Richard Cluver **Predicts**

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

Volume: 31

Issue: 29

19 October 2018

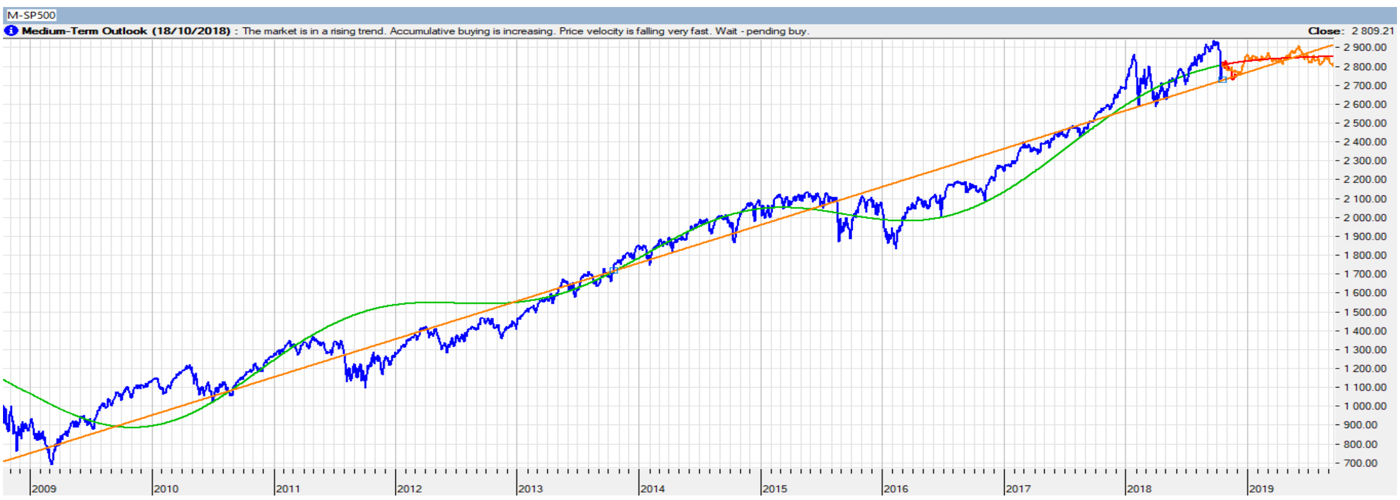
I am back in harness after an epic eight-week journey that took me to ten countries finishing with three weeks in the United States and allowed me to talk to a vast cross section of people of the "Developed World".

What has struck me most in the many discussions I have had is how few people are aware of the massive indebtedness of their countries and the threat that debt holds over the entire world economy of an imminent collapse that will certainly make the 2008 financial crisis look like a Sunday School picnic. Furthermore, though the average North American is aware that their country now enjoys the lowest level of unemployment since World War Two, few admit to having felt the benefit of it.

For young people rising in their careers, the biggest problem is how to pay off massive student loan debt while average North American houses costing the equivalent of R28-million each are clearly beyond their means when the average income of young professionals barely exceeds half a million Rands a year.

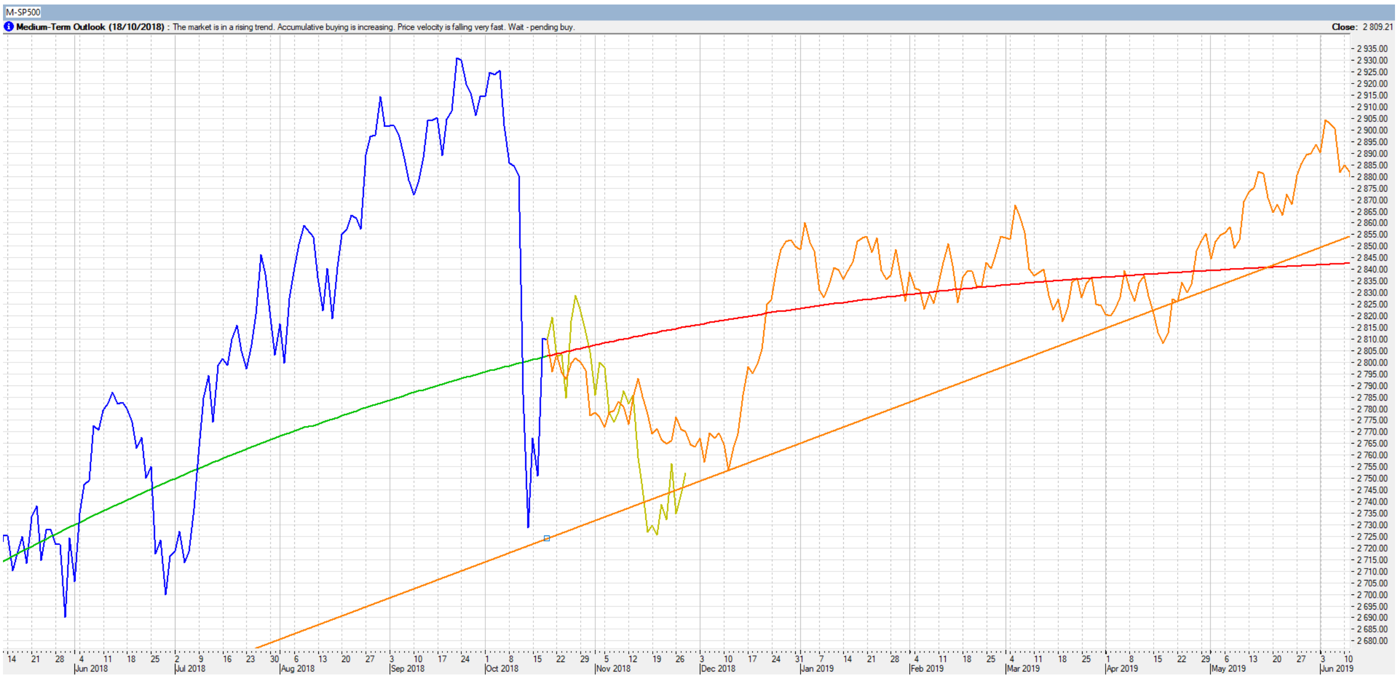
Economists, meanwhile, all agree that when the next economic crisis hits, and all acknowledge that one must hit within the foreseeable future, central banks will lack the ammunition they have previously enjoyed with which to moderate the effects. Interest rates are simply too low to enable the banks to deal with a crisis by the traditional means of rate cuts.

Perhaps this is why Wall Street tumbled so dramatically last week, effectively ending a period of optimism which was so firmly gripping markets when last I wrote this column. Let's start by looking at a long-range graph of Wall Street's S&P500 Index where, if you consider the drop on the right-hand side, you can clearly see that the index has now fallen back to the support of a long-term trend line dating back to the point where recovery began after the 2008 crash:



Note also that the smoothly-curving green long-term Fourier cycle line appears to have peaked and in its red projection into the future appears likely to turn downwards early in the new year.

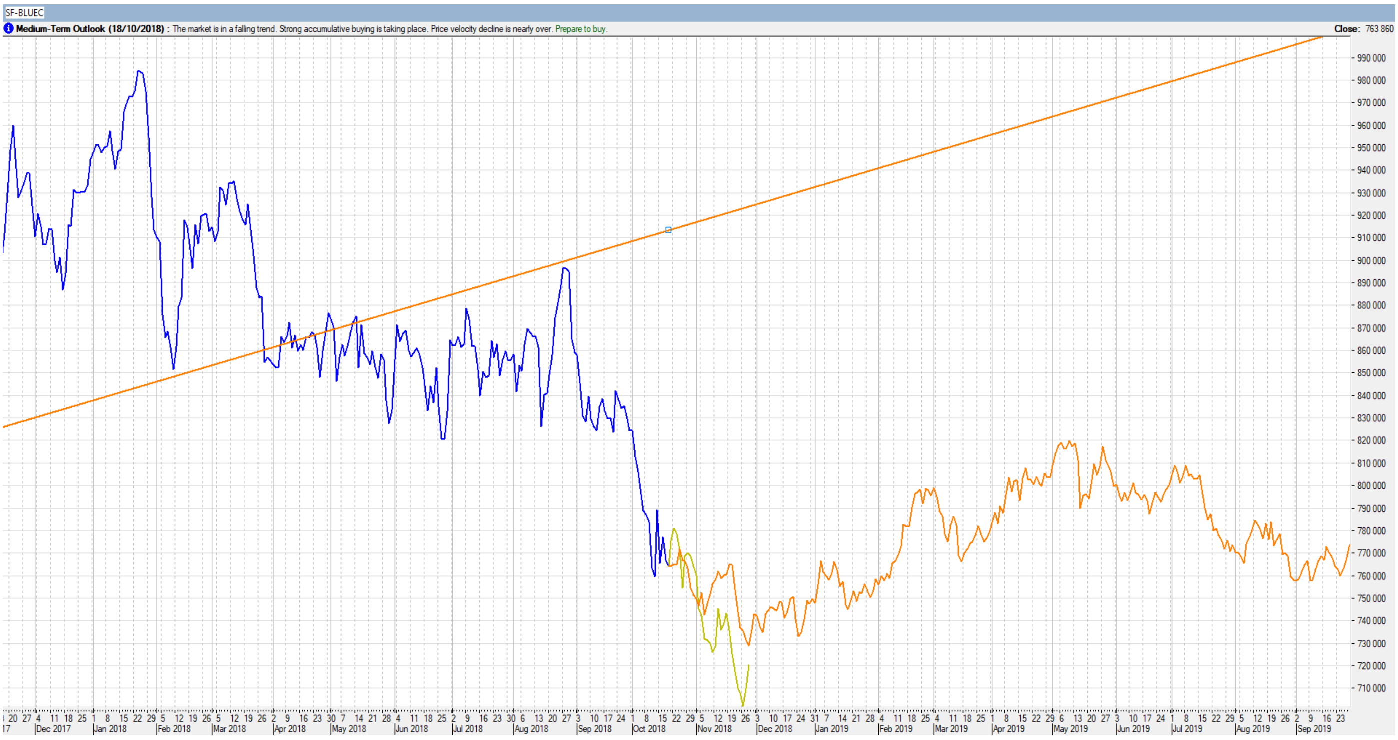
Expanding that graph so one can more clearly see the current position, note that this week's inevitable recovery appears likely to be over by next Friday at the very latest as traced out by the yellow short-term projection with both it and the orange medium-term projection sensing a continued market slide until approximately early December when another brief recovery is predicted. However, the outlook for the whole of 2019 does not look too optimistic at this stage.



Closer to home, of course, the JSE Overall Index has been in virtually continuous decline since late January and the good news is that ShareFinder considers this pessimism to have been overdone. It accordingly senses that the bottom might already have been reached or, if it has not then the first week of November is likely to see that bottoming.

My graph above shows that a recovery might be expected until mid-February but, sadly, further though less-pronounced declines are predicted to lie ahead for most of next year which largely accords with the views of local economists about the outlook for the South African economy as a whole until there is more certainty about the political outlook for the country.

Turning to the Blue Chips, the future outlook is rather more optimistic with a final bottoming seen for around November 26 and a recovery thereafter at least until May next year:



The Rand, however, is due for a rough ride if ShareFinder is correct. Its recent weakness peaked at R15.43 to the US$ on September 5 followed by recovery until September 27 and another weak spell until October 8 at R14.92 to the Dollar. Now ShareFinder senses further weakness until November 5 when a level of R15.82 could be possible before recovery until late November as pictured in my graph below:

The next month:

New York's SP500: I correctly predicted further gains. Now I see declines until the end of the year until early December.

London's Footsie: I correctly predicted a recovery continuing until early September followed by declines until early December and I continue to hold that view.

JSE Industrial Index: I correctly predicted a decline until the early part of December and now I see it continuing well into the new year.

Top 40 Index: I correctly predicted a sharp recovery which I saw lasting amid volatility to the first week of September before weakness would set in. Now I see weakness until early November when I see a brief recovery followed by further declines well into the new year.

ShareFinder Blue Chip Index: I correctly predicted a period of volatile gains until late September followed by a downward correction that I now see lasting until late November before a recovery trend begins which should see gains until May.

Gold shares: I correctly predicted gains until the first week of October followed by another correction down. Now I see the downward trend lasting until mid-May.

Gold Bullion: I correctly predicted declines followed by an up-turn in early October. Now I see the bullion price peaking in the new week and trending down until February.

The Rand: I correctly predicted a recovery from mid-September until late November when I see new weakness beginning and lasting until at least April next year...

The Predicts accuracy rate on a running average basis over the past 678 weeks has been 84.83%. For the past 12 months it has been 94.24%.

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