



Richard Cluver Predicts

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



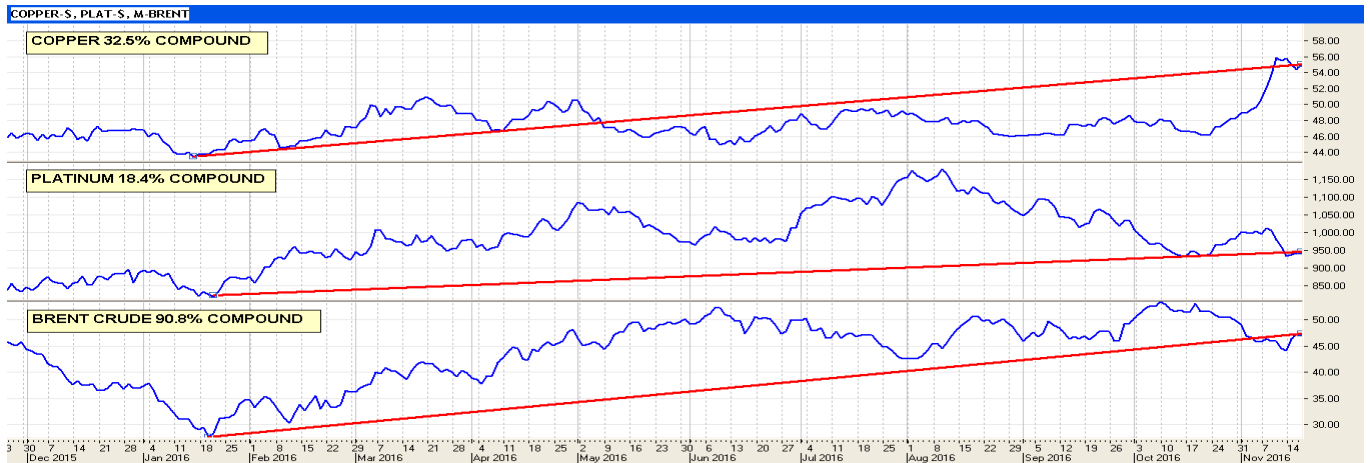
Volume: 29

28 November 2016

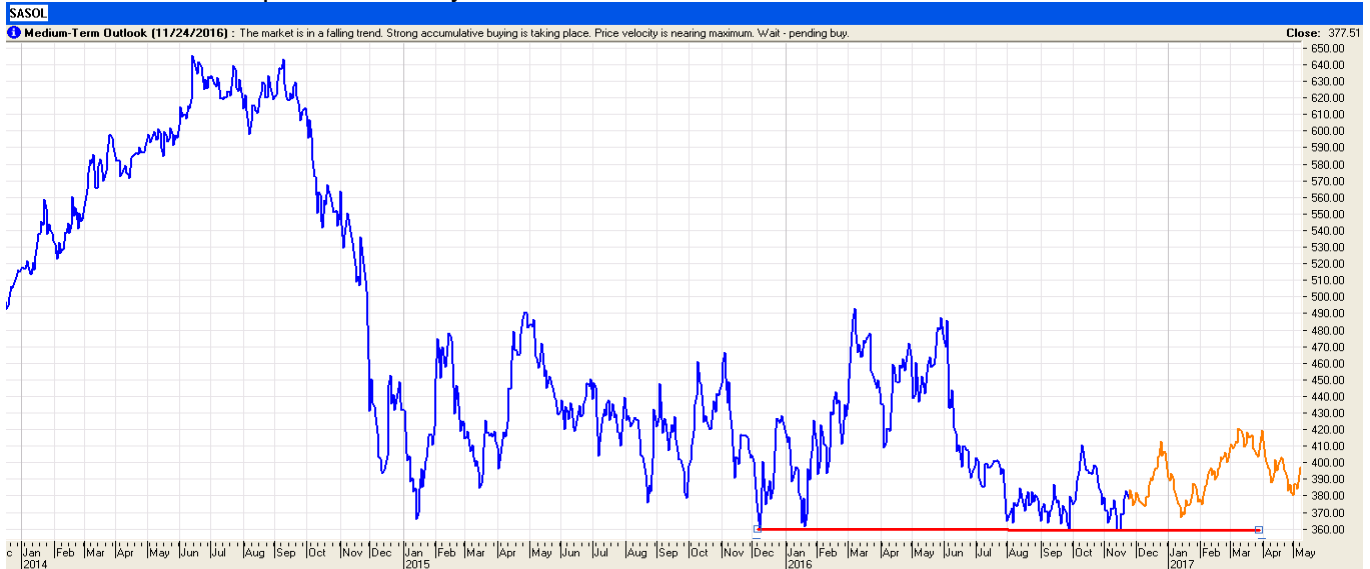
Issue: 32

We have all become so used to the global recession that most of us have failed to notice that the world is actually on the mend and, South Africa is likely to be the beneficiary.

So let us start this Friday by considering my graph composite below which illustrates the point that since the beginning of this year the price of copper has risen at compound 32.5 percent, platinum at 18.4 percent compound and Brent crude oil by a startling 90.8 percent compound:



Logically, these trends should lead to an explosive recovery of shares in these sectors. But, surprise surprise, the best one can say about our most oil responsive share, Sasol, is that it has appeared be flirting with a solid bottom formation. Considering the graph below, note how Sasol peaked at R645.10 in June 2014 and since December last year has flirted with multiple bottoms at R360. Following its latest financials which make it clear that the company saw \$60 a barrel as a worst case situation when it planned its giant US project which is draining it of cash, the share price has recovered very modestly to R388 this past Tuesday before retreating to R373.81 with ShareFinder projecting that the price could go to R420 in the first quarter of next year.



Platinum shares, meanwhile, have closely tracked the metal price having lost 30 percent of this value since last August. Here, however, it is probably intelligent to consider where platinum shares have come from since they peaked at an index value of 1479 in May 2008. In total they have lost 92 percent of their value since then to a low of 118 last December 18th.

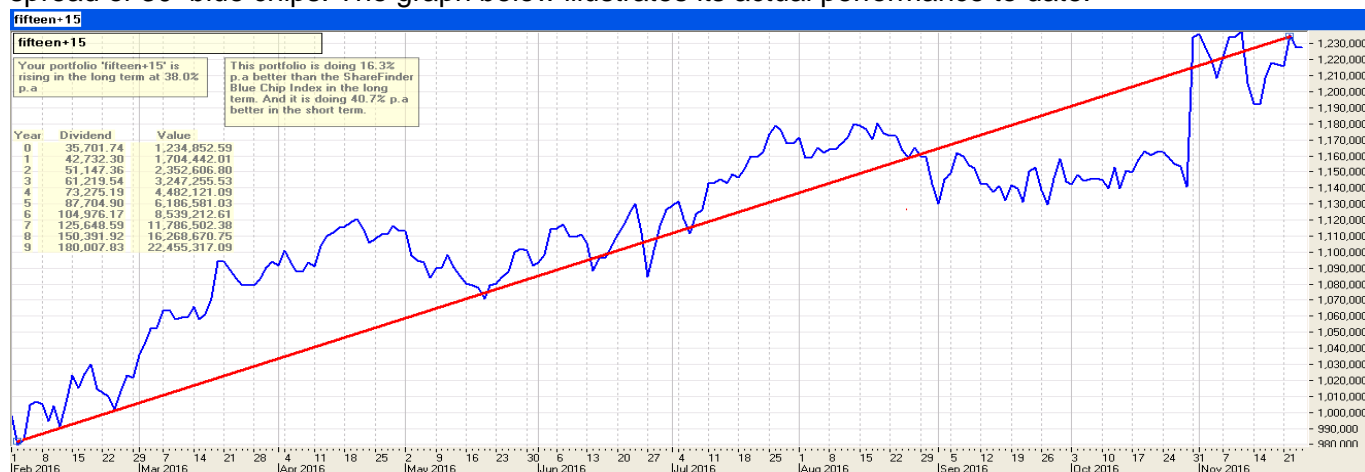


So, in a possibly recovering world economy, what is a reasonable growth rate to expect from a sound platinum share: double, treble, quadruple? After the 2008 market crash the platinum index recovered from 441 to 855 in early 2011 before beginning a relentless slide. And this year the metal price was rising at an annualized rate of 93 percent until things turned sour again in August. So I do not think it unreasonable to expect the platinum index to at least double within the foreseeable future.

But, considering the graph above, it could just as easily halve again in the next 12 months, particularly if Wall Street heads south in the new year as many pundits are predicting. And note that ShareFinder, which has shown itself to be better than 90 percent accurate in such predictions, senses in the graph below that New York's S&P500 Index will fall from now until the end of May as the realities of the Trump presidency begin to sink in.



In summation then, it is not a situation I would want to gamble on when there are more assured situations to be found in a basket of blue chips. A market tracker algorithm that we have built in preparation to launching a ShareFinder Unit Trust has since January this year achieved an annualised growth rate of 38 percent, illustrating what can be done in the current uncertain market if you invest in a spread of 30 blue chips. The graph below illustrates its actual performance to date:



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The next month:

New York's SP500: I wrongly predicted a downward trend but I believe that it was merely delayed and continue to forecast a decline.

London's Footsie: I correctly predicted a retraction and while I sense some short-term gains until Monday, I see weakness ahead.

JSE Industrial Index: I correctly predicted a decline. Now I see a recovery until the end of the month followed by a decline until mid-December.

Top 40 Index: I correctly predicted a decline from early this week and expect it to continue today with a recovery beginning i the new week.

The ShareFinder Blue Chip Index: I wrongly predicted that a recovery would begin on Wednesday, but now expect it to begin today or Monday...but it will be modest and brief before a December decline sets in.

Golds: I correctly predicted a decline early this week which I now see extending well into December..

The Rand: I correctly predicted a whip-saw continuing recovery which I expect to continue until mid-December.

The Predicts accuracy rate on a running average basis over the past 606 weeks has been 83.94%. For the past 12 months it has been 89.64%.

Richard Cluver