



# Richard Cluver Predicts

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



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17 July 2017

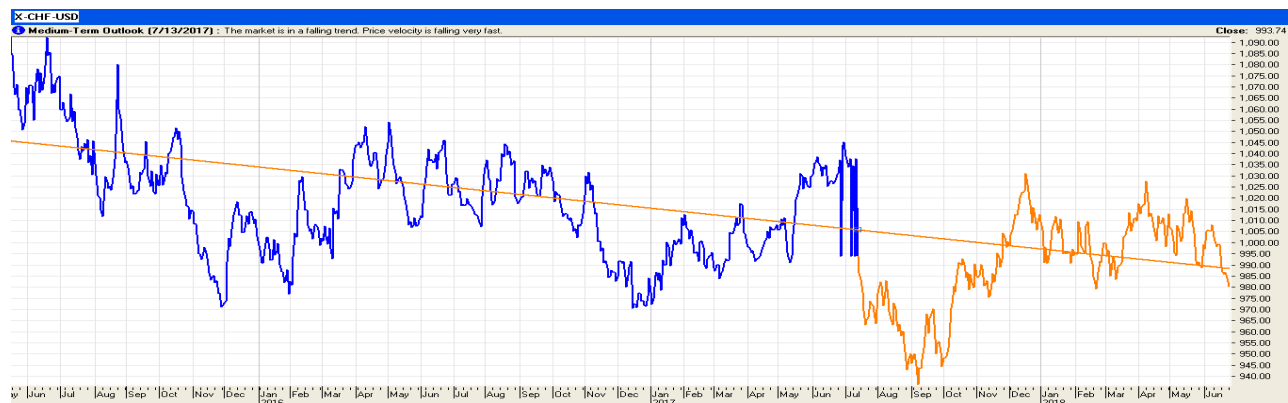
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After making spectacular gains between January 2016 and the end of March this year, the Rand has recently been in a weakening trend relative to the US Dollar and, if this new trend continues it will have significant impact upon both the local economy and our investment outlook.

Happily, however, ShareFinder's usually very accurate future prediction system suggests that although further weakness might be expected for the rest of this month, thereafter our currency might be expected to resume its recovery trend. Despite this, ShareFinder does not for the foreseeable future see the Rand regaining the strong levels it reached in the first three months of the year. In the graph below I have projected ShareFinder's view of the likely Rand/Dollar relationship through to the end of 2018.



But, lest you think that the performance is entirely up to how South Africa behaves in the next 18 months, consider the Swiss Franc's likely trend against the Dollar: The Swiss Franc has in fact been strengthening against the Dollar since late 2011 at an annual rate of 1.8 percent while for much of that time the Rand was losing value at a much more dramatic 12.4 percent.



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But in January last year it began recovering at a spectacular 22.2 annual rate which virtually guaranteed that at some stage it would have to take a breather. So nobody should be surprised by the spate of weakness that began in late March and hopefully will be over by the third week of August.

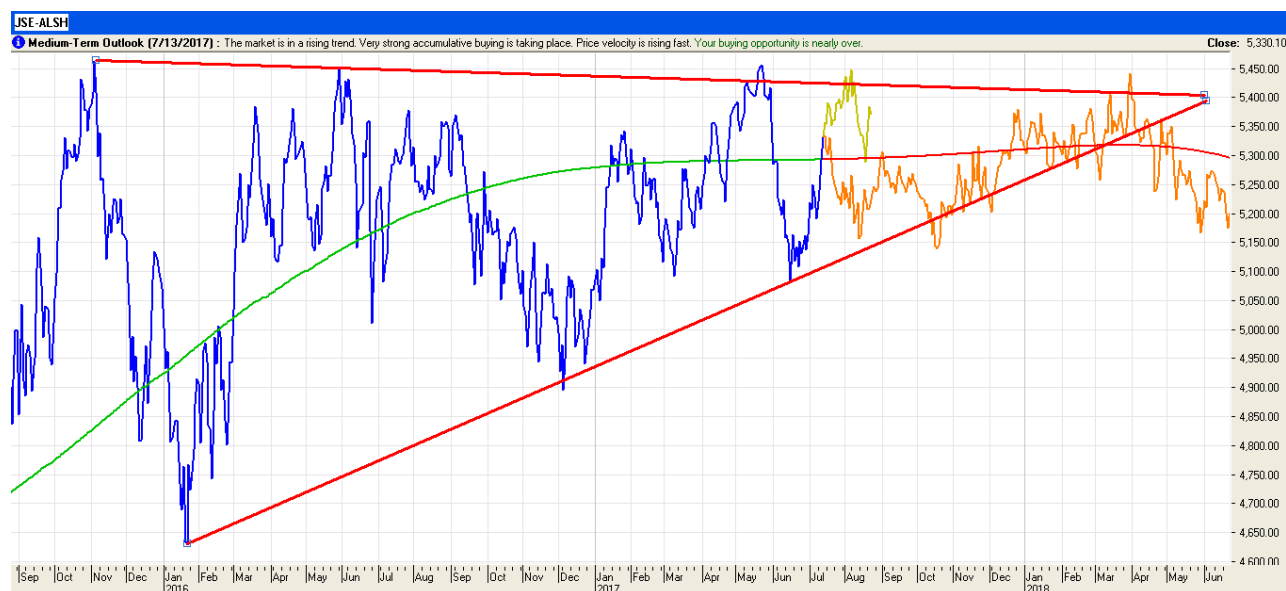
Note that the Swiss Franc has experienced the same “breather” between mid-December and the end of June. And now it is getting back on track for an early September strongest point before it again takes a breather until mid-December.

I chose the Swiss Franc because it is everything that the Rand is not. Usually the strongest currency in the world, the Swiss Franc is in relatively small circulation whereas the Rand is a proxy for the developing world. It is the 18<sup>th</sup> most frequently traded out of 53 world currencies.

Relatively, it is of course a minnow. The US Dollar accounts for 87 percent of all foreign currency trades while the Euro comes second. The Rand accounts for a very modest 1.1 percent of world trade while the Mexican Peso accounts for 2.5 percent making it the 8<sup>th</sup> most frequently traded. The Chinese Renminbi with 2.2 percent comes 9<sup>th</sup>. Immediately behind the Rand in 19 spot is the Brazilian Real while the Indian Rupee comes 20<sup>th</sup>.

Meanwhile, the JSE All Share Index is currently enjoying a short-lived bull phase which is likely to run out of steam any time now. ShareFinder-s projection system records that divergent forces are at work. The yellow short-term projection envisages the index continuing to recover until the end of the first week of August. Usually this projection is the most accurate in the short-term.

However, the orange medium-term projection sees the end of the recovery about now with a down-trend likely to be in place until mid-October.



Critically, however, the index is trapped in the confines of a technical pennant formation traced out between my two converging trend lines which signals the probability of a downward break out towards the end of the third quarter of the new year. This view is, moreover, supported by ShareFinder’s long-term projection line (green turning to red) which is seen topping out next March.

These projections are likely to change as new data becomes available but the broad brush strokes are definitely in place for a stronger Rand and a weaker share market early next year!

## The next month:

**New York’s SP500:** I correctly predicted an up-turn. However I see this running out of steam early in the new week for a phase of weakness lasting well into August.

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**London's Footsie:** I correctly forecast a new recovery and I see it continuing erratically until late in August.

**JSE Industrial Index:** I correctly predicted that the recovery that began in mid-June was likely to continue. Now I see a brief retraction beginning about now and lasting for the rest of the month before the next erratic recovery begins..

**Top 40 Index:** I correctly predicted that the recovery would continue into August. Now I see weakness beginning towards the end of the first week of August.

**The ShareFinder Blue Chip Index:** I correctly predicted the beginning of a recovery. Now I see weakness beginning now and lasting into the first week of August.

**Golds:** I correctly predicted a brief upward reaction lasting to the end of July. Now I sense weakness beginning in the second week of August.

**The Rand:** I correctly predicted the end of weakness but that moment is already over and fresh weakness appears likely until the third week of August before recovery resumes.

***The Predicts accuracy rate on a running average basis over the past 625 weeks has been 84.16%. For the past 12 months it has been 90.71%.***

**Richard Cluver**