



Richard Cluver Predicts

In our 30th year of service to the investing public of South Africa



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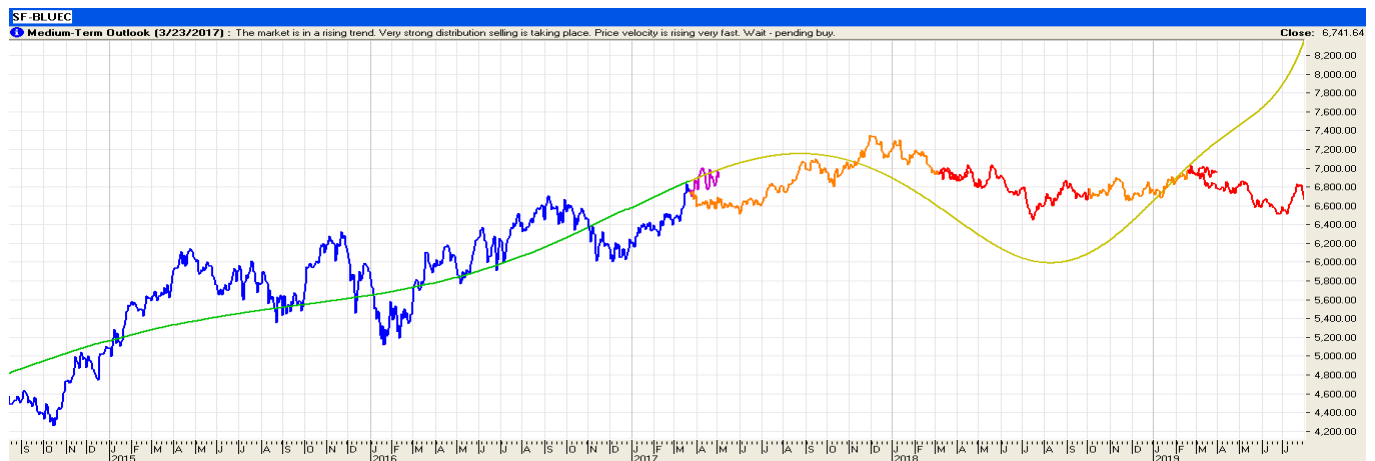
Issue: 11

Forgive me for boasting about ShareFinder’s predictive ability but the uncanny ability of our software to predict the future always astounds even me, the designer of the algorithm that powers it.

Of course those of you who bother to check our performance statistics which we always publish at the foot of this column each week and update each Friday consequent upon the accuracy of the market movement projections I made in the previous week’s column, will be aware that for the past 12 months our accuracy average has been 91.43 percent. So you should not be at all surprised when I confirm that what I predicted last Friday happened this week just as I said it would. But dare I mention that a century or so ago people would be burned at the stake for being able to foretell the future.

Of course the mathematics behind our projections is hardly new. Jean Auguste Fourier, a French mathematician working in the time of Napoleon, developed it to explain the wave formations inherent in sound. My team and I merely took that logic and tweaked it a little to ensure that each time our system made an inaccurate projection it would learn to adapt the equation parameters to enhance its future accuracy. So every day, when we run ShareFinder, it is able to look back over more than 20 years of daily predictions, each of which has improved its accuracy minutely. Thus, for example, the forecast accuracy for the entire 20 years is 84.1 percent but when we look at the average of the past 12 months we see that the accuracy has improved to 91.43 percent.

So what does this system project for the next few years instead of, just the next few weeks? My graph composite below takes the ShareFinder Blue Chip Index forward to August 2019 to help you plan for the longer term future which suggests that the present bull trend of the market still has a while to run peaking at the end of November this year before trending down until mid-July next year and then beginning another recovery.



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And what about the Rand?

Most analysts agree that trying to predict currency movements is far more difficult than guessing which way share markets are likely to trend and this problem is compounded when one turns to the Rand which has been subject to some very unnatural speculative pressure and so you can see that the medium-term projection (in orange) suggests that the Rand will continue strengthening against the dollar for the foreseeable future.

Thus, while at its weakest point in mid-January last year it took R16.7668 to buy one US Dollar, it now takes only R12.57 and, if ShareFinder is correct by January 2019 it will take only R10.69 taking us ever closer to the R7 mark which most economists agree would be the correct value when purchasing power parity is used; that is for example, when you multiply how many hours would an average labourer have to work to buy something like a Volkswagen Polo (which is pretty well universally available) multiplied by his average pay. The Big Mac calculation which compares the costs of buying a Big Mac hamburger all over the world suggests that the true value of the Rand should be R5.85 to the dollar currently!

ShareFinder's graph below, should it prove correct, suggests that South Africa's exporters are in for a torrid time and that one should not as a consequence think of buying mining shares.

However, there is an ultra long-term cycle in place which suggests (note the smoothly-curving long-term graph) that the strengthening Rand will start to come under increasing negative pressure from the end of this year.

Given that both trends cannot be simultaneously correct, this divergence helps to explain why predicting currency movements is such an inexact science.



The next month:

New York's SP500: Well I got this one wrong last Friday when I predicted a continuation of the rally that was then under way. Now I see a very brief relief rally but it will not last more than a day or two with the SP500 likely to continue down until mid-April.

London's Footsie: I correctly forecast declines which I now expect will be over by the end of the month though the subsequent recovery is likely to be lacklustre.

JSE Industrial Index: I correctly predicted the end of the recovery and I still see the down trend continuing until March 27 to be followed by several weeks of gains..

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Page 2 ©2017 RCIS

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Top 40 Index: I correctly predicted declines which I now see lasting until April 7 followed by a weak recovery that will soon run out of steam.

The ShareFinder Blue Chip Index: I correctly predicted a decline which I expect to continue until Monday followed by several weeks of gains.

Golds: I correctly predicted that the recovery would be short-lived and now I see a sideways trend until the end of the month when a new recovery trend will begin lasting most of April..

The Rand: I correctly predicted the beginning of a sideways to slightly weaker trend which should see the Rand weakening against the Dollar until April 13.

The Predicts accuracy rate on a running average basis over the past 619 weeks has been 84.1%. For the past 12 months it has been 91.43%.

Richard Cluver