



# Richard Cluver Predicts

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



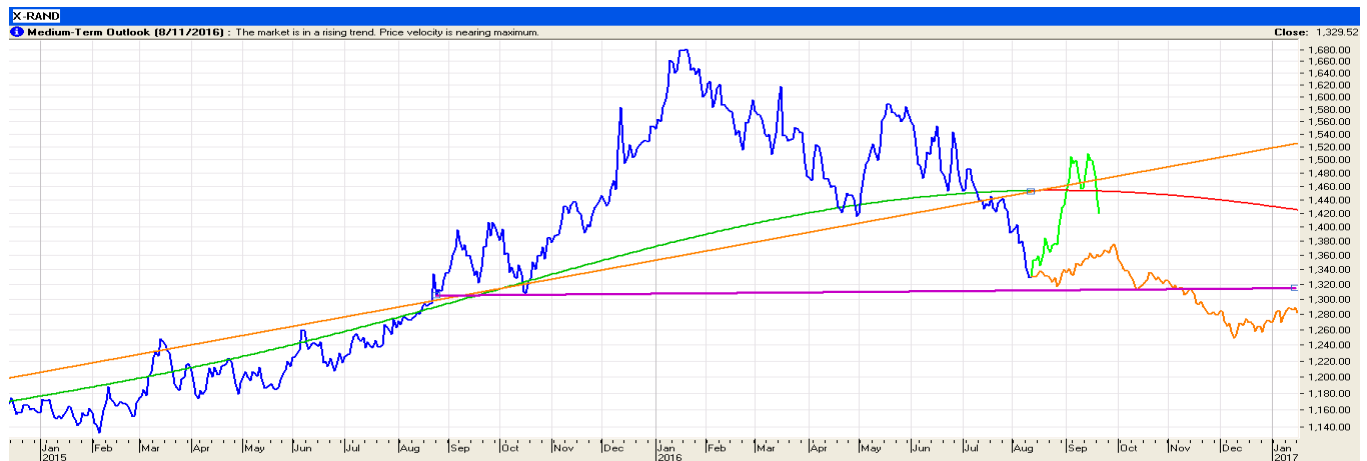
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**The good news of South Africa's municipal election results has clearly been well received by international investors whose money has been flowing towards our securities markets resulting in a steady strengthening of the Rand.**

In the medium-term, furthermore, it is likely to continue strengthening until at least early December. Before it does so, however, it has to cut through the purple resistance line at R13.16 to the US Dollar which I have drawn into the graph below which ShareFinder predicts will attempt to do on or about August 26. That attempt is likely to fail after which the Rand is likely to weaken until August 28 following which a fresh surge is expected to take it down through the resistance line and it will then continue strengthening until the second week of December in time to provide a bonus for those lucky folk going on skiing holidays over the festive season.



This good news notwithstanding, It is important to nevertheless recognize that if all this good news continues to happen, the projected December high of R12.57 to the US Dollar will only take us back to the level of the Rand of August last year and will then equal the weakest points achieved by the Rand in the Rand crises of 2001 and 2008.

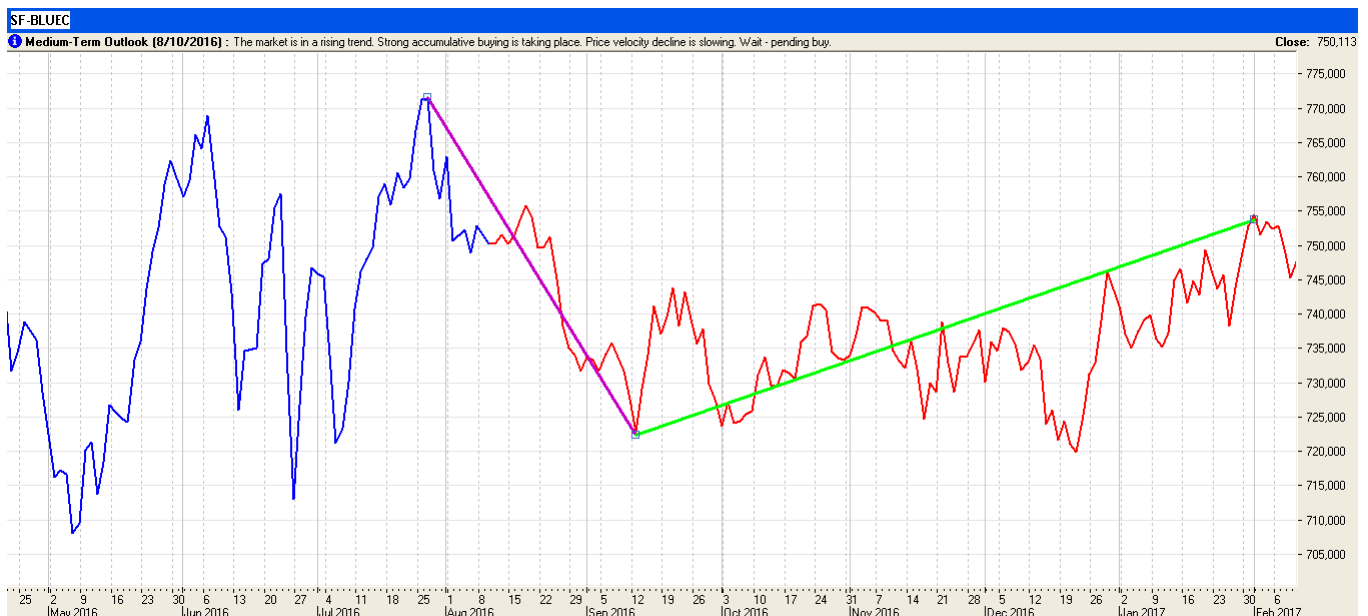
It is sobering therefore to look at a long-term graph going back to 1990 covering the whole period since the ANC has been in control of this country's economy during which the Rand has lost value at a consistent annual average rate of 6.5 percent a year. That figure has stripped the average South African of the ability to travel abroad and made it impossible for most pensioners to follow their children to Australia and other emigration destinations. It is really hard to remember that when the ANC took power in 1994, the Rand/Dollar exchange rate stood at R3.52 to the US Dollar. So it has halved in value and then halved again in the interim.

Only those smart enough to have invested at least a tenth of their income in South Africa's Blue Chip shares have been able to escape being marooned in this country for, as my graph composite overleaf illustrates, blue chips have grown in value by a compound annual average rate of 12.2 percent during the same period.



Meanwhile, the Prospects portfolio which I manage as a virtual exercise for readers of my Prospects newsletter service, have seen their investments grow at a compound annual average rate of 21.1 percent since the portfolio was started in January 2011 taking an original investment of R1-million to a current R2 849 715 which, if the portfolio continues to perform as well over the next decade, will climb to R15 718 569 in August 2026 at which time it will be providing an annual dividend aggregate of R808 969.

Sadly, however, though the Rand is likely to continue gaining in the medium term, the same has not been true of the Blue Chips which have been falling since July 26 and appear likely to continue falling, possibly until September 12 whereafter a sustained recovery phase is likely as detailed in the graph below.



## The next month:

**New York's SP500:** I correctly predicted declines which I saw lasting until yesterday. Now I see gains until the second week of September.

**London's Footsie:** I correctly predicted gains. Now I see further gains until next Friday when weakness is likely to begin.

**JSE Industrial Index:** I correctly predicted a brief recovery starting now, but it is likely to peter out early in the new week and continue down until next Friday when a healthy recovery could begin.

**Top 40 Index:** I correctly anticipated declines which I now see lasting until late next week.

**The ShareFinder Blue Chip Index:** I correctly predicted declines which I see lasting until late next week.

**Golds:** I correctly predicted a decline which I now see lasting until the first week of September.

**The Rand:** I correctly predicted continued gains with an imminent downturn which appeared likely to begin today. I see this new weakness lasting until at least the first week of September.

***The Predicts accuracy rate on a running average basis over the past 592 weeks has been 83.79%. For the past 12 months it has been 90.71%.***

**Richard Cluver**