Richard Cluver **Predicts**

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How quickly everything changes as politicians dominate our lives. Last Friday the world was still digesting US President Trump's warning that hellfire and brimstone would rain down on North Korea in the aftermath of the latest development in that nation's provocative missile programme…..and Wall Street was plunging.

Then at the weekend Trump gloated he had Korea in control which left him with egg on his face when North Korea kocked a snoot by launching another rocket right over Japan. Military analysts responded to the action arguing that unless Trump was actually prepared to launch a nuclear response, there was actually little he could do control North Korean president Kim Jong-un.

So, concluding that a nuclear war had been avoided, Wall Street breathed a sigh of relief and moved back into bullish mode, thus ending the latest seismic shudder which had all observers concluding that this was probably the start of the major downward correction that everyone has for some time been expecting.

My graph below makes it clear that a strong recovery has begun and ShareFinder's short and medium-term projections in yellow and red respectively in the graph below consequently conclude that the SP500 Index will continue rising until mid-week when it will test the August 16 peak value of 247087 and, if Trump has not again gone on the offensive by then it is likely to continue upwards to make a high for the year in the last week of October.

So much for the latest political gamesmanship. But, as the Wall Street Journal warned its readers, Messrs Trump and Kim Jong-un are not the only game in play:

The Breakfast Briefing

It's that time of year again.

The month of September is historically the weakest month of the year for the U.S. stock market. Investors shouldn't sell based solely on the calendar, of course, but this seasonal quirk is another reason to be wary heading into what could be a busy month for traders.

The S&P 500 has averaged a monthly decline of 0.5% in September since 1950, according to the Stock Trader's Almanac, by far the worst. June and August come in a distant second and third, averaging essentially flat long-term monthly performance.

Why are Septembers so bad? Market watchers don't have a convincing explanation. This year, however, there are at least three major market-jolting events awaiting investors.

Tech traders will be watching closely when Apple Inc. unveils its 10th anniversary iPhone, expected Sept. 12, according to the Wall Street Journal. Shares of the largest U.S. company by market capitalization are widely owned and consumers' reaction to new products could determine the near-term trajectory of the whole tech sector. Tech remains this year's best-performing group but momentum has stalled over the past month.

Of note, Septembers have not been kind to Apple investors. The stock has averaged a decline of 4.2% in September since going public in 1980, according to Schaeffer's Investment Research. Apple is the ninth-worst-performing S&P 500 component in September over the past decade.

And then there's the Federal Reserve. Central bank officials have signaled they will begin to unwind holdings of more than $4 trillion in bonds this month after the rate-setting meeting that concludes Sept. 20. Most investors expect this process to be orderly but the risk is that any surprise spooks bond traders and long-term interest rates rise sharply.

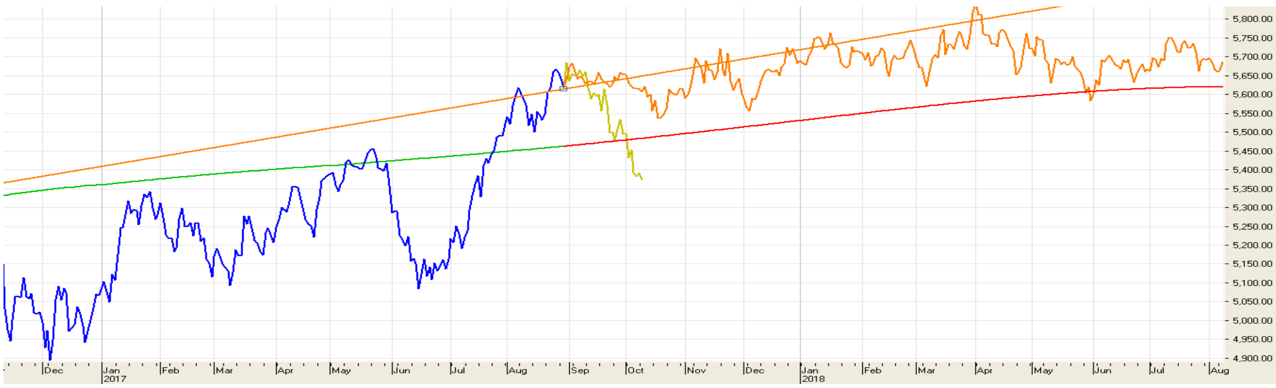
Finally, fiscal wrangling on Capitol Hill begins next week when lawmakers return from their August recess. They'll have just 12 working days to authorize new spending for fiscal 2018 and raise the debt ceiling in order to pay outstanding bills. Economists and market strategists expect that both will happen, perhaps at the last moment, but the risks are impossible to ignore. Beth Ann Bovino, the U.S. chief economist at S&P Global Ratings, minced no words Wednesday when she said that that failure to raise the statutory debt limit could be worse for the U.S. economy than the 2008 failure of investment bank Lehman Brothers.

But there's hope. Long-term market momentum has recently made a big difference for stock performance in Septembers, a positive for the current market. The S&P 500 ended Wednesday about four percentage points above its so-called 200-day moving average, a pivot point that traders say can be indicative of long-term trading trends.

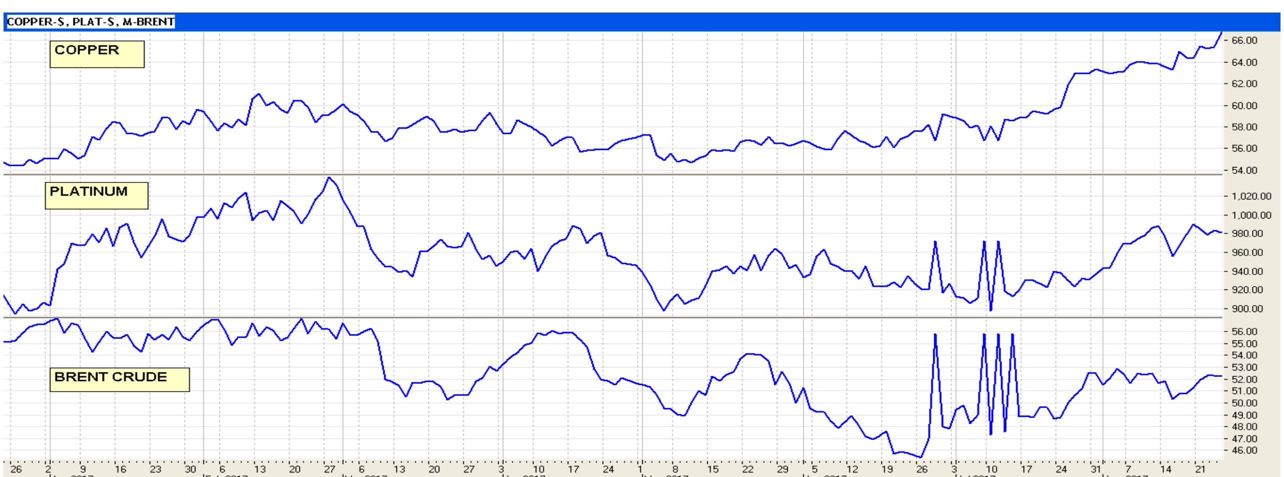
Ryan Detrick at LPL Financial observed that nine out of the past 14 Septembers that began with the S&P 500 above its 200-day moving average resulted in a gains for the benchmark.

Here at home, things have improved somewhat with the strength of the Rand suggesting that the elephant in this room, President Zuma and his associates, will shortly be history. And, unlike Wall Street's concerns about Korea, the JSE All Share Index has been behaving extremely positively to news that inflation is continuing to decline and that we have again achieved a balance of payments surplus, both items signalling the possibility of yet another Reserve Bank interest rate reduction.

Thus in the graph below, while ShareFinder senses a short-term (yellow) retraction beginning as early as Monday, the overall projection is for continued market growth well into the new year:



As a commodity exporting nation, our economic wellbeing is closely dependent upon the health of mineral prices and so it is important to consider the graph below which highlights the fact that since May the price of copper and platinum have risen steadily while Brent crude oil has similarly been trending upwards since late June. Note also that information out of China suggests that ahead of a major party conference in the new year, that economy's hunger for mineral imports is rising strongly once more.



The next month:

New York's SP500: I correctly predicted a recovery which I now see lasting into the first week of September.

London's Footsie: I wrongly forecast the down phase would continue. I now see a recovery continuing into late September.

JSE Industrial Index: I correctly predicted the recovery would be short-lived, possibly peaking as early as Tuesday, which is what it did. Now I see a weak month with the probability of declines throughout.

Top 40 Index: I correctly predicted a down phase that could happen as early as next Tuesday and I see it continuing for most of the month.

ShareFinder Blue Chip Index: I correctly predicted a recovery which is likely to continue.

Golds: I correctly predicted a down phase but the recovery came sooner than I expected. Now I see another brief decline before a recovery trend sets in for the rest of the month.

The Rand: I correctly predicted a recovery but warned, there was a possibility of fresh weakness occurring from the middle of next week. And weakness is likely until the 13th before another strengthening phase sets in.

The Predicts accuracy rate on a running average basis over the past 630 weeks has been 84.24%. For the past 12 months it has been 91.43%.

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