Richard Cluver Predicts

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

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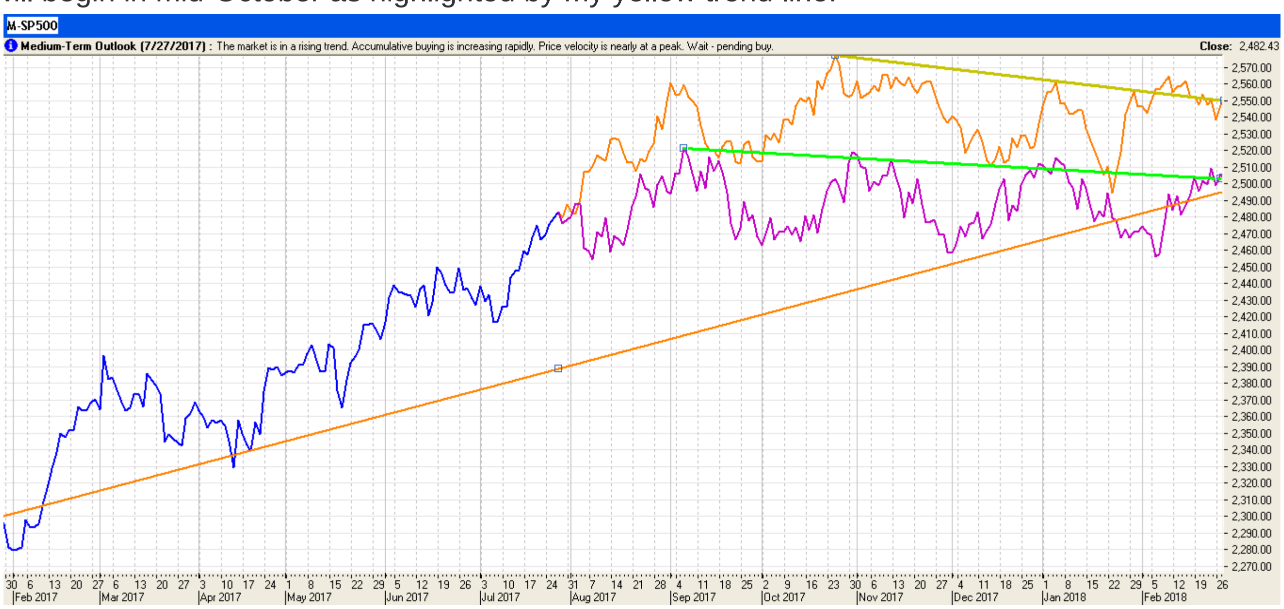
Readers of my Investor publication this week would be well aware of the "Black Swan" events which loom for the New York Stock Exchange; a critical series of world economic phenomena which could each individually trigger the next global recession that radical analysts believe is inevitable sometime in the next year or so.

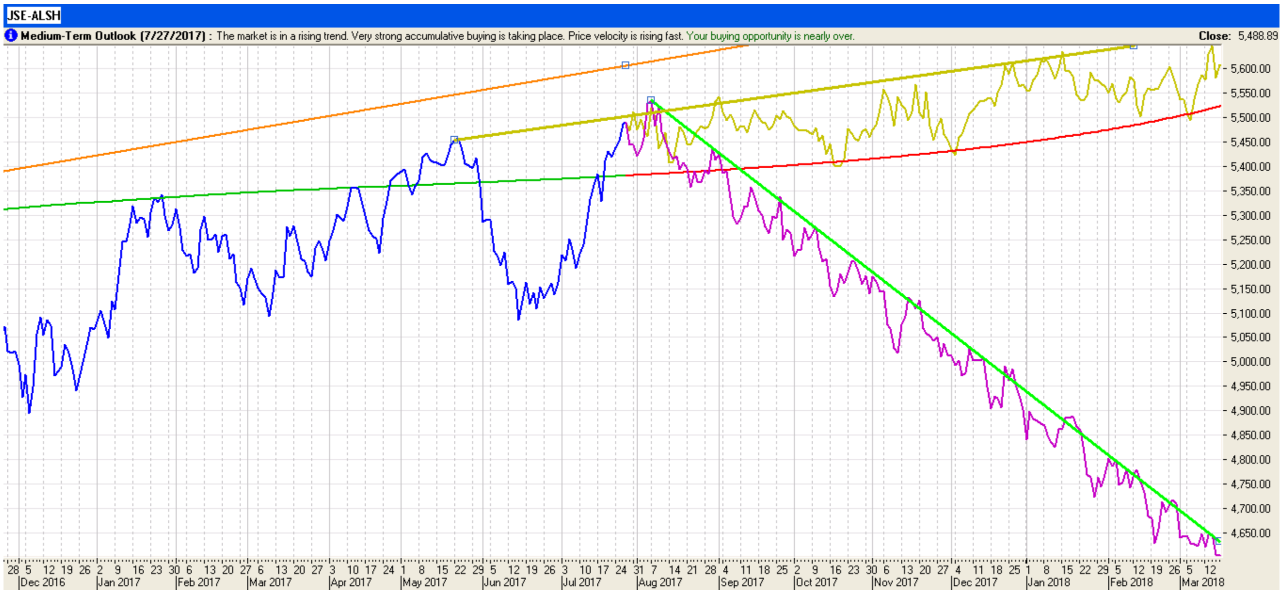
That is why portfolio managers have taken to hedge their positions with costly put options and why every downturn of the Standard and Poors 500 Index is watched so intently. This week might have triggered one of those Black Swan events had the US Federal Reserve opted to increase interest rates in order to head off the expectation of rising interest rates.

So it is with more than a passing interest that I reproduce this morning ShareFinder's projection of the likely course of the index over the next seven months:

Note the probability that a new decline should be under way within the next day or two beginning in the middle of next week. On this occasion, however, using the short-term cycle trend ShareFinder predicts that the decline should be over by August 8 before the index runs up to new highs by approximately September 6. Then from there on in the purple trace of short-term data predicts that the market will trend on down in a series of declining cycles highlighted by my green trend line. Medium-term cycle data suggests the same probability but senses that it will begin in mid-October as highlighted by my yellow trend line:



Here at home the JSE All Share Index offers a troubling divergence with ShareFinder's analysis of the short-term cycle plunging from next Friday at an alarming compound annual rate of 25.4 percent as highlighted by my green trend line while the medium-term projection highlighted in yellow and the long-term projection in red both agree that the likely trend is upward for the foreseeable future:



I have seldom seen such a worrying divergence but little surprises me currently as our political situation descends into the tragic-comedy world of a banana republic.

Meanwhile the Rand appears unfazed by it all, continuing its steadily strengthening trend which has ShareFinder calculating that we might see R12.19 to the US Dollar by next April growing at a rate of compound 8.3 percent annually:

The next month:

New York's SP500: The predicted downturn did not happen and although some weakness is likely today it now appears as if the next down phase is only likely to start around the middle of next week and be over by early the following week.

London's Footsie: I correctly forecast brief weakness and we are already into a new recovery that is likely to last until late next week followed by a decline until the 9th.

JSE Industrial Index: I correctly predicted a brief retraction which is now gathering strength and likely to bottom around the start of the new week with recovery continuing until approximately August 15.

Top 40 Index: I correctly predicted that the recovery would continue into August and now I see it continuing erratically for the entire month.

The ShareFinder Blue Chip Index: I correctly predicted the continuation of the recovery but that appears likely to be over from Monday with a following down-phase lasting until around August 8..

Golds: I correctly predicted a continued upward reaction which looks likely to continue into the third week of August.

The Rand: I correctly predicted fresh weakness that appears likely into the first week of August with recovery beginning again around August 7.

The Predicts accuracy rate on a running average basis over the past 626 weeks has been 84.16%. For the past 12 months it has been 90.36%.

Richard Cluver