



Richard Cluver Predicts

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



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This is the last issue of Predicts until late June while I am abroad on my annual sailing holiday

I have written about it constantly for as long as I have been advising readers about how to preserve their life savings and once again I have been proven correct in the face of possibly the most dire threat South Africa has ever faced; the capture of our economy by a gang intent on visiting a Robert Mugabe style dictatorship upon us following which they will be free to plunder us to their heart's content!

To give it perspective I offer you below a five-year graph of the ShareFinder-defined blue chips which, notwithstanding the uncertainties life has thrown at us repeatedly over the years, the graphic evidence that our quality companies remain this and every nation's safest store of wealth:



The straight red line through the graph is a long-term trend line that in fact goes back to mid 2011 and which emphasises that throughout that period Blue Chips have grown in value year by year at compound 21.8 percent. And to understand what 22.8 percent compound means, you need to recognise that a million Rand invested at that rate will be worth R7 185 763 in ten years time, R51.64-million in 20 years and R371-million in 30 years.

It is your guarantee that your assets will remain secure and rising in value nomatter who controls the country and nomatter what lunatic policies they might try to inflict upon us. For it is important to understand the nature of Blue Chips. They are companies of people intent upon delivering superior products and services to an ever-growing public, their prime motivation for

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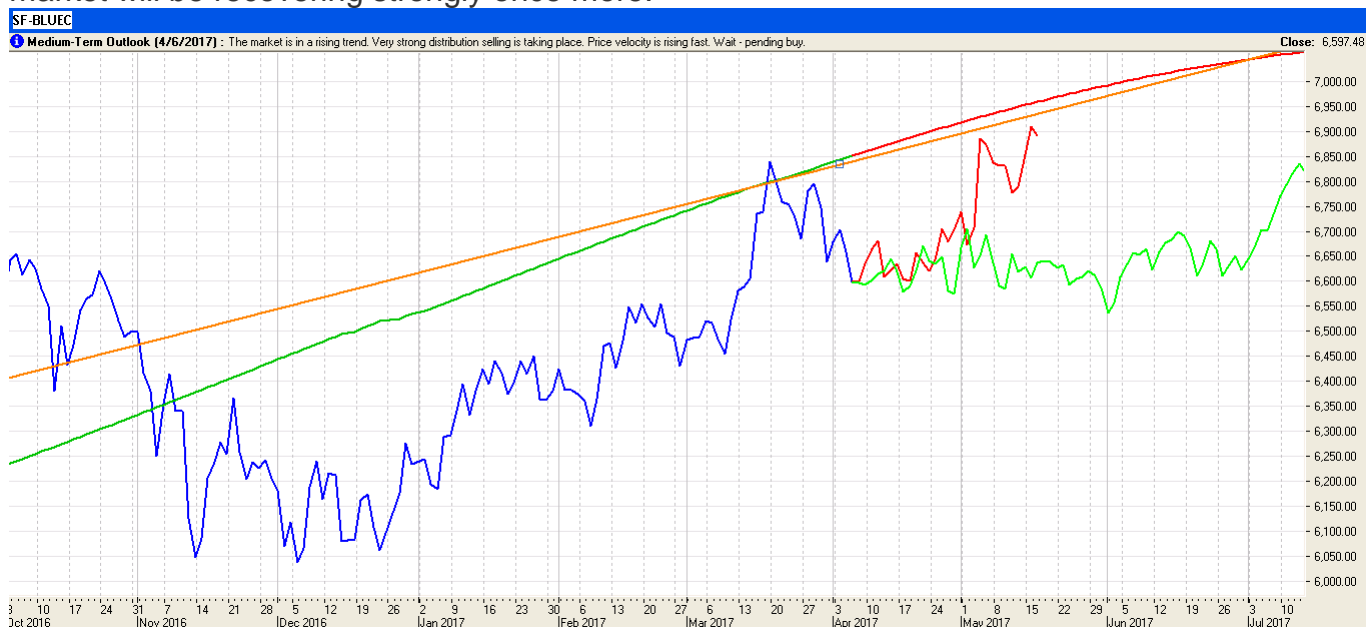
doing so is to preserve and grow the profitability of these companies for the benefit of their shareholders.

Thus, for example, faced with economic uncertainty and a stagnant economy in their home country, these companies have without exception grown wings and flown growing both their asset bases and their markets right across the planet. In this way they have ensured that no matter what happens here, their companies will survive and, importantly, continue to deliver rising profits.

Thus, unlike previous eras when exchange controls prevented our companies from investing abroad, they have now all done so. So, whereas in the past, South African investors were obsessed with “schlepping” money overseas in order to create some wealth insurance, this is really no longer necessary. So were, for example, some dictator to create such untenable conditions in this country that you and your family were forced to find themselves as refugees in a foreign land, your ownership of shares in these Blue Chips would ensure that your assets were preserved and continuing to deliver you a means with which to live.

So my first message to you today as opposing forces march in discontent and most of our nation is registering the highest alarm, is DO NOT PANIC. If you have based your investment strategy upon the methods I have constantly outlined to you, there is nothing else you need to do to preserve your monetary security.

So let us take a closer look at that graph on page one, blown up so you can see what has been happening to the Blue Chips in the past fortnight of political uncertainty and ShareFinder’s projections for the next three months. Note that the Blue Chips have fallen in value by a very modest 3.5 percent since the crisis began and that, with better than 90 percent forecast accuracy, the likelihood is that the worst is already over and that although further modest declines are likely, they will probably be over by the end of April and from the end of May the market will be recovering strongly once more.



Of course the Rand is a somewhat different matter. It has gone from R12.48 to the US Dollar on March 23 to R13.75 overnight and could in the short-term weaken further to something like R14.07 with frightening implications for South Africa’s poor who spend something like 30 percent of their income getting to work, for it is inevitable that the fuel price will spike upwards as will the cost of imported white maize which is our South African food staple.

Nevertheless, ShareFinder projects that the worst has already happened so far as the Rand is concerned. The graph overleaf suggests that the Rand will start recovering from next Friday

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and, though it could be some considerable time before we again see Rand exchange levels of the order to which we have recently become accustomed, our currency is likely to be back on a steady recovery trail for the rest of the year. Note the graph below:



All of this is not to minimize the consequence of a likely triple ratings agency downgrade to junk status which would oblige a large number of sovereign bond money funds to sell their South African holdings resulting in, by some calculations, a trillion Rands flowing from our shores, the implications for the Jacob Zuma administration will be dire in the extreme. Given that nearly 100 percent of tax revenue goes each month to service the civil service salary bill and the social wage, an effective ending of foreign borrowing means that our hand-to-mouth Treasury might soon again be the cause of considerable social concern.

It is interesting to ponder how long those who continue to support Zuma as President would remain loyal to him if pensioners and public servants had to forego their monthly pay checks!

The next month:

New York's SP500: I correctly predicted a brief rally. Now however, there are signs of a cautiously optimistic trend setting in that could last a month or more.

London's Footsie: I correctly forecast declines and I hoped to see a very modest sideways trend getting a hold. Sadly the climate is weakening and now it seems likely that declines will continue well into May.

JSE Industrial Index: I correctly predicted the start of an erratic recovery which I see continuing until next Friday before the next downward trend begins taking the market well into May.

Top 40 Index: I correctly predicted an erratic recovery which I see lasting until mid week when I anticipate the start of an extended decline..

The ShareFinder Blue Chip Index: I correctly predicted a decline which I expected to last into this week. Now I see a sideways trend for up to a fortnight before a sustained recovery begins..

Golds: I correctly predicted gains. Now I see a sideways to weakening trend at least until the end of the month.

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The Rand: I correctly predicted a weaker trend which should be over by mid-week followed by gains until the last week of the month when fresh weakness is likely well into May.

The Predicts accuracy rate on a running average basis over the past 621 weeks has been 84.11%. For the past 12 months it has been 91.07%.

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