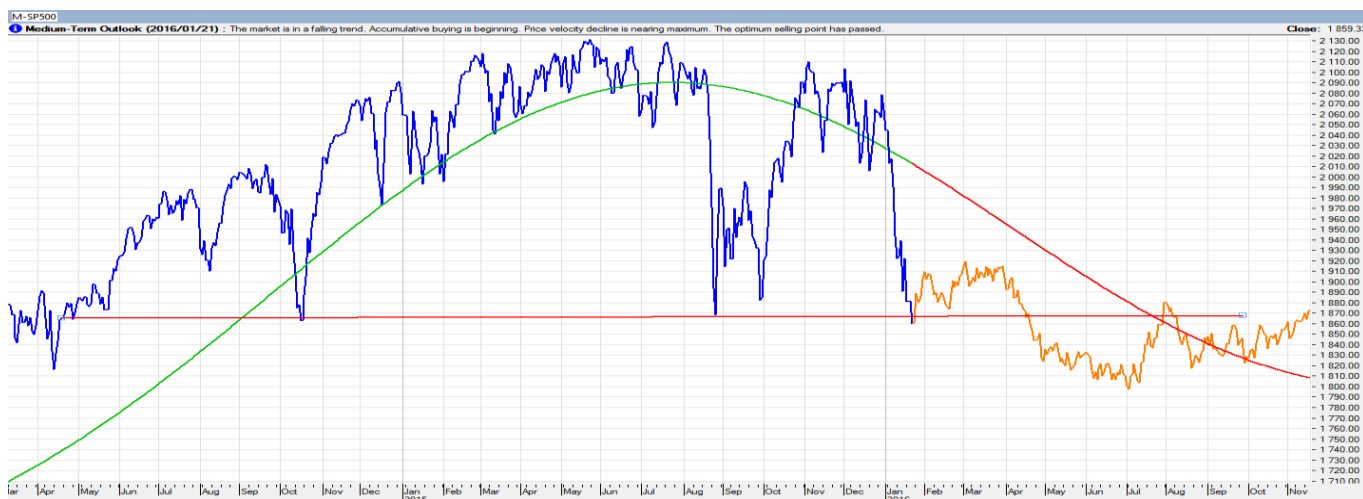


The graph above of the JSE Top 40 Index indicates that a strong long-term support line dating back to October 2014 has just been breached on the downside. So the critical question now is whether the index will try to reverse back upwards and confirm this as a support line. If it does that will be a clear signal that it is time to start buying.

Similarly, analysis of the ShareFinder Blue Chip Index (below) indicates that a support line in place since January last year, is yet to be breached. However, the generally reliable artificial intelligence system within ShareFinder, projects that it will happen either today or Monday and continue falling until February 19 which date will mark the beginning of a recovery trend lasting until the first week of July followed by a second downward phase lasting most of the second half of the year. More importantly, the smoothly-curving long-term projection which appears in green turning to red in the future, indicates that the bear phase will be over by May with the end of year downturn merely a last gasp overhang of the bear market. So for the foreseeable future the JSE might not be the best market to be invested in!



Globally, represented by New York's SP500 Index below, a similar support line has just been breached and ShareFinder projects that a two-month recovery is now likely ahead of a continuation of the bear market at least until July.



The most attractive market to invest in for the forthcoming recovery is likely to be London which is similarly projected to bottom at the end of April and so smart investors will accordingly use the present time to move money there. Accordingly I again draw readers' attention to the fact that we have achieved a facility to assist our clients to both move money abroad and open a London stockbroking account either of their own which the new ShareFinder 6 will allow them to manage or through our own managed account facility.

Our associate Kylie Jerg can assist you both to transfer capital and to open an account with Saxo Bank. E-mail her at [Kylie@banyan.co.za](mailto:Kylie@banyan.co.za)

## **The next month:**

**New York's SP500:** I wrongly predicted the start of a recovery which I now predict has been delayed until the first week of February. But it is likely to be short-lived.

**London's Footsie:** I wrongly predicted a recovery lasting into mid-February. Now at best I see a sideways trend with modest upside potential with fresh declines at the end of February.

**JSE Industrial Index:** I correctly predicted a decline continuing well into February.

**Top 40 Index:** I correctly predicted a very brief recovery followed by a decline which I now see lasting at least until February 23.

**The ShareFinder Blue Chip Index:** I correctly predicted further declines. Now I see a brief recovery until the end of the month followed by declines through most of February.

**Golds:** I correctly predicted the end of the recovery. Now I see declines for most of February.

**The Rand:** I correctly predicted the start of a recovery which I see lasting until February 2.

***The Predicts accuracy rate on a running average basis over the past 575 weeks has been 83.57%. For the past 12 months it has been 92.37%.***

**Richard Cluver**