Richard Cluver Predicts

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

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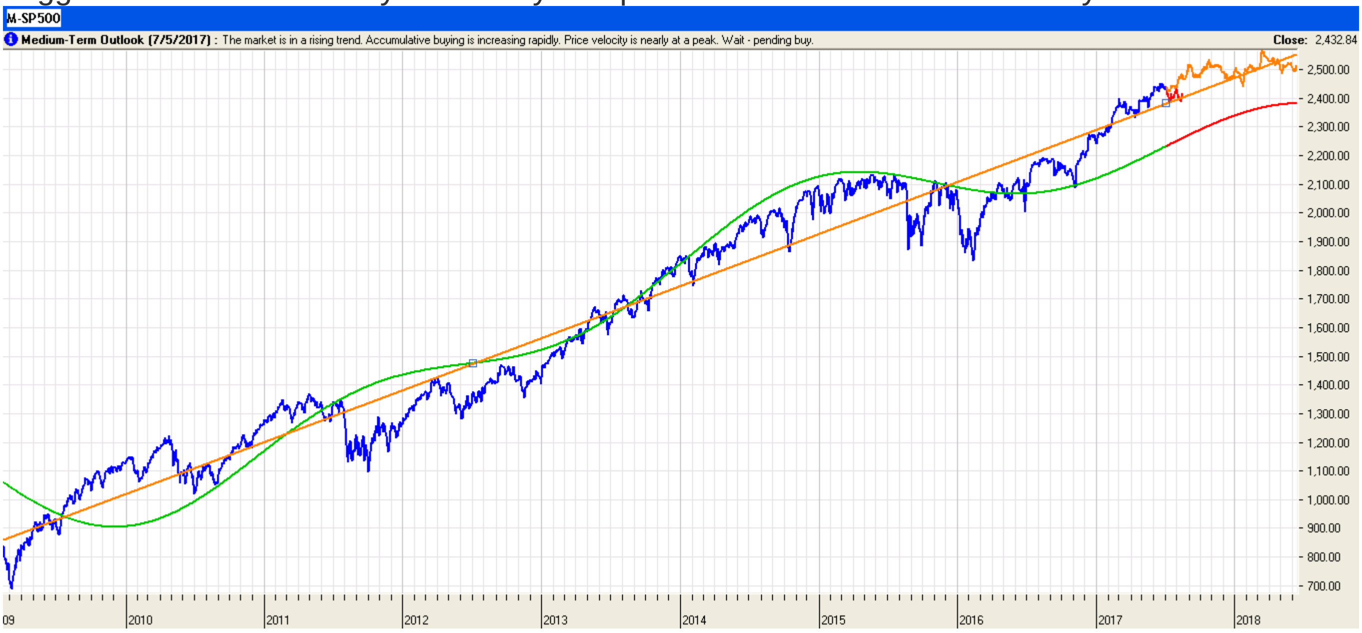
Much discussion between market watchers in recent weeks has centered upon the "mature stage" of the world's leading share markets. The argument is that with US and European economies finally showing healthy growth after the lengthy slow-down that followed the crisis of 2007, rising interest rates and share market weakness are the inevitable consequence.

Well the logic is to correct because the very long recessionary period we have been living through has been marked by an almost complete lack of monetary inflation and ultra low interest rates. Now that economies are in almost robust recovery and unemployment rates are extremely low, pay increase pressure and enhanced consumer demand can be expected to I start pushing up prices and inflation will be the result.

But while inflation has begun and a modest rise can be expected to continue in the future, currently rates are still historically modest with the US at an annual rate of 1.875%, Britain on 2.888% and Germany on 1.493 while the global leaders are Turkey on 10.901%, Mexico on 6.164%, South Africa on 5.339% and Russia on 4.093%.

However, it is how we go from here which will determine what happens to interest rates. So market watchers have been keeping a close eye on the US Federal Reserve monthly meetings for signs of an increase. The graph below shows the so far modest up-trend of the US Federal Funds Rate which makes it clear that for now we have little to be concerned about.

More critical from the viewpoint of local investors is whether there has been any slow-down in share market growth and as usual I thus turn to ShareFinder's analysis of the biggest share market of them all, Wall Street's Standard & Poors 500 Index which historically has set the tone for all global stock markets and in my graph below you can clearly see that for the past eight year the S&P500 has been climbing at a compound average rate of 10.1 percent as defined by my red trend line. But also note that the green line of the cycle trend throughout that period suggests that the current cycle is likely to top out towards the middle of next year:



Zooming in on that projection in red on the right of the graph in my next graph, you can see that using current data ShareFinder projects that the US market decline is likely to begin in March next year. But do note that as new data is received ShareFinder is likely to adjust this projection so it would be incorrect to make decisive plans at this stage. Just accept, however, the theory and ShareFinder’s artificial intelligence systems agree that a market decline is coming in the not too distant future:

The next month:

New York’s SP500: I correctly predicted declines until mid-July and I continue to predict an up-turn beginning around the 14th.

London's Footsie: I correctly forecast declines until the end of the new week when I saw a new recovery beginning. Now I see an erratic up-trend through to the end of the month.

JSE Industrial Index: I wrongly predicted a continuation of the May-June decline when ShareFinder was in fact showing that the recovery that began in mid-June was likely to continue into early August….blame it on my still being in holiday mode! Now I see that increase continuing at least until early August.

Top 40 Index: I correctly predicted that the recovery would last and now I see it continuing well into August but with a few gyrations on the way.

The ShareFinder Blue Chip Index: I correctly predicted further declines but now I see the beginning of a recovery.

Golds: I correctly predicted a brief upward reaction which I now see lasting to the end of July.

The Rand: I correctly predicted a weaker trend. Now I see the weakness ending mid-week followed by gains until the end of the month..

The Predicts accuracy rate on a running average basis over the past 625 weeks has been 84.14%. For the past 12 months it has been 90.71%.

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