



Richard Cluver Predicts

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



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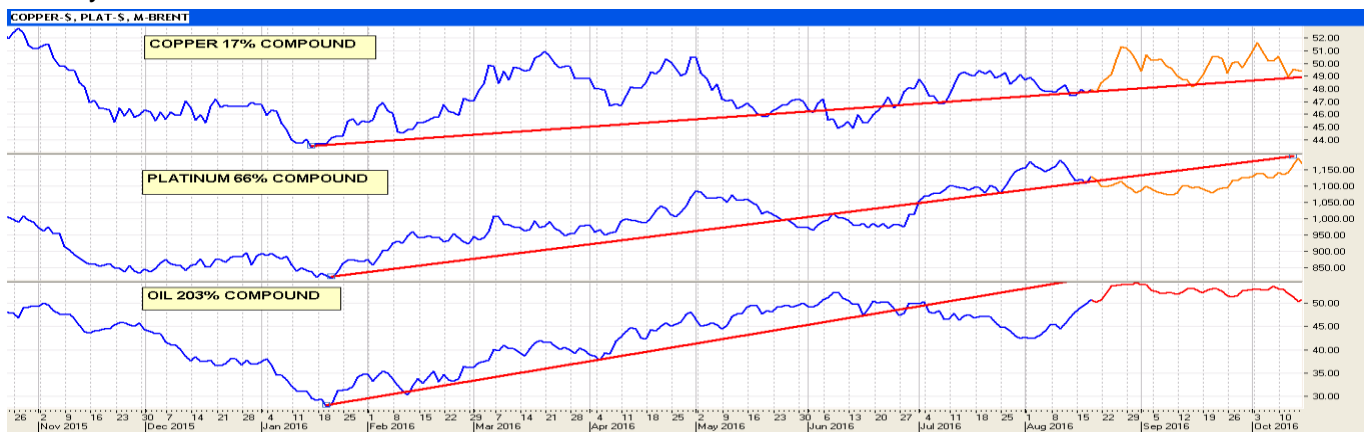
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We are clearly into a new era in South Africa with the ANC logjam demonstrably on the way out. If the party is to have any hope of resurrecting itself before the next general election it will have to forcibly demonstrate to a very disillusioned electorate that it is ditching its baggage of corruption, crony deployment and the protection of those in high office that have been proved to be morally flawed.

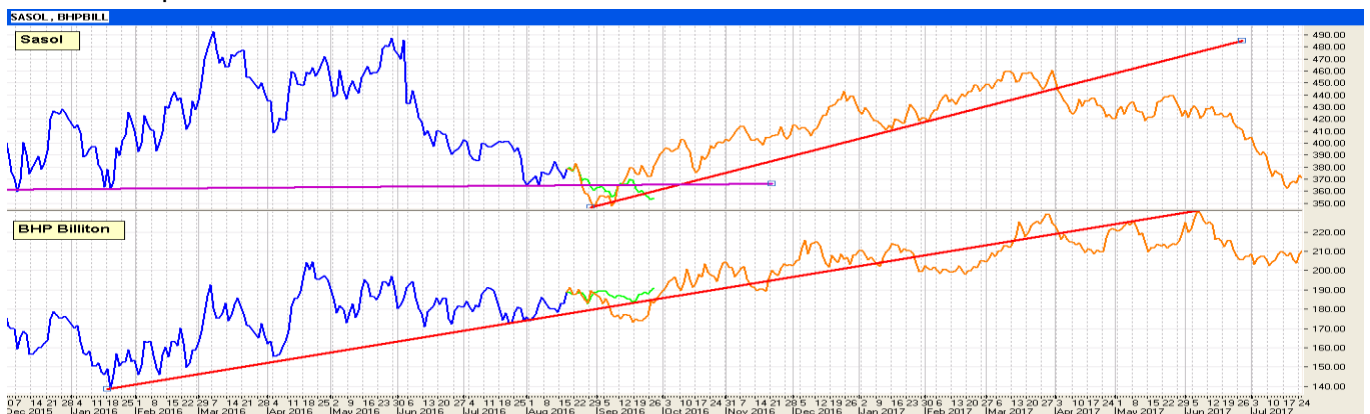
But, given the outcome of last weekend's meeting which was supposed to highlight where the party has gone wrong and set out a process of change, nothing is likely to change in the near term. The logical inference to thus be drawn by the average investor is that the ANC and everything it has come to stand for during the Zuma years will within the foreseeable future be a thing of the past. Then South Africa will be able to return to its previous powerhouse past when it had a booming economy and jobs were being created on a massive scale.

Furthermore, as my graph composite below clearly indicates, commodity prices have been strongly on the recovery trail since January this year which implies that South Africa's years of negative foreign earnings could soon be over, bringing an added bonus to an already far more optimistic outlook for this country.



In the first wave of this latter cycle change, commodity shares have been recovering strongly as illustrated by the graph below of BHP Billiton which has been recovering at compound 44.3% since mid-January, which brings me to that forgotten blue chip, Sasol which at the end of the month rebounded off a powerful support line which I have drawn in purple. In so doing, Sasol has completed an inverse head and shoulders formation and is sitting ripe for a recovery which, if ShareFinder's projection is anything to go by, could power upwards at an annual average rate of compound 50%.

You are likely to have a last chance to buy Sasol at around R350 around September 8 and again at R352 on September 26.



Given that commodities are recovering, investor action has clearly shifted in that direction and, accordingly it should be no surprise to everyone that Blue Chips have moved onto the back burner for the foreseeable future. My graph below illustrates that although Blue Chips are likely to continue in their long-term 14 percent compound annual growth rate as illustrated by the bottom trend line, they are simultaneously constrained by an upper resistance line that is rising at compound five percent which together make up a pennant formation. ShareFinder thus sees them declining slowly to a low point in late December this year after which the inevitable recovery should be expected.



Thus we have a short-term strategy for you today to get into commodities from now until December and then to start switching emphasis into Blue Chips again. That way you will have two horses pulling for you rather than one!

The next month:

New York's SP500: I correctly predicted gains which I still expect to continue until the second week of September.

London's Footsie: I correctly predicted gains until the end of this week. Now I see a brief continuation until Tuesday when London should top out for declines into the first week of September.

JSE Industrial Index: I correctly predicted a brief recovery, a short dip and then further gains which I now see lasting until September 6.

Top 40 Index: I correctly anticipated declines last week but wrongly expected them to continue this week. Now I see a strong recovery lasting until the 29th.

The ShareFinder Blue Chip Index: I correctly predicted declines. Now I see a recovery until next Wednesday followed by declines into mid-September.

Gold: I correctly predicted a decline which I now see lasting until the end of this month.

The Rand: I correctly predicted imminent weakness which should be over by Wednesday when a brief gain is expected. But fresh weakness is likely from next Friday.

The Predicts accuracy rate on a running average basis over the past 593 weeks has been 83.79%. For the past 12 months it has been 90.36%.

Richard Cluver