Richard Cluver Predicts

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

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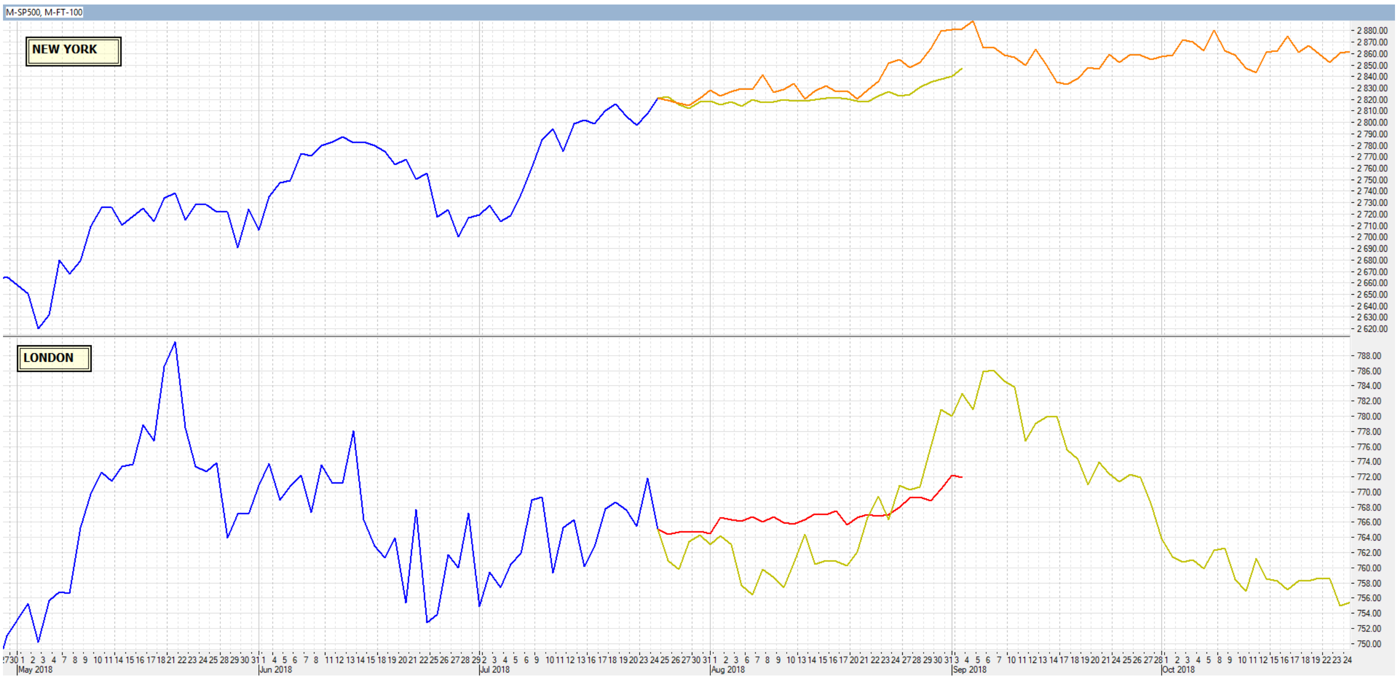
The steady decline in value of JSE shares since mid-January is now reaching levels that should seriously concern readers who might have ignored my injunction of many months to move into cash in order to be able to buy in once more when the market bottoms. But when is that likely to happen?

Let’s start with the 2011 Prospects Portfolio which I maintain for readers as a virtual record of what I think one should buy and sell month by month in order to achieve maximum returns. Below it I have depicted the performance of the ShareFinder Blue Chip Index.

The purple line rising in the case of the Prospects portfolio shows that the mean of this portfolio has been rising since its inception at compound 21.4 percent while the Blue Chip Index mean has been rising over the same period by compound 13.7 signifying that readers who have followed this model have done 56.2 percent better than they would have done had they been able to buy equal value quantities of every share that ShareFinder calculates as qualified to be known as a Blue Chip.

Now, as a simple rule, if shares are priced above their mean; in other words, if the graph is above the purple line you should not consider buying whereas if it is below the line then in a long term sense the shares are cheap. So, if you followed my thinking in the Prospects newsletter you should have around a third of your portfolio in cash right now and, if ShareFinder’s projections in the short term are correct (note the yellow short-term projection) then the time to have started buying was on or about June 27 when both graphs reached their lowest point.

However, do not panic if you did not buy in late June. If the yellow short-term projections are correct, the next buying opportunity should occur between August 20 and 28 when the market is likely to be weak once again. Here the point is that when the short-term projections disagree with the medium-term (red line) projections, the yellow (short-term projections) are likely to be the more accurate. Over time, however, the short-term projection will always revert to the red one (If that makes sense to you).



Looking ahead, New York continues to barrel ahead and, ShareFinder predicts that it will continue to do so at least until September 5 before beginning to trend downwards once more.

London had been trending down since mid-May and bottomed on June 22 before beginning a recovery which, similarly, ShareFinder projects is likely to peak in early September.

The next month:

New York's SP500: I wrongly predicted a falling market. Now I see gains until September.

London's Footsie: I correctly predicted a recovery and now I see that continuing until early September...

JSE Industrial Index: I correctly predicted that the decline would continue. Now I see a brief recovery until the first week of August.

Top 40 Index: I correctly predicted a brief decline followed by an up-tick which happened and is likely to continue for the next week.

ShareFinder Blue Chip Index: I correctly predicted a continuing decline. Now I sense a brief recovery until September.

Gold shares: I correctly predicted a recovery which I see continuing until mid-August.

Gold Bullion: I correctly predicted a recovery which I see continuing until mid-September.

The Rand: I correctly predicted a recovery which I see continuing with short-term volatility until late November.

The Predicts accuracy rate on a running average basis over the past 666 weeks has been 84.63%. For the past 12 months it has been 91.96%.

Richard Cluver