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Wall Street appears, for now, to have factored in the economic effects of Donald Trump's trade war with China with the S&P500 Index having strongly-reversed its downward trend over the past two trading days.

In the process it has neatly described a quadruple bottom formation much beloved by chartists as having defined a very solid support at this level. I have pencilled in this support with a green trend line. Furthermore, it is interesting to note that ShareFinder now projects that another failed recovery is likely to take place for the next fortnight from now until April 20 following which our artificial intelligence system projects that share prices will again make a downward plunge but FAIL on May 9 to intersect this new support line.

Should that occur, ShareFinder projects that a fresh recovery attempt will be mounted which could continue until around June 13 before the bears again take control of the market with the next downward plunge scheduled to last until approximately July 20 during which the green support line will be breeched and a final bottoming might be sought.

Note in my graph below I have also drawn in a purple line linking the past two major market peaks to highlight the presence of a classic falling wedge which, linked with a possible break through the green support line could signal the final phase of the current bear market.


"Richard Cluver Predicts"

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Turning to the JSE, the All Share Index shows that in the short (yellow) and medium (orange) artificial intelligence projections have similarly turned positive with ShareFinder calculating that here in South Africa the tide has now turned positive for a protracted recovery at least until July. However, the green line of the long-term market cycle is in a distinct downward phase which suggests that something more unpleasantly dramatic could await us in the future.
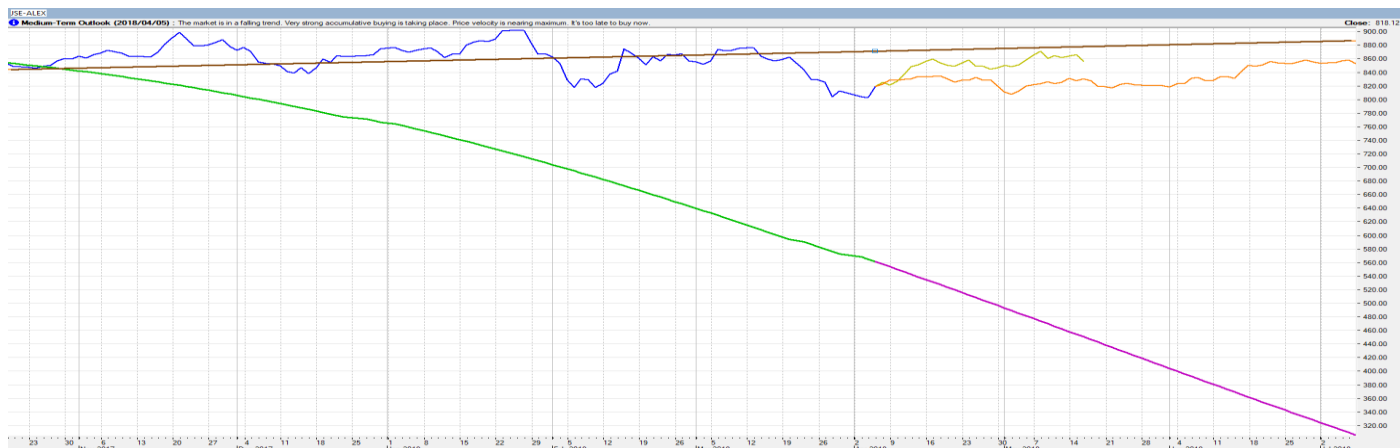
In the graph below, I have expanded the JSE All Share Index graph to show how this green long-term cycle was evident throughout the past 14 years. Note also that in this expanded view, the medium-term (orange) projection is seen peaking on September 11 this year ahead of a new bear phase.
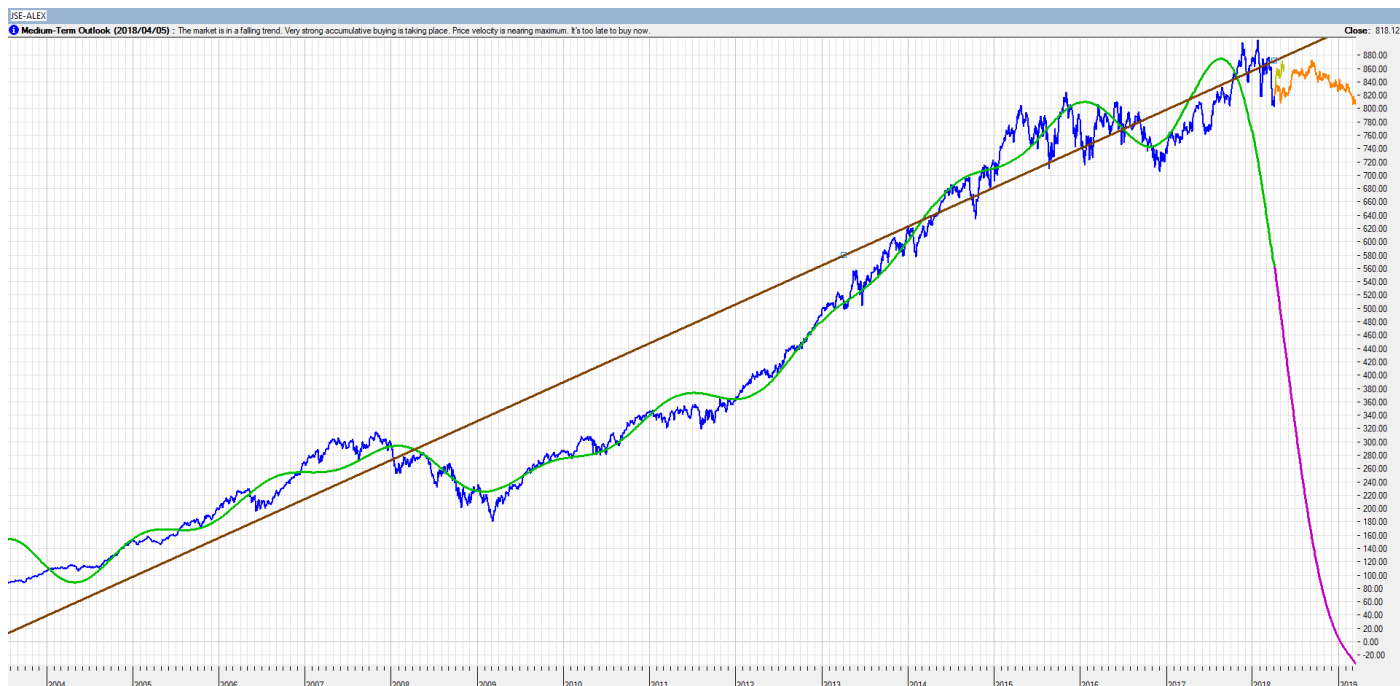
Looking at Wall Street in the same extended fashion suggests that although the worst of this current bear market is likely to be over from the end of July this year, that market is likely to recover very slowly in the future describing something of a sideways trend until the end of 2019 at which stage the long-term cycle line will again be in a downward phase signalling the possibility of another bear market starting around late February 2020.

Repeatedly I have seen that ShareFinder's projections have been uncannily accurate although it has often not been possible to deduce what the underlying economic or political cause might be. In this case the projections look remarkably like what investors saw in the 1930s after the USA

had enacted the Smoot-Hawley trade sanctions legislation which had the effect of turning a Wall Street crash into an economic depression which lasted right through to the 1940s. Let's hope this is not what the world is entering into with the Trump trade sanctions!

The next month:

New York's SP500: I correctly predicted a gain getting under way which could spell some recovery until the end of April. I still see the same.

London's Footsie: I correctly predicted that the latest plunge was probably over now, and we could be looking at a recovery until the end of April. I now see the recovery continuing into mid-May.

JSE Industrial Index: I correctly predicted declines but the recovery came sooner than I expected. Now I see gains until the 17th.

Top 40 Index: I correctly predicted a recovery lasting most of April. Now I see quite a lot of volatility with the last market peak between April 24 and May 1.

ShareFinder Blue Chip Index: I correctly predicted a recovery getting under way in the new week and lasting several weeks. Now I see it peaking on April 26.

Gold shares: I correctly predicted declines which I saw lasting until May and I still hold that view.

Gold Bullion: I correctly predicted declines which I still see lasting until June.

The Rand: I correctly predicted weakness. Now I see a recovery beginning around mid-week.

The Predicts accuracy rate on a running average basis over the past 652 weeks has been 84.53%. For the past 12 months it has been 90.54%.

Richard Cluver