Richard Cluver Predicts

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

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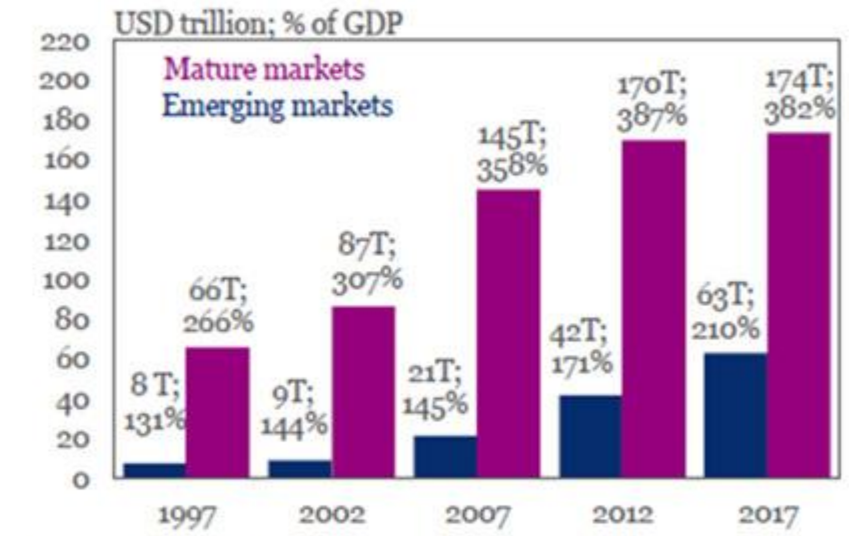
Last Friday's comment that the JSE was close to its bottom point sparked a number of my readers to ask whether they should start buying again?

Given the massive pressures facing the world, not least the towering debts of leading nations which must at some stage in the imminent future explode to usher in something like economic Armageddon, I am nervous about recommending that investors give up their current cash pile. If you read The Investor this week you, hopefully, did not miss the piece by US columnist John Mauldin detailing the relentless climb of global debt relative to global GDP. But in case you did I reproduce his graph again showing that the figure has now passed 382 percent.

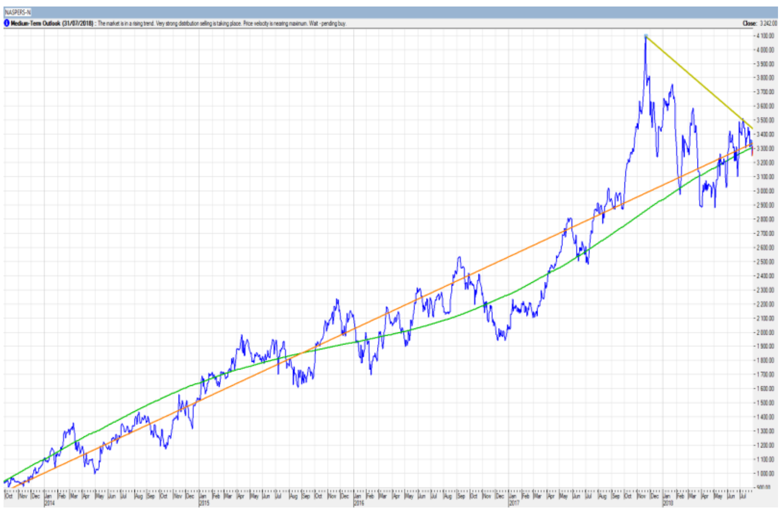
Chart 1: Total Global Debt Stock Continues to Rise



Source: IIF, BIS, IMF

The figures are not some wild thumb-suck. They have been calculated by the IMF which this week was warning South Africa that our 60 percent of GDP is an urgent problem: a case of the pot calling the kettle black when the average for developing countries is 210 percent!

Meanwhile, markets are shaking with the big tech companies on Wall Street; the so-called Faangs, taking strain and our own Naspers showing distinct pain following a crunch in the value of its leading investment in the Chinese giant Tencent. So, consider the Naspers graph, on the right noting that until November the shares had been rising at a compound annual average of 33.5 percent as traced out by the orange trend line. Since then, the shares have been falling at an

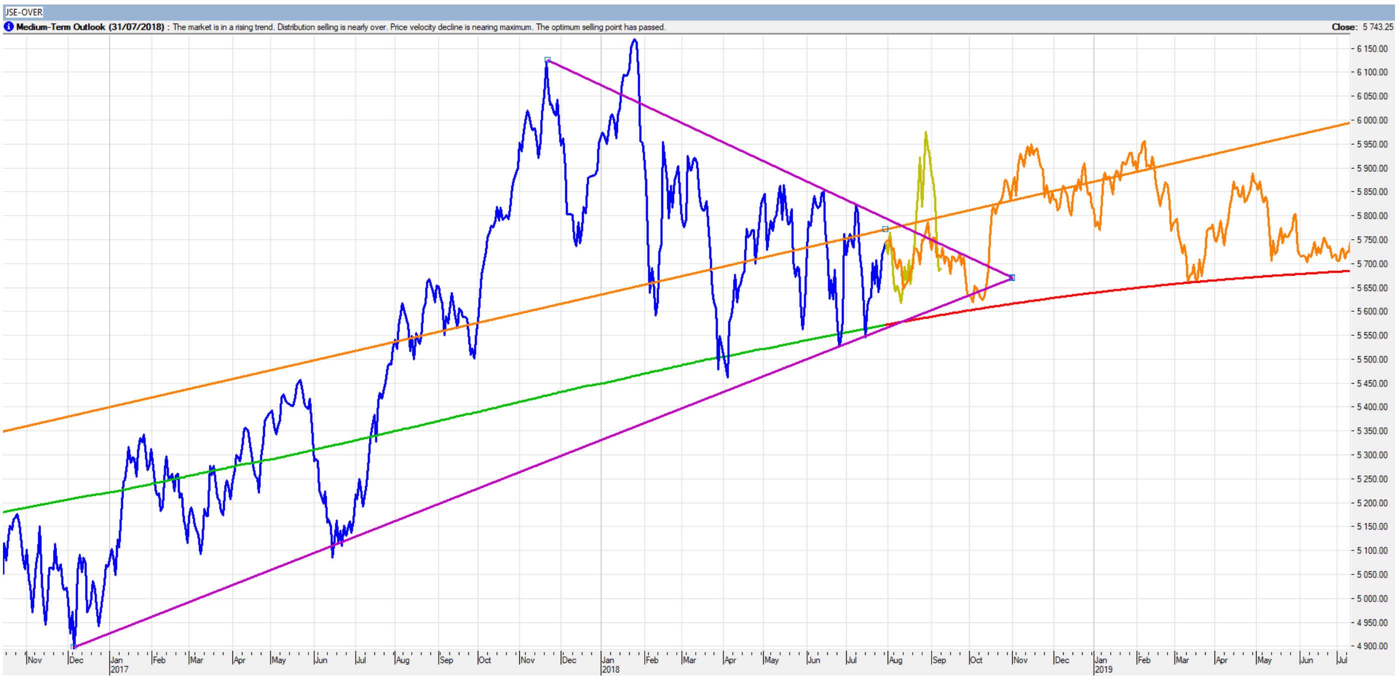


annualised 22 percent as denoted by the yellow trend line on my graph.

Is this a buying opportunity of a sign of gathering crisis? Well I have blown up that graph so that you can see that ShareFinder projects things will get worst for Naspers before there is a recovery.

Note that the price is trapped in a pennant formation with a short-term projection that the price will break sharply down until mid-August before long-term buying pressure re-asserts itself. But ShareFinder thinks that real recovery will not begin before mid-November.

A similar pattern is showing on graphs of the JSE All Share Index. Note in the graph below that I have been able to draw a pennant formation that is nearing its apex. ShareFinder predicts that the market will turn upwards on August 10 and that it will break upwards out of the confines of the pennant on or about August 21. But don't expect fireworks thereafter. ShareFinder's projection suggests a volatile sideways trend thereafter:



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The next month:

New York's SP500: I just don't seem to be able to get this one right lately. A fortnight ago I wrongly predicted a falling market and last week I saw gains until September. Now I see short term declines for most of August but nevertheless believe that by Christmas the market will be above current levels.

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

JSE Industrial Index: I correctly predicted a brief recovery. Now I see declines until mid-August.

Top 40 Index: I correctly predicted an up-tick. Now I see declines until mid-August followed by a sharp recovery.

ShareFinder Blue Chip Index: I correctly predicted a brief recovery until mid-August followed by declines until August 20.

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

Gold Bullion: I wrongly predicted a recovery. Now I see declines for most of August.

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

The Predicts accuracy rate on a running average basis over the past 667 weeks has been 84.62%. For the past 12 months it has been 91.34%.

Richard Cluver