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

Volume: 30
Issue: 25
15 September 2017

Round three of the Trump baiting game began today when North Korea fired another missile which passed over Japan before plunging into the Pacific Ocean.

Seoul's defense ministry said the latest missile probably travelled around 3,700 kilometers and reached a maximum altitude of 770 kilometers -- further and higher than the Hwasong-12 IRBM launched at the end of August The action prompted Secretary of State Rex Tillerson to call on China to " indicate their intolerance for these reckless missile launches by taking direct actions of their own."

The launch, from near Pyongyang, came after the United Nations Security Council imposed an eighth set of sanctions on the country over its ballistic missile and atomic weapons programs. It flew about 2,300 miles directly east, flying over northern Japan and falling into the Pacific Ocean, according to the South Korean military. That is a slightly greater distance than between the North Korean capital and the American air base in Guam, and American officials, scrambling to assess both the symbolism and importance of the test, said it was clearly intended to make the point that the North could reach the base with ease. One senior American military official called it a test shot that was also meant as a warning that the primary American bomber base in the Pacific, which would be central to any military action on the Korean Peninsula, was within easy reach of the North's intermediate-range missiles.

In response to it, the UN Security Council will hold a closed-door emergency meeting this afternoon at the request of the United States and Japan.

Meanwhile, ahead of the latest North Korean action, Wall Street shares had already paused for breath in their latest upward surge and ShareFinder projects that a brief downward trend is now likely. And, as highlighted by the yellow short-term projection in the Standard & Poors 500 Index graph below, another series of descending market tops are projected for the rest of this month which could lead to a fairly significant plunge into the second week of October. The medium-term projection in red, however, suggests that once again Wall Street will overcome this brief phase of negativism and continue on upwards to a final peak around October 25.

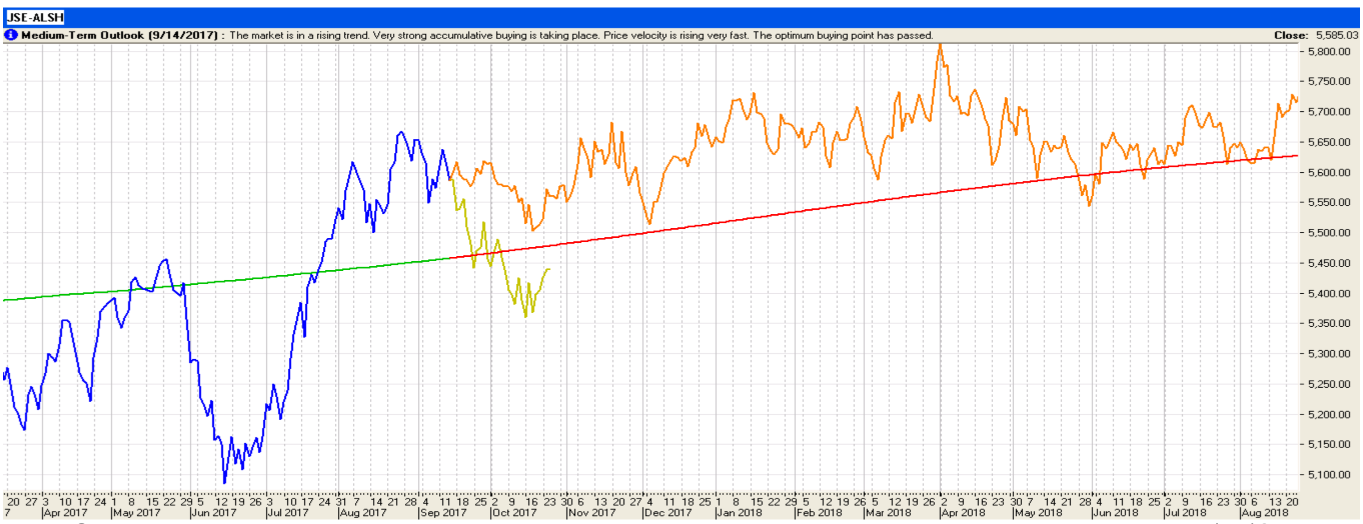
Understanding the difference between short and medium-term projections requires that you recognise that the short-term wave analysis only takes into account very recent market sentiment – i.e. the events of the past few weeks – while medium-term wave analysis looks at the past few months. Thus what we are seeing is a climate change; a marked increase in pessimism as Wall Street investors take note of recent political – and climatic – events.

In order to offer a clear picture of current events I expanded my first graph and thus did not show ShareFinder's long-term projection which seeks to replicate the inherent wave formation in over 20 years of market data. Suffice to say, however, that this is also peaking but resumes its upward trend in a year's time as can be seen in a longer-term view in the graph on the right.

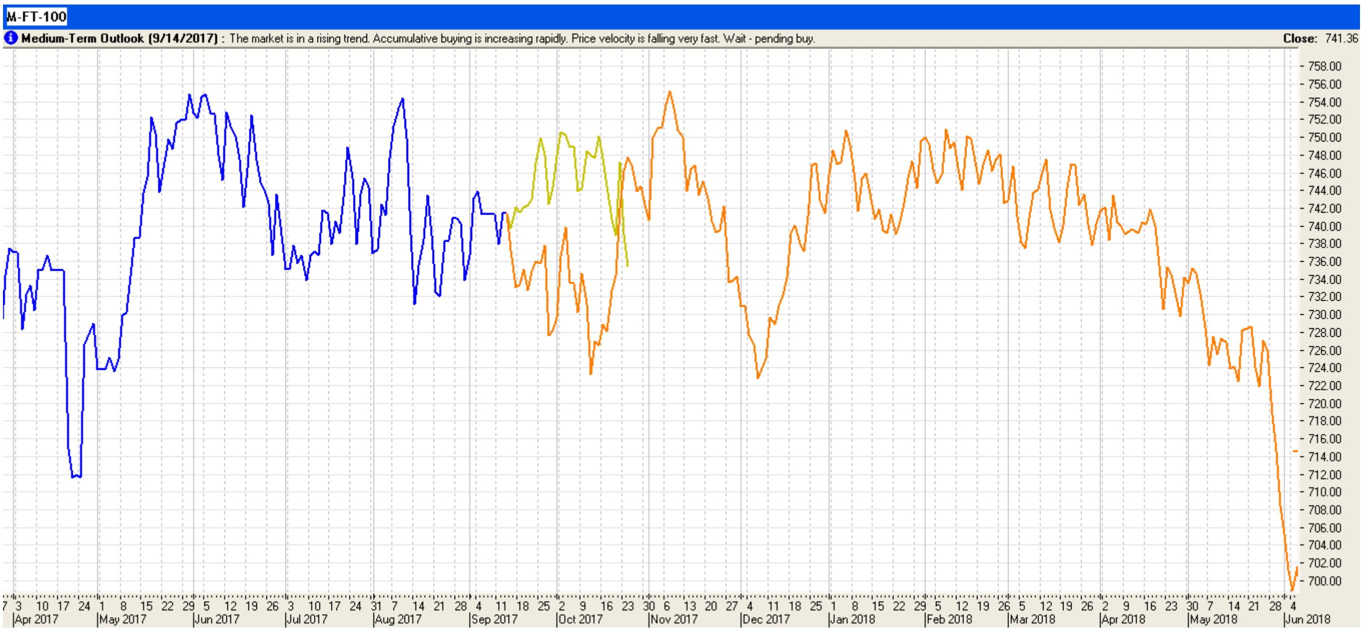
The long-term wave takes approximately two years to play out while the medium-term waves on Wall Street take around three to four months to play out with the longest down-wave set to currently occur between mid-March and mid-June next year followed by five months of sideways movement and then the beginning of a recovery from November next year.

Lately I have laid great stress on the movements of Wall Street shares because our market tends to slavishly follow anything that happens there and, in my experience the JSE has tended to develop pneumonia when Wall Street has only spluttered. And so it is important to note that South Africa is already taking strain. Reserve Bank figures just released note that South Africa's trade deficit widened in the second quarter despite an improved trade surplus as export growth (4.6% q/q including gold) outpaced that of imports (4.2% q/q), service and income receipts fell by -6.2%, while current transfers rose to R43.8bn compared to R28.7bn in the first quarter. The overall trend in the quarter is reflective of heightened risk aversion in the wake of the sovereign downgrade earlier this year, with both local and foreign assets heading to safer environments and a sharp deterioration in net direct investment (R-26.6bn).

And so it is hardly surprising that the JSE All Share Index has profiled ever-declining market tops since August 25 and is projected both in the short and medium-term to continue falling until mid-October as evidenced in the graph below:



It is too soon to decide how London will react to today's tube train explosion, but the graph below highlights the fact that the LSE has been in a weakening trend since late May with ShareFinder projecting that it will be all down from here until next May. However further heightened pessimism there can only reflect negatively upon world markets.



The next month:

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

London's Footsie: I correctly forecast a recovery which I expected to last well into September. Now, however, the signs are divided with the odds weighted in favour of a down-trend.

JSE Industrial Index: I correctly predicted a weak month with the probability of declines throughout and I continue to hold that view.

Top 40 Index: I correctly predicted a down-trend which I see continuing for most of the month and into October.

ShareFinder Blue Chip Index: I correctly predicted a recovery but it night already be over with a down-trend likely into October.

Golds: I correctly predicted a brief decline before a recovery trend sets in and that recovery is likely to begin fairly early in the new week.

The Rand: I correctly predicted weakness and it is likely to continue until the first week of October.

The Predicts accuracy rate on a running average basis over the past 631 weeks has been 84.27%. For the past 12 months it has been 91.43%.

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