RICHARD CLUVER INVESTMENT SERVICES

Richard Cluver Predicts

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

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Like so many South Africans I endured last night's "State of the Nation" speech vainly hoping that in this time of great national desperation our president would come up with something new that might give us hope of better times to come.

Perhaps I missed something, for I must confess to nodding off to sleep on more than one occasion as the man from Nkandla droned on and on regurgitating the same failed promises that he has offered us every year in the past. The only note of realism was an admission that the country was unlikely to achieve the 5 percent growth rate that is needed to start creating jobs for our 8.3-million unemployed people.

With impeachment staring him in the face, one would have hoped to have heard at least a passing mention of why he fired Finance Minister Nene and why he this week in the Concourt he so cravenly collapsed his previous obdurate stance on the entire nation's demands that he "pay back the money" or why, having signed the provident funds legislation into law, the matter has now been re-opened signifying that his own signature is no longer worth the paper it is written on.

Ominously too, he advised that his government would be pressing ahead with the controversial property right Bill which seeks to strip citizens of their land rights and which is so loosely framed at this stage that it equally threatens intellectual property; hardly the sort of thing that is likely to attract the foreign investment that we so desperately need, particularly when that Bill is allied to Red Rob Davies' summary axing of foreign investor protection treaties during the past year which action has so alarmed our main trading partners, it is the absolute opposite of what we need to dig ourselves out of the economic hole the Zuma Administration has dug for us, not to mention the impossible luxury of one of the world's largest cabinets and, by any standards, a bloated public service which annually consumes so much of the budget that there is no money left for the kind of road, rail and water projects that are needed to kick-start the economy.

Notwithstanding all of this negativity, there is nevertheless some good news on the economic front this morning. First of all, as my first graph illustrates, the Rand has continued to strengthen since its January 9 low of R16.79 to the US$ to a current R15.87 and, furthermore, ShareFinder projects that it will continue doing with a few bumps along the road until it reaches around R15.72 on February 22 before another weakening trend sets in. So, if like me you are currently buying overseas airline tickets ahead of the Northern Hemisphere springtime holiday season, then you have another ten days to complete your transactions before the Rand is slated to begin weakening again…..after Pravin Gordhan's budget speech perhaps!

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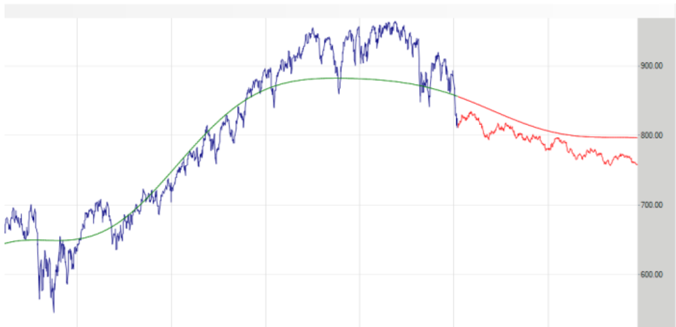
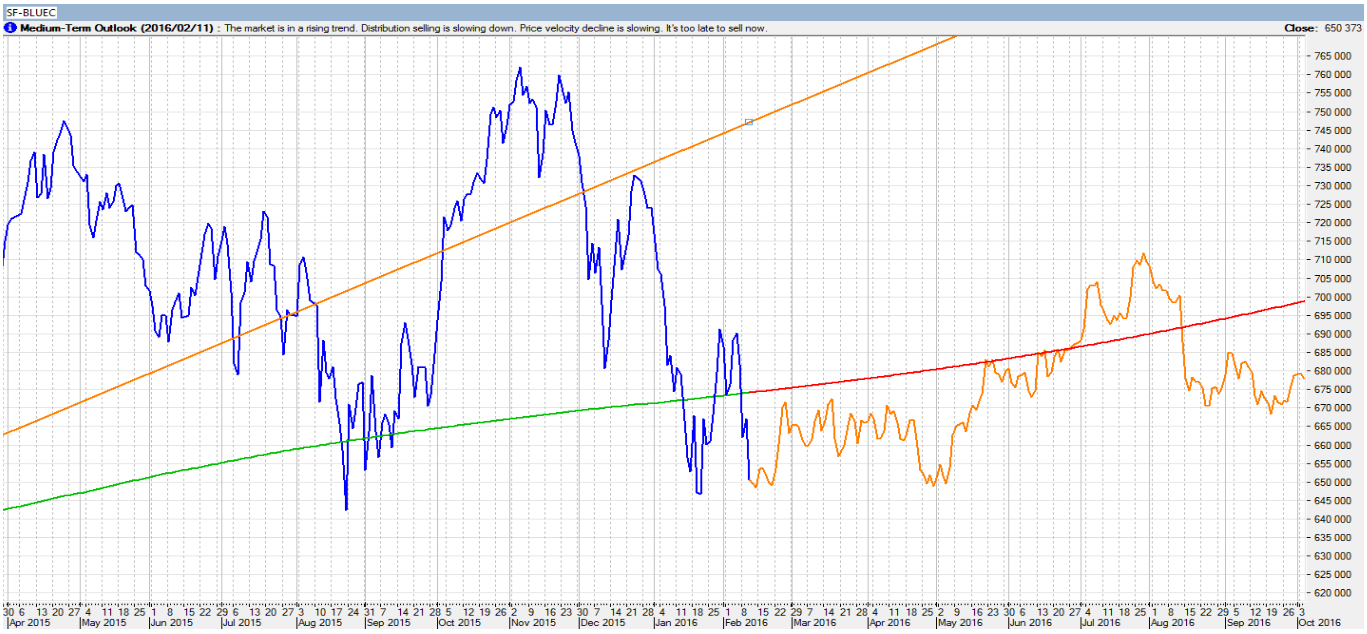
Not so good for share market investors everywhere, however, is the fact that there is a growing perception that the US Federal Reserve was a bit premature in raising interest rates which has sent Wall Street into a tail spin. The widest measure of US shares, the S&P500 index fell like a stone in January and, though it has been trying to consolidate at current levels, ShareFinder projects that it will be continually downwards for the rest of the year as my graph on the right suggests.

Furthermore, the ShareFinder NYSE Blue Chip Index is no more promising as my second graph indicates.



London, as tracked by the FT100 Index is also heading down steadily as my third graph indicates with a May bottom now in sight.

The best news of the day is thus the projection for our own JSE Blue Chip Index which, ShareFinder calculates, has only a day or two to go before it bottoms and then it is uphill until late July at least as suggested by my final graph below with May being the month when the recovery begins. However, ShareFinder currently calculates that the gains could be all over by the end of July when a fresh phase of weakness is suggested.



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The next month:

New York's SP500: I correctly predicted a continuation of the down-trend, but the recovery I hoped for on Monday failed to materialise. Nevertheless a brief up-trend might come soon though the overall trend will be downward at least until March.
London's Footsie: I correctly predicted the beginning of a volatile recovery but I expect that to be over by Monday with weakness continuing until the 19th.

JSE Industrial Index: I correctly expected the decline to continue in a whip-saw trend but the recovery I foresaw has been delayed until Monday.

Top 40 Index: I wrongly predicted a recovery which I now expect has been delayed until the 19th.

The ShareFinder Blue Chip Index: I correctly warned that the recovery was over, seeing weakness until the third week of February.

Golds: I correctly predicted declines. Now I see a recovery well into March.

The Rand: I correctly predicted a declining trend which I now see lasting until the 24th before the Rand starts strengthening again.

The Predicts accuracy rate on a running average basis over the past 577 weeks has been 83.56%. For the past 12 months it has been 91.64%.

Richard Cluver