Richard Cluver Predicts

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

Volume: 30

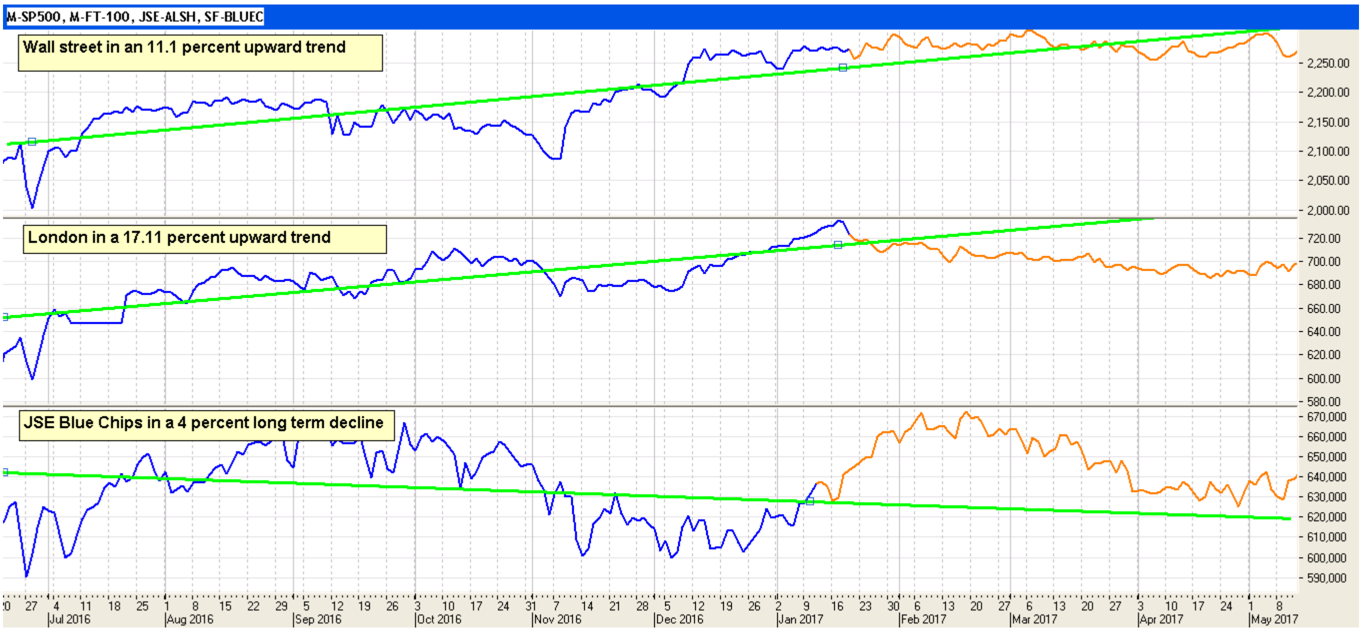
Issue:3

20 January 2017

So today is the day of the Donald Trump inauguration and so far as the share markets of the world are concerned it looks like being a non event.

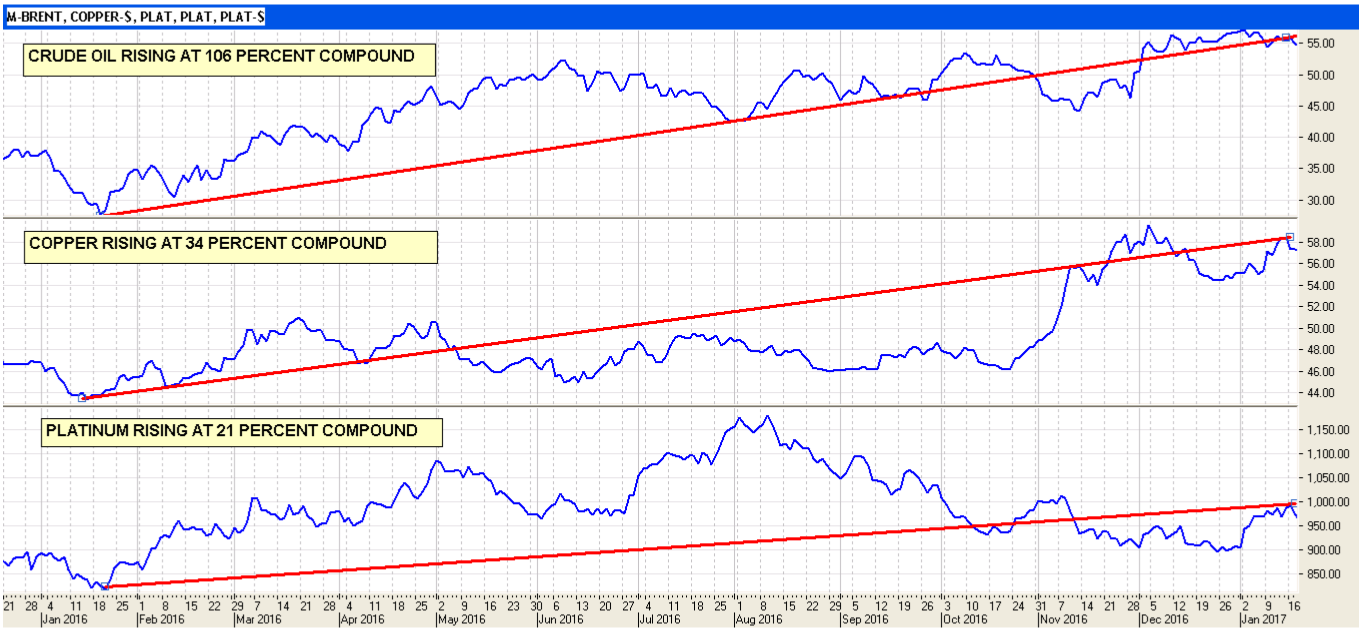
As my graph composite below makes clear, First World markets have been climbing steadily ahead of today and ShareFinder projects that they will continue doing so in recognition that the United States is finally out of the economic woods with unemployment nearly back to its 50-year average and the dollar strengthening as the wheels of industry gradually accelerate out of the Great Recession.

Developing nations like South Africa are, however, still mired in debt and shrinking GDP levels and our markets are reflecting that as is made clear by the declining trend line of JSE Blue Chips in the third graph oif the composite.



We, like so many other developing nations, base our economies upon mineral extraction and so our recovery tends to lag behind the developed world. However, mineral prices are gaining strongly as the world's industries begin to lift out of the recession. My graph composite overleaf makes it clear that crude oil prices have shrugged off the problem of overproduction and have been accelerating at a dramatic annualized rate of 106 percent.

Copper prices have been gaining at 34 percent compound and platinum at 21 percent compound. In time these figures will filter through in mine-workers' salaries and miners' equipment purchases which, in due course will lead to an up-tick in retail sales and a general quickening pace of economic activity.



Indeed, the worst is behind us and we can look forward to a brighter year than the one we have just left behind us. As proof I offer you the graph of Bell Equipment which makes mining machinery and the trend line I have drawn in has been rising at a dramatic 94 percent annually. Though the share is only half way back to its January 2013 peak of R27.50, ShareFinder thinks it will keep on rising strongly throughout 2017:

These are, of course, relatively short-term trends. If Mr Trump manages to implement his election promises of massive infrastructure spending coupled with big tax cuts – and it is a big IF– America's massive debt pile can only grow and it is a matter of time before we see another crisis of confidence and another Wall Street collapse. But that is the future. For now the party has begun!

The next month:

New York's SP500: I correctly predicted the start of a modest decline. Now I see the start of a modest recovery until the first week of February followed by weakness until February 17.

London's Footsie: I correctly predicted the beginning of a decline which I expect to continue until February 20.

JSE Industrial Index: I correctly saw the beginning of a decline . Now I see a volatile whip-saw downward trend until the first week of February when a sharp recovery is likely.

Top 40 Index: I correctly predicted declines which I expected to last until the end of the month. Now, however, I see a brief recovery beginning mid-week until month-end.

The ShareFinder Blue Chip Index: I wrongly predicted the end of the recovery. Now I expect gains to continue until the first week of February.

Golds: I correctly predicted a modest recovery continuing until around January 20 followed by a brief down trend starting Monday until month-end followed by a sideways trend.

The Rand: I correctly predicted modest gains which ended on Wednesday. Now I see weakness until the first week of February followed by a brief whip-saw recovery until February.7.

The Predicts accuracy rate on a running average basis over the past 613 weeks has been 84.06%. For the past 12 months it has been 90.71%.

Richard Cluver