Richard Cluver Predicts

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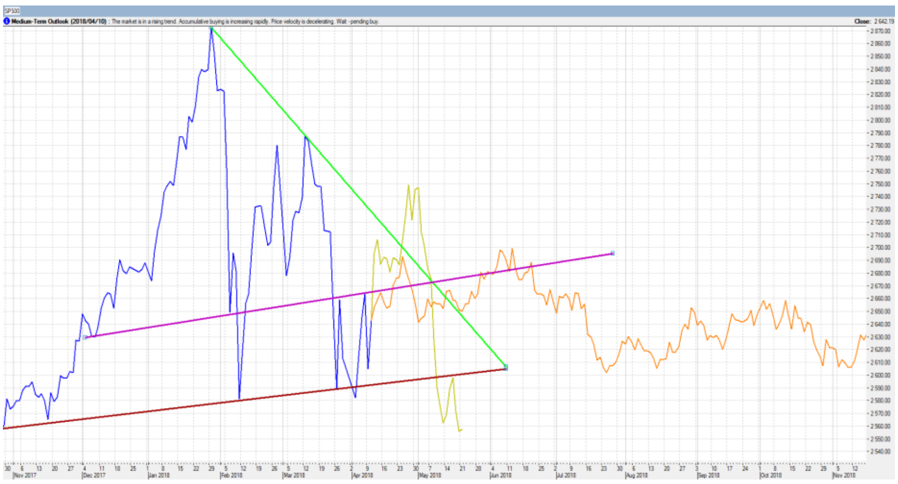
Readers might be forgiven for thinking that I have become fixated lately upon Wall Street's S&P500 Index but I have been doing so because it is the tail that wags the dog of the whole investment world…..and it is being buffeted by exceptional winds of change in the shape of arguably the most challenging President the USA has ever had to endure.

Leaving aside the possibility that The Donald might owe his presidency to his millions buying manipulation of social media and also his brash assumption that he knows better than an army of diplomats who have laboured for years to develop relatively stable relationships with the global community, he has in a few short weeks taken the world to the brink of a nuclear holocaust with North Korea, brought the world to the brink of a global trade war that threatens to repeat the Great Depression of the 1930s and is now leading us to another global crisis with his warning to Russia that "the missiles are coming."

In the circumstances it is very understandable that price volatility has become the order of the day to Wall Street which, in any case, has for many months been massively overpriced and looking for an excuse to let off a little steam.

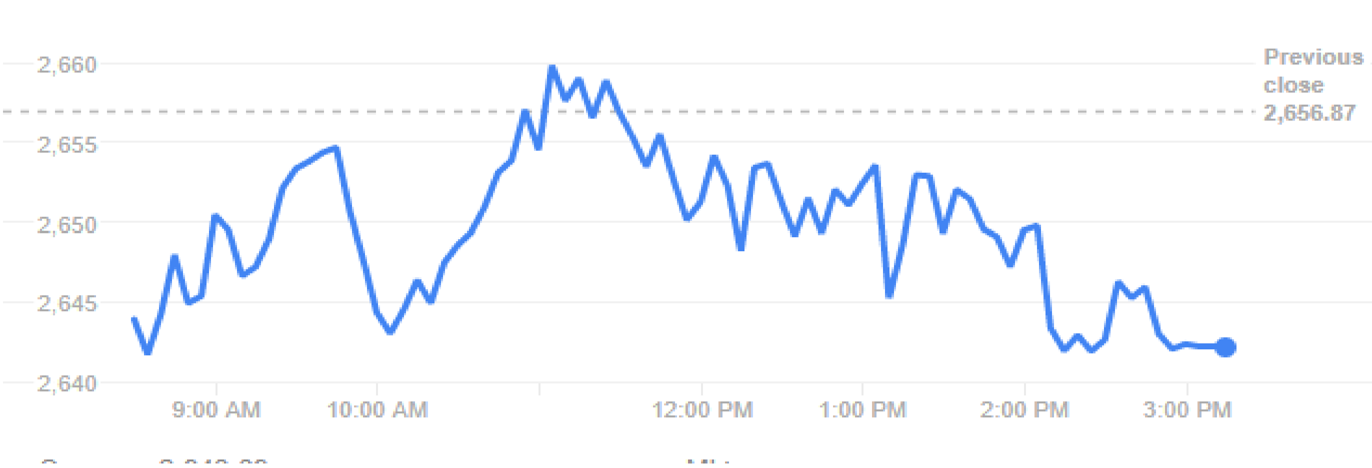
Now granted this latest bravado comes against a background of freshly ruffled feathers over the nerve gas assassination attempt of a reputed Russian double agent in Britain which has seen recrimination and counter recrimination, the expulsion and reciprocal expulsion of diplomats and a NATO collective shoulder-to-shoulder gathering as diplomatic tensions have been ratcheted up. And then came global repulsion at an alleged chemical weapons attack upon the long-suffering people of Syria in which the Western community strongly suspects the implication of Russia.

But The Donald, seeing himself as the cowboy with the white hat in self-appointed charge of a global police force in the shape of the US military, seems intent upon taking the initiative and earning himself a place in history by re-enacting the Cuban missile crisis which brought the world to the brink of a nuclear holocaust in the 1960s.



It was a step too far, and deeply puzzling to me when the end-of-day data showed the S&P500 to have actually risen over the day as is evident in my first graph.

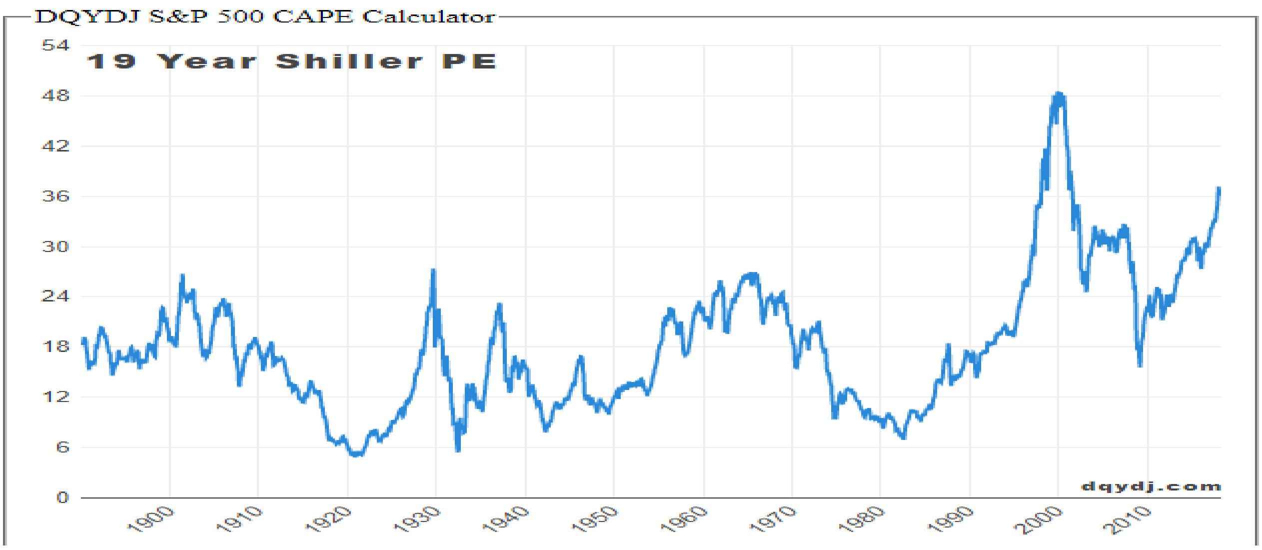
So, it became necessary to look at what happened hour by hour on that fateful day. So now consider my next graph



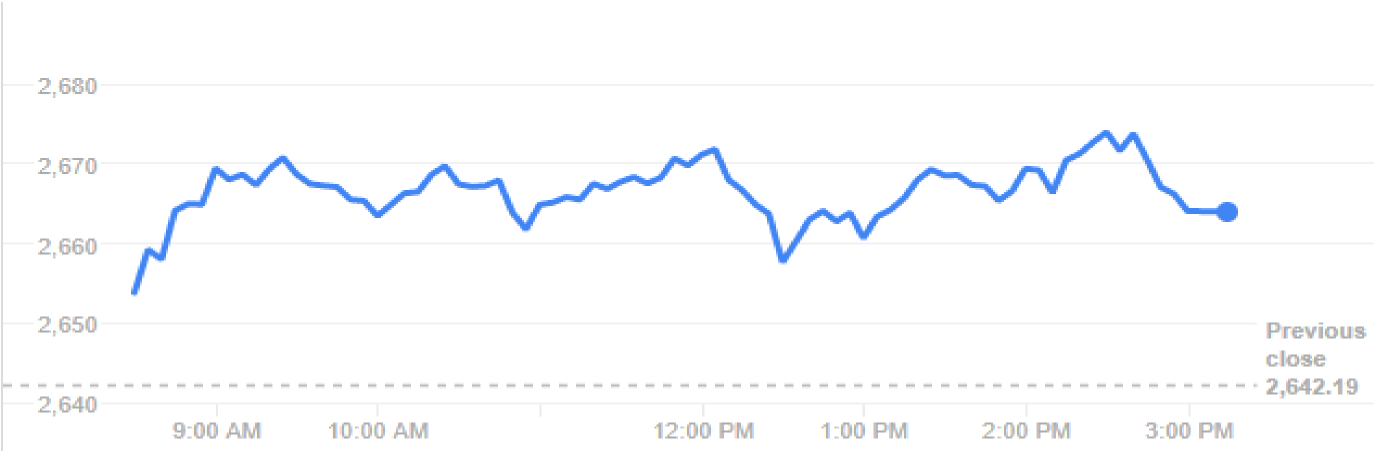
The index had been rising in the morning because of signs that China wanted to make a host of concessions that might address many US concerns about her trade relations. Then Wall Street traders learned of the latest Trump threats and the index fell sharply again from a day high of 265981 to a low of 264219: almost two thirds of a percentage point decline in the last three hours of trading.

Thus, despite a strong rally in the previous session, US markets ended in the red on Wednesday amid heightened uncertainty after President Trump's latest threat which, furthermore, overshadowed the release of the Fed's latest policy meeting minutes. The latter added even more negative pressure to the market by indicating that policy makers are considering slowing down the US economy. In the final analysis S&P 500 gave back 0.55% on the day while the Dow Jones decreased 0.90% and the NASDAQ slipped 0.36% by market close.

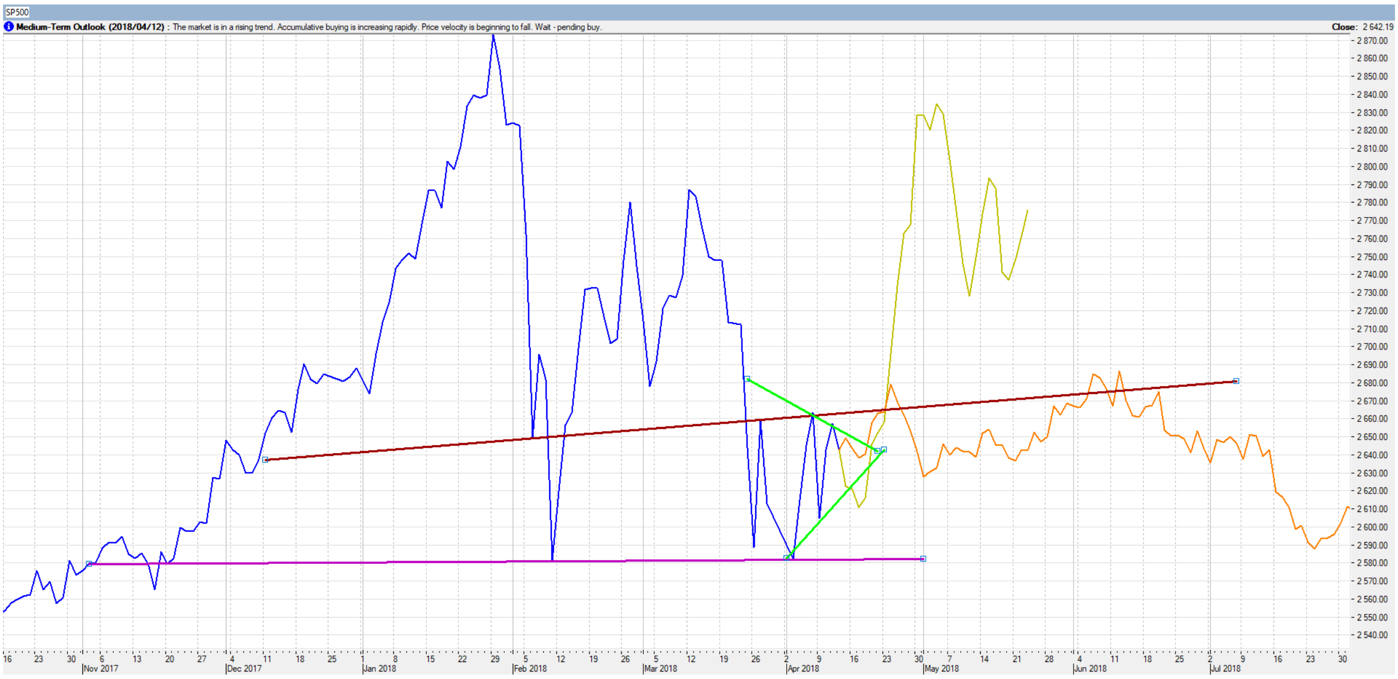
Here it is worth noting that the S&P 500 was this month at its lowest level since mid-2016 relative to expected earnings over the next 12 months. Still, the benchmark's forward price-to-earnings ratio, a traditional valuation measure, was at about 16.5 times this week, above its 10-year average of 14.4 times. However, on an inflation-adjusted price earnings ratio basis – popularly known as the Cape Ratio – it remains dramatically more expensive than it has ever been except for the brief period known as the Dot Com Bubble which massively inflated prices at the turn of the century as my graph below illustrates:



Yesterday, the Bulls charged back with the result that the S&P500 chart for the past five days remained in positive aspect as my next graph illustrates:



So, what happens today becomes critical. Should Wall Street end the week lower than its last Friday close, that could have significant chart impact. Consider the next graph:



Look first at the yellow line of ShareFinder's short-term projection which sees Wall Street ending weaker today and Monday which will see it breaking below the green lines of a short-term pennant. But then ShareFinder sees it reversing upwards on Wednesday next to begin a massive upward surge which, if ShareFinder is correct, will see the market recovering until May 3.

However, ShareFinder's medium-term projection senses that this upward surge would be vulnerable around April 24 and so, if international tensions are again heightened by some political event around then, the probability is that the last week of this month might again prove negative for the market.

May, however, currently looks like a good month for Wall Street before June and July bring about a final market plunge which should bring about the buying moment we have all been waiting for around July 24.

I know, reading all of this might sound to many like an astrologer's forecast, but I have learned to trust ShareFinder's projections which have built us an enviable 90 percent accuracy record

Why am I, as a long-term investor, so concerned about short-term events like this? Well as most readers are well aware, I have for many months been warning of the probability of a Wall Street decline starting about now and I have been advising everyone to both cut the dead wood from their portfolios and to assemble as much cash as possible ahead of good buying opportunities which, on current projections, look probable for mid-July.

If you have not assembled cash and are understandably deterred by the heavy penalties of Capital Gains taxation or, even worse, being taxed at your marginal rate on short-term profits on purchases made less than three years ago, then all of this should be of little consequence to you provided you have invested in a portfolio which fairly closely mirrors the Prospects Portfolio, then you have been seeing your wealth increase annually at 20.2 percent and these short-term declines will be of little concern.

Considering that portfolio in which we invested R1-million in January 2011, that value has at the latest count risen to R3.5-million and the annual dividend to R29 664.62 representing a yield of 2.97 percent on the original investment. More importantly to those who rely upon such a portfolio to supplement their pensions, the aggregate dividend has grown annually at 16.65 percent putting it nearly three times greater than the inflation rate. My final graph illustrates that performance:

The next month:

New York's SP500: I correctly predicted a gain getting under way. Now I see a decline until mid-week and then gains for the rest of the week.

London's Footsie: I correctly predicted a recovery which I still see lasting until the end of April

JSE Industrial Index: I correctly predicted gains. Now I see a downward trend until April 20 and then a brief recovery.

Top 40 Index: I correctly predicted a recovery lasting most of April and I continue to hold that view.

ShareFinder Blue Chip Index: I correctly predicted a recovery getting under way. But it briefly ran out of steam. Now a fresh upward push is likely until the 26th

Gold shares: I correctly predicted declines which I saw lasting until mid-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 with a brief recovery beginning around mid-week. That rising trend is likely to be over on the 17th following which I see weakness until mid-May.

The Predicts accuracy rate on a running average basis over the past 653 weeks has been 84.55%. For the past 12 months it has been 91.25%.

Richard Cluver