



# Richard Cluver Predicts

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



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**We all knew that the Budget would cause us pain and so it will inevitably have been greeted with some stoicism.**

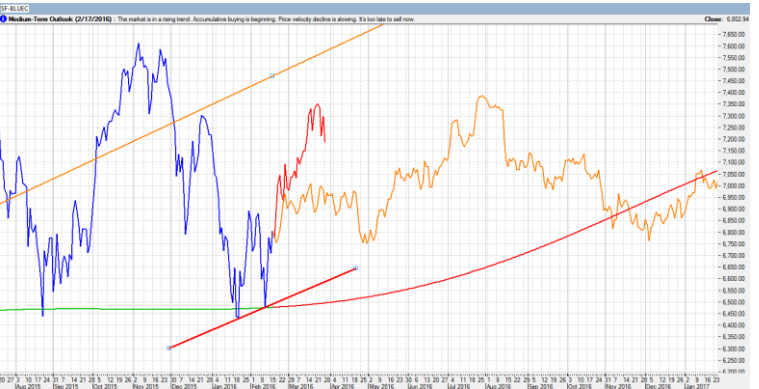
More worrying, however was the immediate pessimistic reaction of the marketplace where the Rand took a thump in late afternoon trading immediately after the budget speech. Though it will take a few days for the trend to be confirmed, however, ShareFinder's projection on the right suggests that a healthy recovery of the Rand can be expected in the next few days before consolidation sets in in the middle of next week.

When it comes to the JSE Top 40 Index, (second on the right) there is a remarkable disparity between ShareFinder's short-term and medium-term projections with, the short-term (green) projection sensing a strong recovery while the medium-term projection sees a continuation of the downward trend. Happily, the green projection is USUALLY the more accurate in the short-term with the medium-term projection usually attempting to absorb the consequences of a short-term change of direction.

Turning to the Blue Chips which most concern the average Prospects and Predicts readers, the good news in my third graph on the right is that rising double bottoms on January 21 and February 10 confirmed the probability of a recovering trend that has now accelerated into a strong up-move.

On the whole though, Blue Chip shares were on the move upwards yesterday with some surprising exceptions like, Aspen notwithstanding very positive results.

One needs to stress that all of these signals are based upon immediate reaction to the budget overlain upon trends that have already been in medium-term recovery after the disaster of



Nenegate and it will take a while for the markets to fully digest Pravin Gordhan's proposals for the new financial year.

What is likely to have extreme long-term effects is his increase of capital gains taxation which will inevitably accelerate an already record level of high net worth emigration. Just as an example, a high net worth individual who elected to create holiday homes for himself in two overseas countries and thus be able to stay outside of South Africa for more than six months and a day of each year, will no longer be liable for tax in this country; a holiday flat in Mauritius and another somewhere in Europe would neatly do the trick. Their tax savings would in a very short time fund the cost of acquiring such properties and the local fiscus would be the loser. The surprise, if you care to do the maths is how cost-effective such a move would be even at relatively low wealth levels!

## **The next month:**

**New York's SP500:** The up-trend that I predicted continued this week with the outlook now firming to the extent that I see gains now for the whole of next month.

**London's Footsie:** I correctly predicted the end of the recovery with the outlook now moving to negative at least until March 10.

**JSE Industrial Index:** I wrongly expected the recovery to continue, missing the probability of a dip in between. Now I foresee a recovery beginning early in the new week.

**Top 40 Index:** I correctly predicted a delayed recovery which I now see continuing into mid-March.

**The ShareFinder Blue Chip Index:** I correctly expected a continuation of the Blue Chip recovery which should last well into March with some volatility towards the end.

**Golds:** Golds have been all over the place lately and my predicted downward trend turned into a recovery which I believe is now over with a down-trend likely for most of March.

**The Rand:** The Rand continued recovering as I predicted, with brief weakness immediately ahead and after the Budget. Now I foresee further gains or at least a sideways trend.

***The Predicts accuracy rate on a running average basis over the past 578 weeks has been 83.57%. For the past 12 months it has been 90.99%.***

**Richard Cluver**