



Richard Cluver Predicts

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



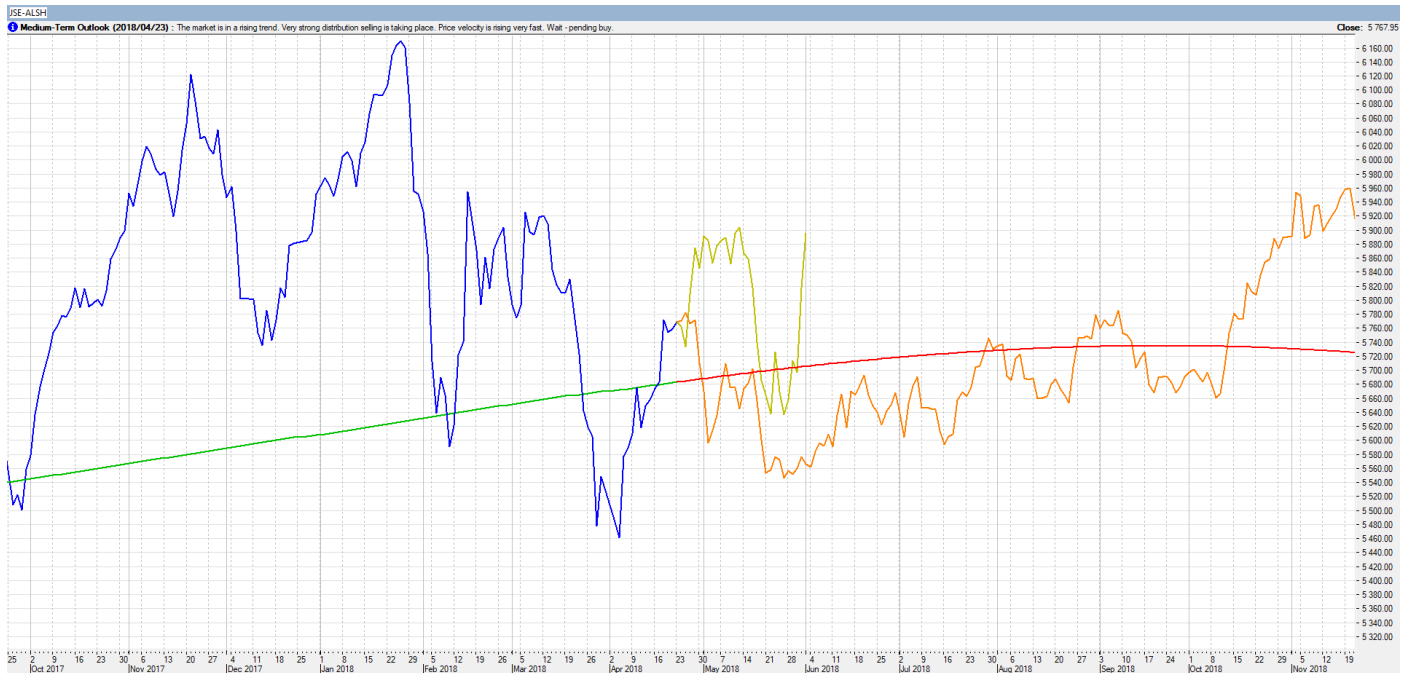
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Unlike Wall Street, the JSE has been enjoying a good run lately but it is unlikely to keep on going for much longer.

ShareFinder's projection for the JSE All Share Index pictured immediately below suggests that the market could peak in the short-term within the next few days and a sharp downward plunge is indicated between the end of this week and May 11. The market is likely, furthermore, to bottom around May 25 before commencing a recovery for the rest of the year.



Wall Street's S&P500 Index continues, as I have highlighted so often before, to be trapped within the confines of a pennant formation which normally precedes a sharp price direction change. And ShareFinder continues to project that that break will be downwards to a price bottom around July 20 whereafter another recovery is projected taking the market upwards until early October.

ShareFinder's projections are, furthermore strongly supported by the trend of US long bonds which have demonstrated a marked up-tick in yield in recent weeks. As experienced market-watchers understand, when bond yields rise that implies that bonds are becoming cheaper and since bonds are regarded as the safest category of investment, investors will sell their riskiest categories of shares in order to move into bonds whenever they are cheaper.

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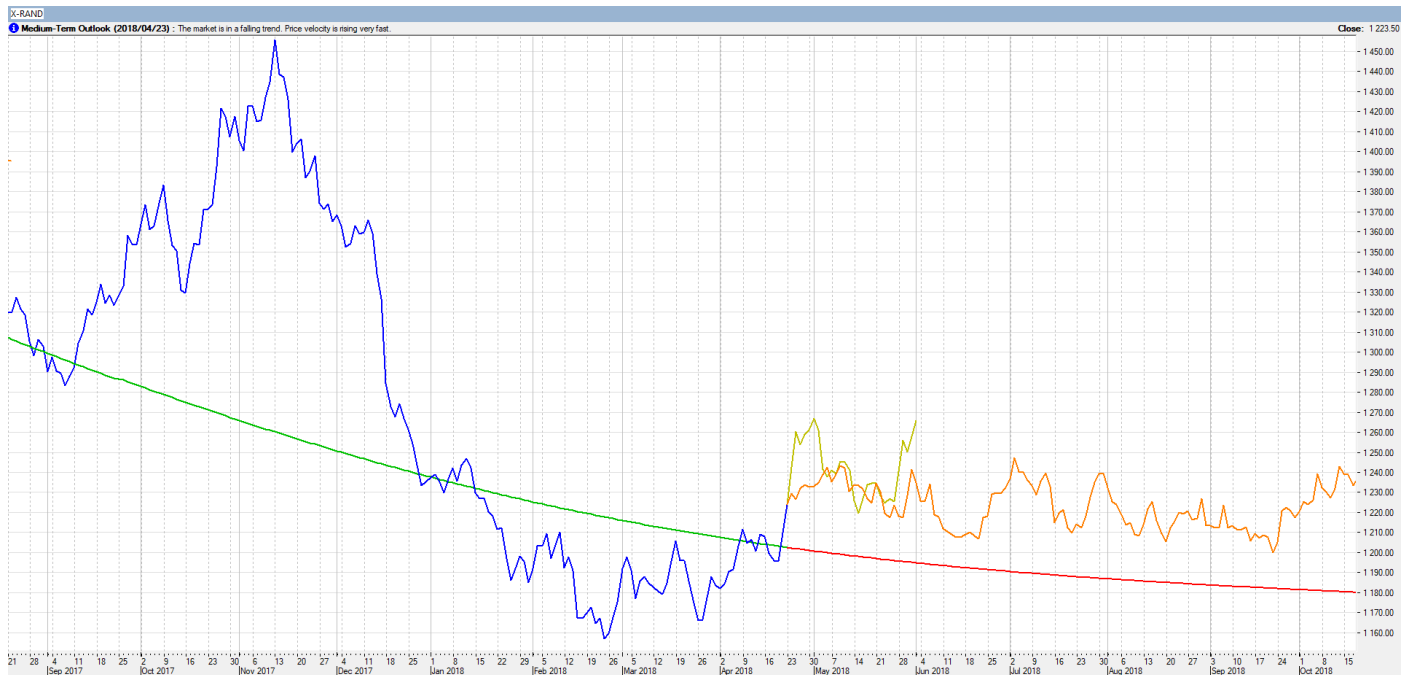
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This latter explains why of late the Rand has been losing value and the US Dollar has been soaring in price. It is the natural consequence of international investors selling Developing World” securities in order to buy US securities.

So, let’s start with the Rand/Dollar exchange rate. Note that from November 13 the Rand began gaining strength rapidly reaching a maximum value of R11.5681 to the US Dollar on February 23. Since than it has been weakening steadily to a current R12.2350.

Happily, ShareFinder thinks this weakening will end between May 1 and 9 and then the strengthening trend will resume as illustrated in the graph below:



Next note how the 30-year maturity US long bond index recently bottomed at a yield of 2.68 percent in early December rising to 3.15 percent this week. Furthermore, ShareFinder projects that yields will continue to rise to May 17/24 peaking at around 3.39 percent before beginning a slow decline that is projected to continue to at least next February.



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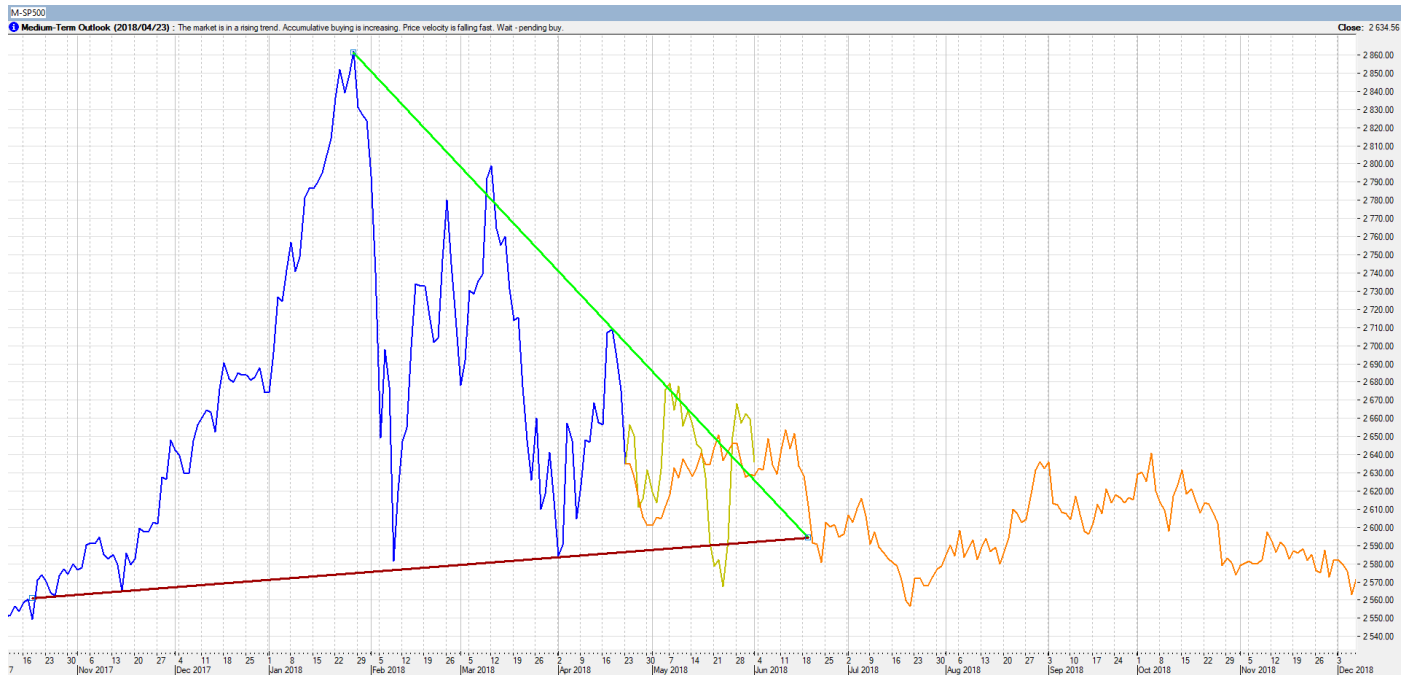
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Which takes us to the S&P500 Index which, in the face of rising bond yields – which means that bonds are becoming cheaper – Wall Street shares are becoming consequently less attractive. Furthermore, with annual reports of major blue chips having lately disappointed the market, it is no surprise that investors are expected to move into bonds which would explain the projected down-trend in the index.



So, what is the outlook for South African Blue Chip shares within this changing scenario? Happily, ShareFinder predicts that the weakening phase which began on January 25, is probably over and one might expect rising prices from henceforth until late May. Note the yellow short-term projection which suggests that a new high for the year could be imminent for around May 17:



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The next month:

New York's SP500: I correctly predicted a brief gain and then a dip to the end of the month followed by a brief recovery with the market peaking between May 7 and 14 ahead of another retraction. Now I see that peak extending into early June ahead of the retraction.

London's Footsie: I correctly predicted a recovery which I still see lasting into May though the first week of May is likely to be weak.

JSE Industrial Index: I correctly predicted a see-saw recovery with many ups and downs until mid-May and I still see this outlook.

Top 40 Index: I correctly predicted a recovery lasting most of April and I continue to hold that view with the next peaks spread through the early weeks of May with the next downward break coming between May 8 and 11.

ShareFinder Blue Chip Index: I correctly predicted a recovery until the April 26. Thereafter I see a decline until May 3 and then another upward surge to a May 17 peak.

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 throughout May.

The Rand: I wrongly predicted a brief recovery. Now I see this weak phase ending between now and May 9 with a recovery continuing at least until May 15.

The Predicts accuracy rate on a running average basis over the past 655 weeks has been 84.58%. For the past 12 months it has been 92.01%.

Richard Cluver