Richard Cluver **Predicts**

In our 31st year of service to the investing public of South Africa

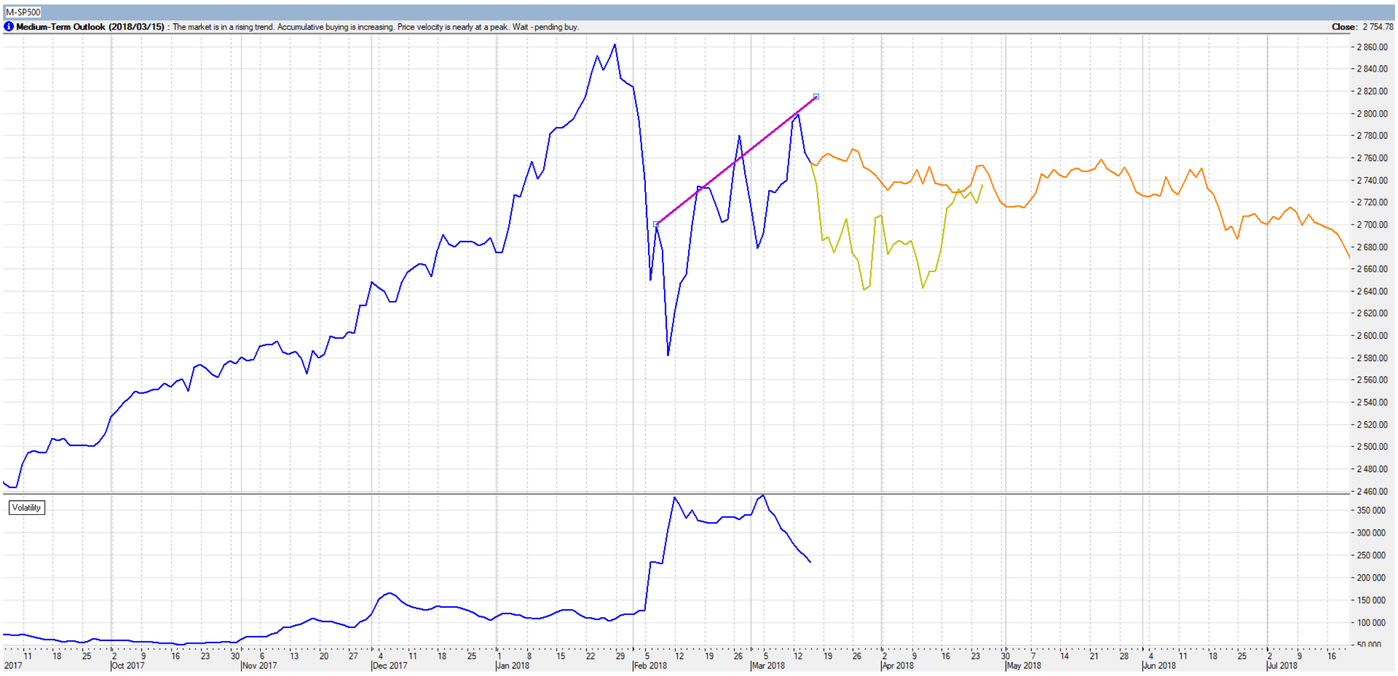
Volume: 31

Issue: 9

16 March 2018

In the short time since their unprecedented ten percent crash on January 29, Wall Street shares have made four brave attempts to recover lost ground and, as my purple trend line makes clear, each upward run has been more optimistic.

ShareFinder says that Tuesday is consequently crunch time when the market will make another attempt. But if it again fails to reach the levels of late January it becomes ever-increasingly probable that the Bulls will lose out to the Bears and a protracted slide will set in until late July as predicted by ShareFinder's artificial intelligence systems. However, in the short-term ShareFinder's yellow (short) projection is usually the more accurate and it sees a negative trend for the rest of this month which will inevitably further drag down already falling global markets.

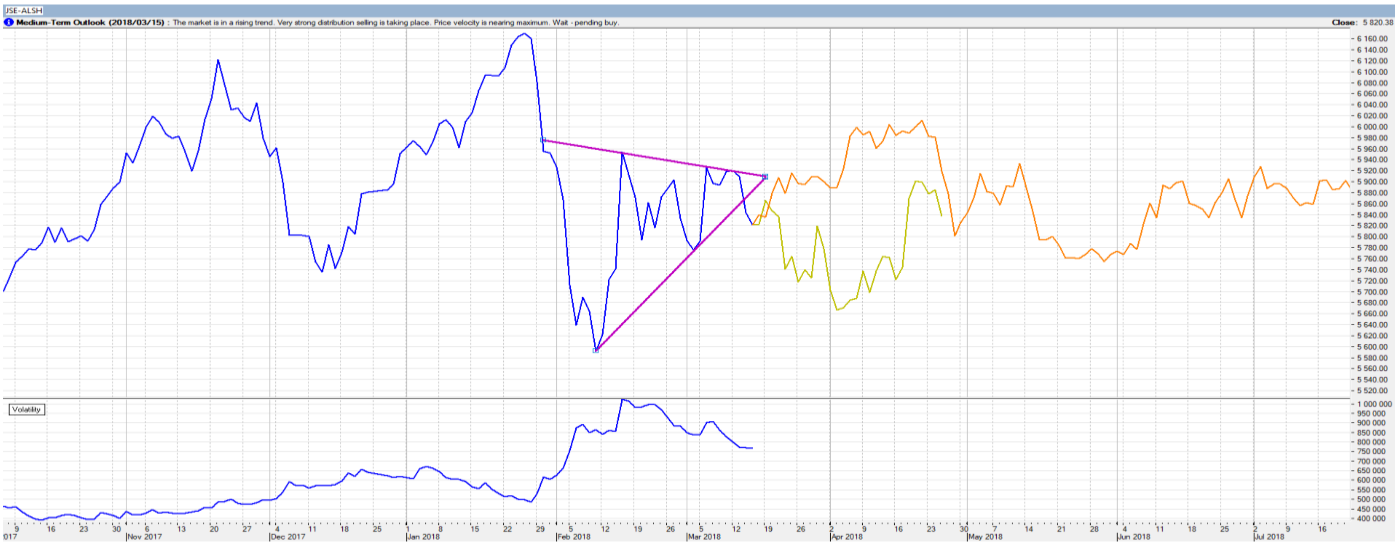


In my second graph of the composite I have reproduced ShareFinder's take on Wall Street price volatility which, up until mid-October had fallen to record lows. Volatility is a simple measure of the difference between the price lows and the price highs of every share listed on the New York exchange. It is, however, a very effective gauge of investor confidence for if everyone agrees on the likely direction of the market then the price spread diminishes, as it did in the months up to October, to almost nothing. Then, as you can see, it began rising steadily from early November until, in February, it roared upwards to its highest level since October 2008 which marked the great bear market that followed the "Sub-Prime" market crash of 2007 to 2009.

"Richard Cluver Predicts"

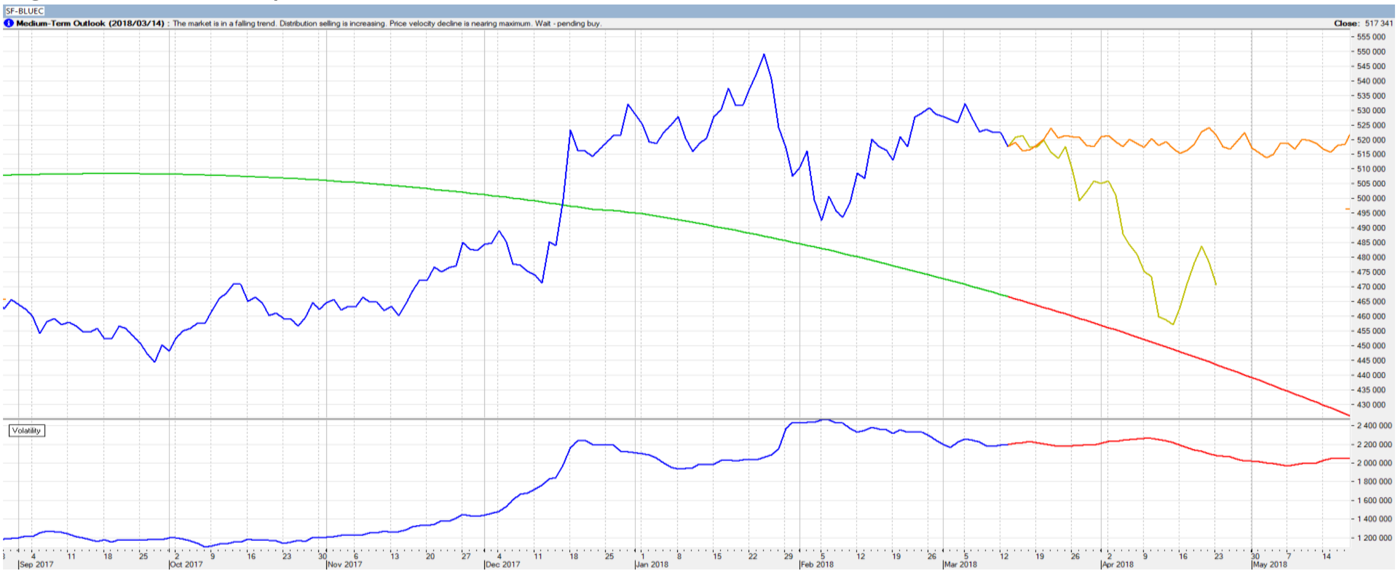
So, though volatility has diminished since the end of February, it is still far higher than its long-term average making it clear that there remains a great deal of indecision in the marketplace.

Turning next to the JSE All Share Index, you can clearly see the proof of the old adage that if Wall Street catches a cold the rest of the world gets pneumonia with the dramatic fall of the index between January 25 and February 9. However, unlike Wall Street, the JSE has also made four attempts to recover lost ground but each attempt has failed even to reach the level of the previous one resulting in a classic formation of falling tops and rising bottoms which has enabled me to draw in the purple lines of a classic falling pennant.



Furthermore, ShareFinder sees in its yellow (short) projection that the next fortnight will become increasing pessimistic. Similarly, as was the case in New York, price volatility began rising in November and then soared in January/February and is still at extremely high levels: higher than it has been for most of the past 20 years in fact. So local investors are far from confident about our market as well.

What has happened locally of course, has been a retreat into Blue Chips as evidenced by the ShareFinder Blue Chip Index (below) which fell in a far less pronounced fashion in January and has recovered far more positively with progressively rising tops. But note that price volatility is still at exceptionally high levels and the yellow trace of ShareFinder's short projection is decidedly negative until mid-April at least.



Similar patterns are evident in all the world's markets as I illustrated in this week's Prospects newsletter, clearly indicating that, at least for the next few months, the longest bull market in share market history, is over. Whether it will develop into a full blown bear market has yet to be seen, but the outlook is far from optimistic!

The next month:

New York's SP500: I correctly predicted weakness which I now see lasting at least until the end of the month.

London's Footsie: I wrongly predicted the brief recovery could last until early-April. But the latest plunge is probably over now with gains likely until at least the end of next week and possibly into April.

JSE Industrial Index: I correctly predicted declines which I now see lasting until the first week of April.

Top 40 Index: I correctly predicted weakness. Now I see a very short recovery followed by declines until the end of the month.

ShareFinder Blue Chip Index: I correctly predicted weakness. Now a brief recovery could last until the end of next week, but the longer-term outlook is for continued declines.

Gold shares: I wrongly predicted a recovery. Now the signs are opposed to one another, but a further decline is the greater possibility.

Gold Bullion: I correctly predicted a decline. Now I see a brief recovery from Monday until late in the week before further declines set in lasting well into April.

The Rand: I correctly predicted a resumption of the recovery. Now I see weakness until the 28th.

The Predicts accuracy rate on a running average basis over the past 650 weeks has been 84.49%. For the past 12 months it has been 91.16%.

Richard Cluver