Richard Cluver Predicts

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

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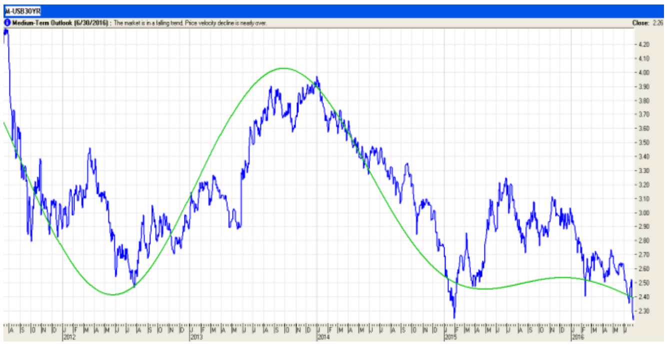
The shock to the world's financial system of the British vote to exit the EEC is being likened by economic analysts to the 2007 sub-prime crisis that triggered the present era of global recession.

It was a blow that nobody seriously expected to happen, providing shocking evidence of how out of step the world's leaders are relative to the hopes and aspirations of ordinary people: proof of how fragile is the peace of our era and how likely are major social upheavals like those that are becoming commonplace in this country.

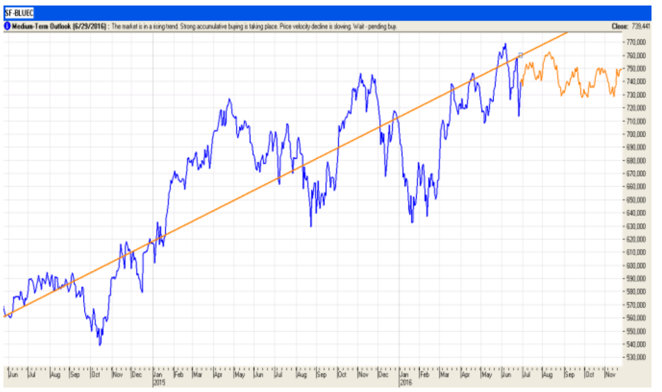
While it is now clear that the ordinary people of Britain voted against continued EEC membership because they are fed up with the everyday financial hardship they have been suffering, this actually took the shape of xenophobia; refugees from Asia and Eastern Europe perceived as draining their communities of resources. It was little different, in fact, to the tensions that sparked xenophobic riots in this country a little over a year ago and which showed their ugly head again last week on the Reef.

Deep down, of course is the issue of a world economic/political system under severe strain; of nations in crisis levels of debt and the impossibility of continuing to maintain social services that are today assumed to be everyday human rights. Change is inevitable and what we are witnessing are merely seismic shock waves which must be expected to grow increasingly violent over time until the entire system breaks down.

What all of this means for ordinary investors, ultimately, is that if you want to hold onto your savings you will need to move increasingly up the quality chain, ultimately to precious metals, jewelry and fine art. For now, however, Blue Chip shares continue to suffice while traditional stores of wealth like Sovereign bonds are becoming so volatile that most investors are nervous of holding them. My first graph on the right illustrates how US 30-year treasuries have gyrated in value from a yield of 3.97 percent in January 2014 to 2.4 percent in January last year, back to 3.22 percent in July last year and back down to 2.24 percent presently.



Similarly, without the guidance of computer analysis such as ShareFinder provides, it is becoming increasingly difficult to invest in the Blue Chips of this world. My second graph illustrates how South African Blue Chip shares have oscillated in value over the past two years. The red trend line rising at compound 22.6 percent makes it clear that there is still value in the buy and hold approach, but market volatility makes it very difficult for those who need to sell to obtain cash in times when the



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market is in cyclic decline as is beginning to appear likely from here into the rest of 2016.

And then, of course there are currencies which have traditionally been the shock absorbers that have ridden with the punches of international pressure. Here consider our Rand relative to the US Dollar which has been strengthening since President Zuma's unfortunate Finance Ministerial action in January. ShareFinder projects that from a weak point of R16.776 to the Dollar on January 15 it could strengthen to R13.94 in December if nothing drastic occurs in the interim. However, do note that in the process the Rand is captive within a technical analysis classic pennant formation which implies that sometime before early September a fairly dramatic Rand happening is possible. ShareFinder senses that this could result in greater Rand strength, but pennant formations are notoriously unpredictable so be warned that something, perhaps associated with the coming elections could severely impact the Rand.

Meantime, the short-term outlook for the share market is downward until the elections are over!

The next month:

New York's SP500: I correctly predicted the start of weakness. However, in the week ahead I sense a short upward correction before further weakness sets in.

London's Footsie: I correctly predicted a sharp decline followed by a strong recovery which I sense will continue until early in the new week before a weakening sideways trend sets in.

JSE Industrial Index: I correctly predicted volatility but sense that things are improving from a sideways to a rising trend for the rest of the month.

Top 40 Index: I correctly anticipated gains which I continue to expect until mid-July followed by a sharp downturn around July 18 lasting until the start of August.

The ShareFinder Blue Chip Index: I correctly predicted the probability of volatile declines which I see lasting until the end of July.

Golds: I correctly predicted a whip-saw rising market which I now see lasting until the 19th.

The Rand: I correctly predicted a quite sharp initial decline followed by a strong recovery which I now see lasting until late August.

The Predicts accuracy rate on a running average basis over the past 586 weeks has been 83.74%. For the past 12 months it has been 92.5%.

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