Richard Cluver Predicts

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

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Making sense of economic developments across the planet this week has been a perplexing business with many different factors both working together and against each other.

Dominating everything, of course, has been the activities of maverick US President Donald Trump who upped his dangerous game by this week moving the US Embassy from Tel Aviv to Jerusalem on the 70-year anniversary of the day when thousands of Palestinians were forced into exile from lands which they had traditionally regarded as their own. The resultant demonstrations and consequent martyrdom of scores of Palestinians has reverberated about the world and understandably gained the sympathy from many who had previously remained detached.

Not surprisingly, many international observers are again querying the wisdom of Americans in electing such a person to the most powerful leadership role in the modern world, mindful as always that the US President holds the keys to the biggest nuclear arsenal on the planet coupled with the biggest and most sophisticated military stockpile in modern history. Are we, as earlier in the year when the focus was upon North Korea, again witnessing power broking at an extreme level which could lead the world into another serious confrontation?

Understandably, such events are not good for the cause of investment and so many have stepped back from their speculative positions. Adding further to their caution, US trade and unemployment figures came in this month at worse levels than many had expected, and this was exacerbated by China producing similarly reduced results.

Understandably in such circumstances too, commentators have opined that the US Federal Reserve might hold back on its promised interest rate increases for fear of too severely impacting the US economy which should have been good for share markets. But in the event of the Palestinian issue coupled with North Korea’s intimation that it might no longer be prepared to consider de-nuclearisation following on what it considered to be provocative joint South Korean/US military exercises in the region, the Bulls naturally held back.

Thus New York’s S&P500 Index which had been rising strongly off a well-established base line (brown in my graph) since May 3 and had broken promisingly above the upper confines of a long-standing pennant formation, abruptly terminated its trend this week and fell back in a trend which

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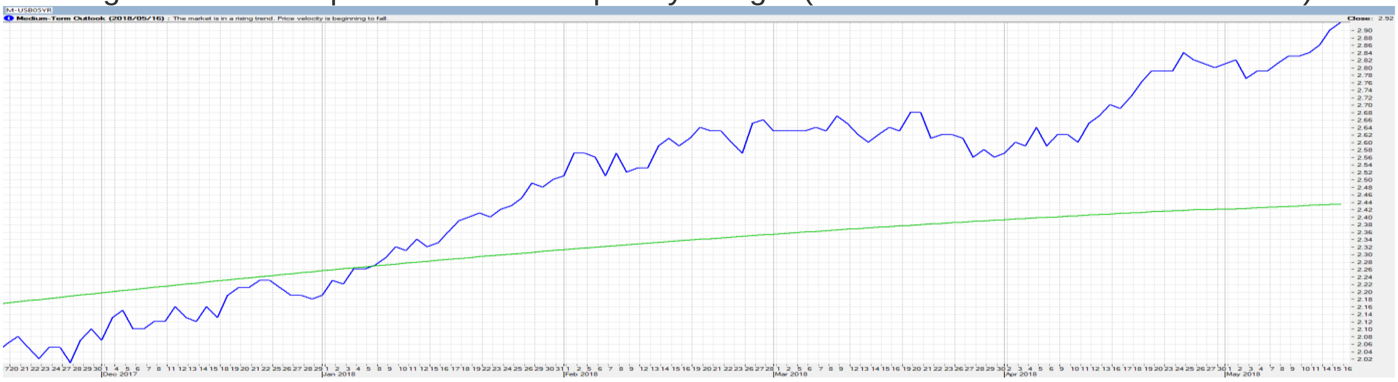
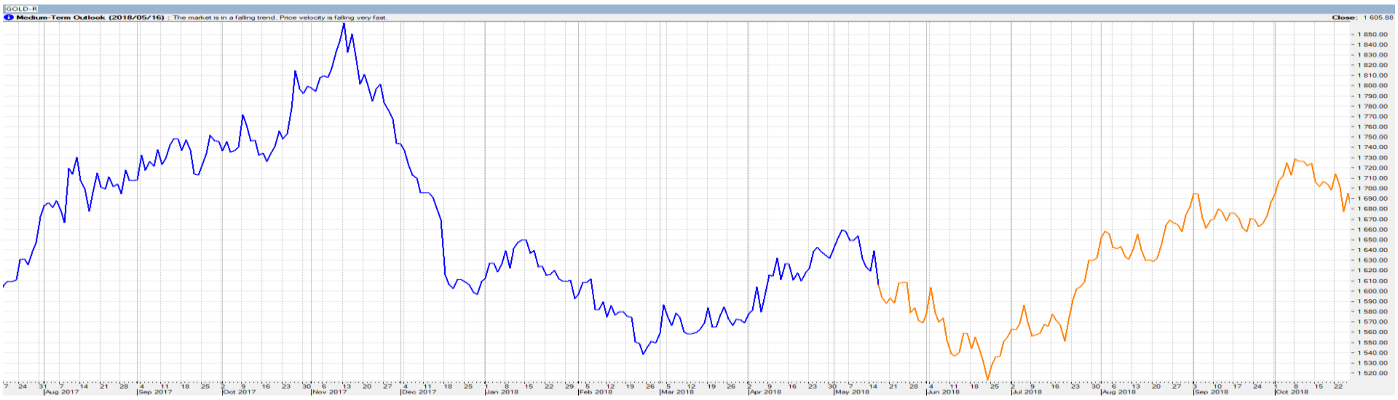
ShareFinder predicts will continue until May 24 before the Bulls again get the upper-hand.

Meanwhile, US sovereign bonds which had been easing off their recent yield highs, again began climbing with the three percent mark now plainly in sight (from 2.1% at the end of November).

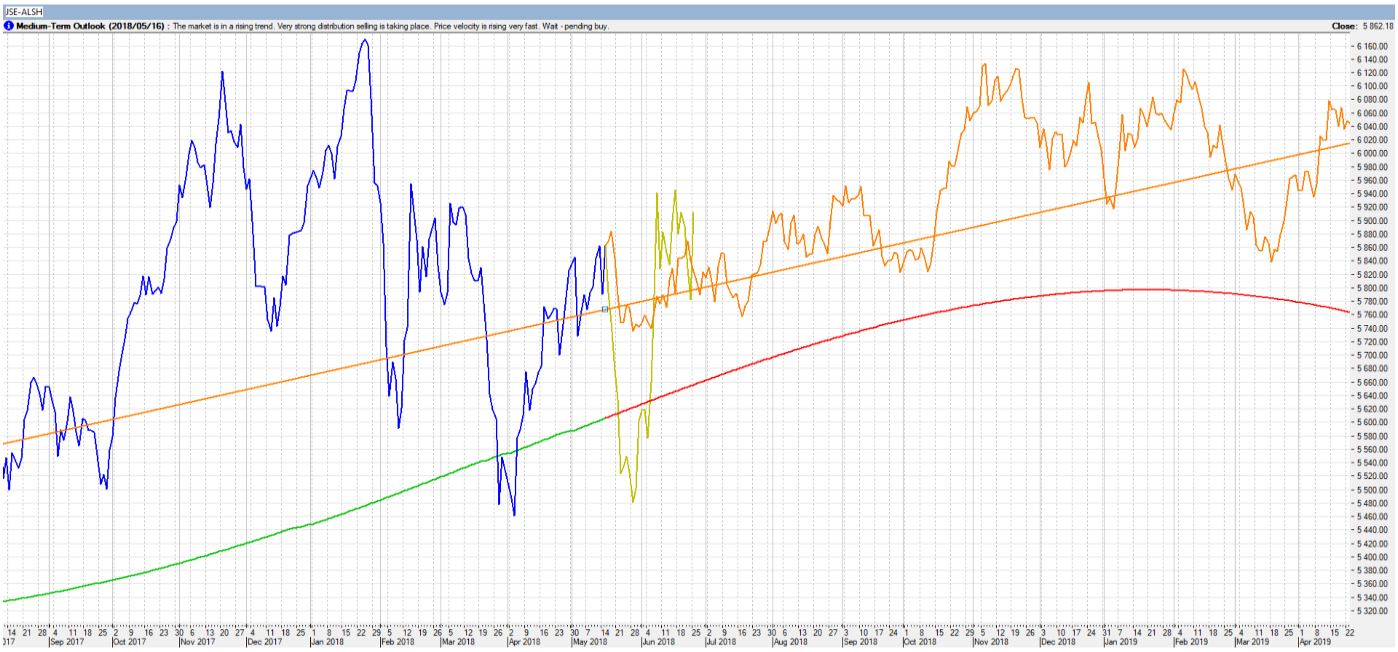


Readers might, however, take comfort in the fact that the gold price (in US Dollars) has so far failed to react to this trend. It began falling on April 18 from a band that had been in place since the beginning of the year and, fell even more sharply this week:

The picture is rather different when gold is graphed in terms of Rands per fine ounce; obviously the consequence of a volatile local currency. Nevertheless, ShareFinder expects gold to continually fall in Rand terms also.



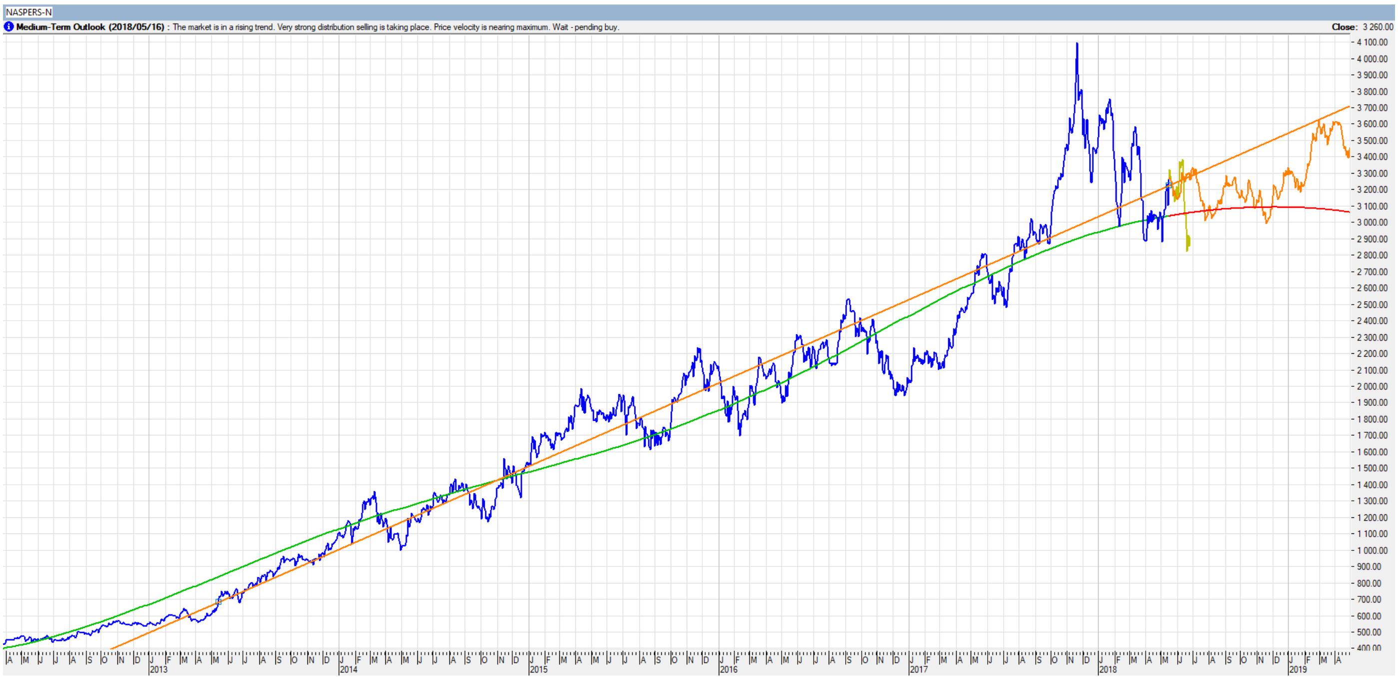
So, what the markets are telling us is that for now sentiment is guarded but still bullish. That is NOT however reflected in ShareFinder's projection for the immediate future of the JSE All Share Index. A sharp short-term decline is being forecast which could take the index down to a level where it might test the low it made on April 4. From there on, however, ShareFinder calculated that a strong recovery might be expected which could take the market up to new highs by the end of this year.



ShareFinder is nevertheless a bit more cautious in respect of the Blue Chips which it sees as bottoming on or about June 14 before beginning an upward run that is likely to last until mid-August whereafter, in possible reaction to a Wall Street collapse it could fall back again until mid-October/November.

My conclusion, for now those of you who have followed me and gone into cash wherever possible, enjoy the presently good interest rates you are getting on your cash and sit tight. Later in the year you could see better opportunities!

In passing, following the once again amazing results of Naspers' Tencent investment in China, many of you might be considering adding more to your portfolios. My last graph accordingly shows that despite a buying surge since the May 2 price low, a buying opportunity still exists although the price has since then risen to full price as represented by its long-term trend as depicted by the orange trend line in my graph:



Be careful, however. ShareFinder's short-term projection suggests that a short-term retraction is possible which might take the price to a new short-term buying opportunity around June 19.

The next month:

New York's SP500: I correctly predicted gains until June 18 but before that I see a short sharp retraction though brief weakness is possible between now and May 24.

London's Footsie: I predicted that declines were likely soon, and I now see London peaking between now and May 29 after which I expect declines until the second week of June.

JSE Industrial Index: I correctly predicted a brief decline and it was over almost before it had begun. Now I see another lasting into the first week of June.

Top 40 Index: I correctly predicted a downswing and we have seen the first blip. Now a second is imminent until the index bottoms between the 23rd and the 29th before we see another upsurge until + - June 8.

ShareFinder Blue Chip Index: I wrongly predicted gains until May 17 but they were delayed, only starting in the middle of this week and now probably continuing until the first week of June.

Gold shares: I correctly predicted declines lasting until mid-May with a brief interim gain possible from around now to the 22nd. Thereafter it is likely to be down until the end of the month.

Gold Bullion: I correctly predicted declines which I still expect to last until late June.

The Rand: I correctly predicted brief strengthening. Now the signs are mixed making it impossible to make a clear prediction.

The Predicts accuracy rate on a running average basis over the past 657 weeks has been 84.57%. For the past 12 months it has been 92.197%.

Richard Cluver