Richard Cluver Predicts

In our 32nd year of service to the investing public

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2019 began with one of the gloomiest economic outlooks it has ever been my misfortune to comment upon and yet, investment markets are on the up and up around the world as investors grasp at the few straws of good news emerging from the murk.

The good news, if you can call it that, is that the US appears to be making some good progress in its trade talks with China but, already the World Bank has issued a warning that the consequence of President Trump's trade wars is a probable global recession in 2020.

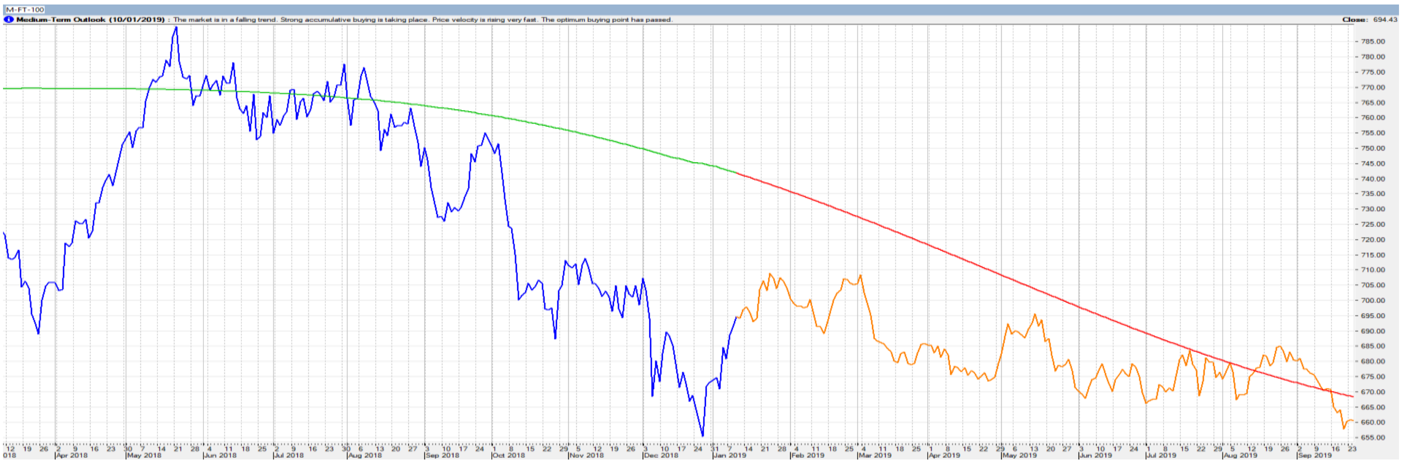
However, with the US Government now shut down for over a fortnight because its petulant president is being denied the Christmas toys he wanted, a wall between the US and Mexico which most experts believe will be a costly waste of time, the trade talk observations are simply a brief glimpse of blue in a very cloudy sky.

The other bit of good news is that a simple majority of US Federal Reserve governors have been reported to believe that a more dovish approach is needed on interest rates during the current year.

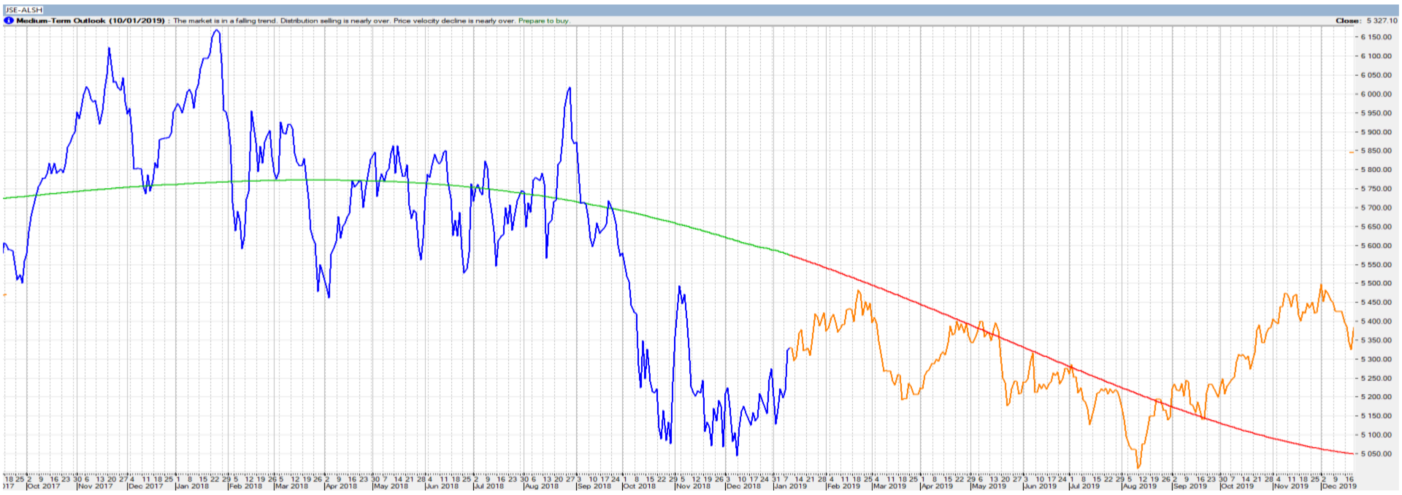
So, the market has clutched at straws as my graph of New York's S&P500 Index below clearly shows. However, ShareFinder's usually reliable projections suggest that New York has reached the end of its optimism and the next few weeks are likely to be downward:

Meanwhile in Britain, chaos continues to reign in Parliament as Theresa May's determined push to exit the EU appears doomed to failure with no clear alternative way ahead though massive job cuts are already the consequence with billions of pounds in losses being chalked up by British and European businesses as they battle to cope with uncertainty which makes a mockery of efficient business planning.

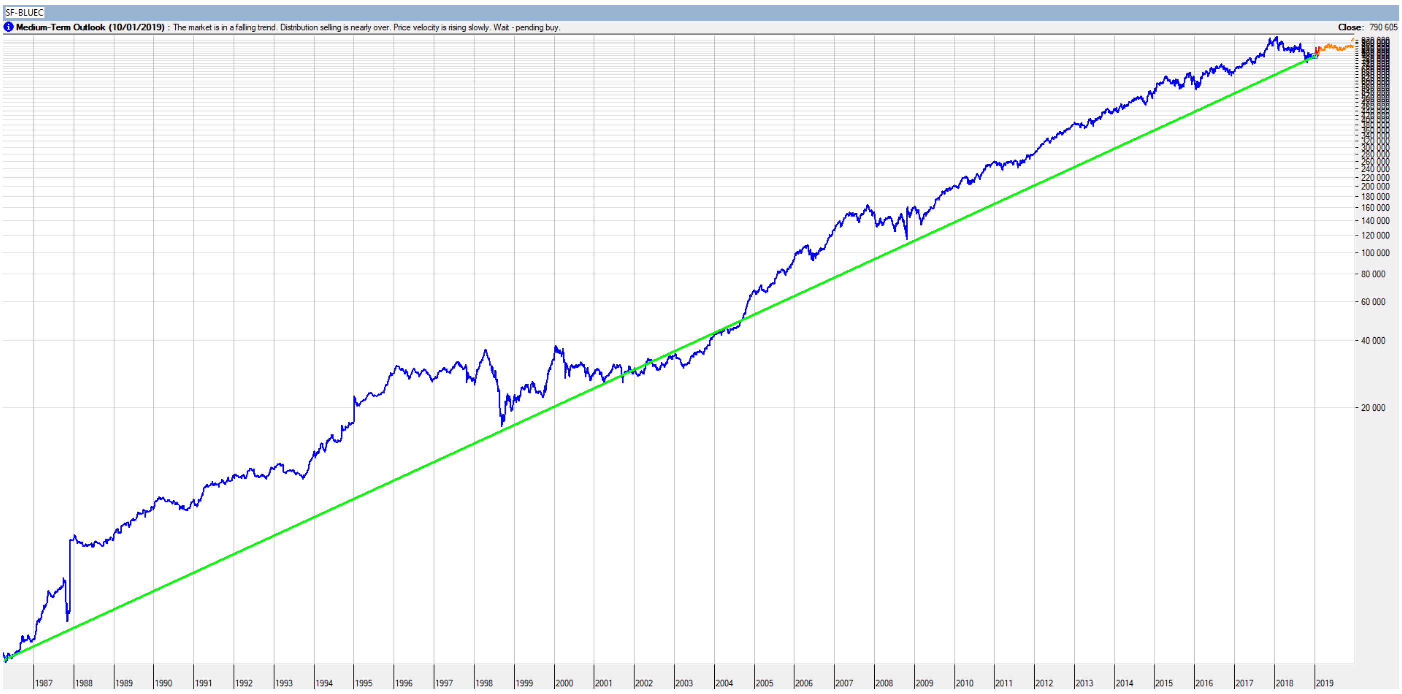
Here, the only reason for the short-term buoyancy which can be seen in my graph below has to be reaction to Wall Street's brief euphoria and perhaps the residual bonhomie of the recent Christmas break. But ShareFinder is not optimistic about the British market either, sensing a peak towards the end of next week and then downhill for the rest of the year:



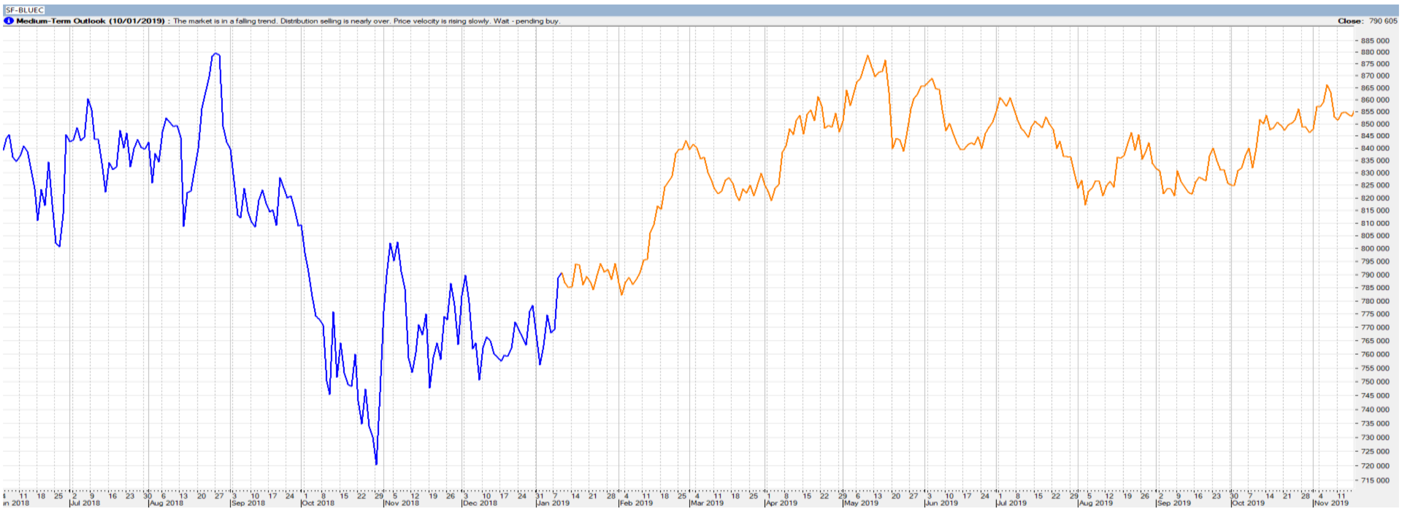
It is hardly surprising then that South Africa's economic outlook as measured by the JSE All Share Index is barely more optimistic. With property confiscation without compensation constantly being reaffirmed by the country's president as his party's determined policy for the future, it is small wonder that foreign investors won't touch us with a barge pole. Furthermore, with growing certainty that the last ratings agency to class our bonds above junk likely to take a pessimistic view soon, a worsening situation here appears inevitable. So, it should be no surprise that ShareFinder sees the market running out of steam in February and running downhill until mid-August as my next graph makes plain:



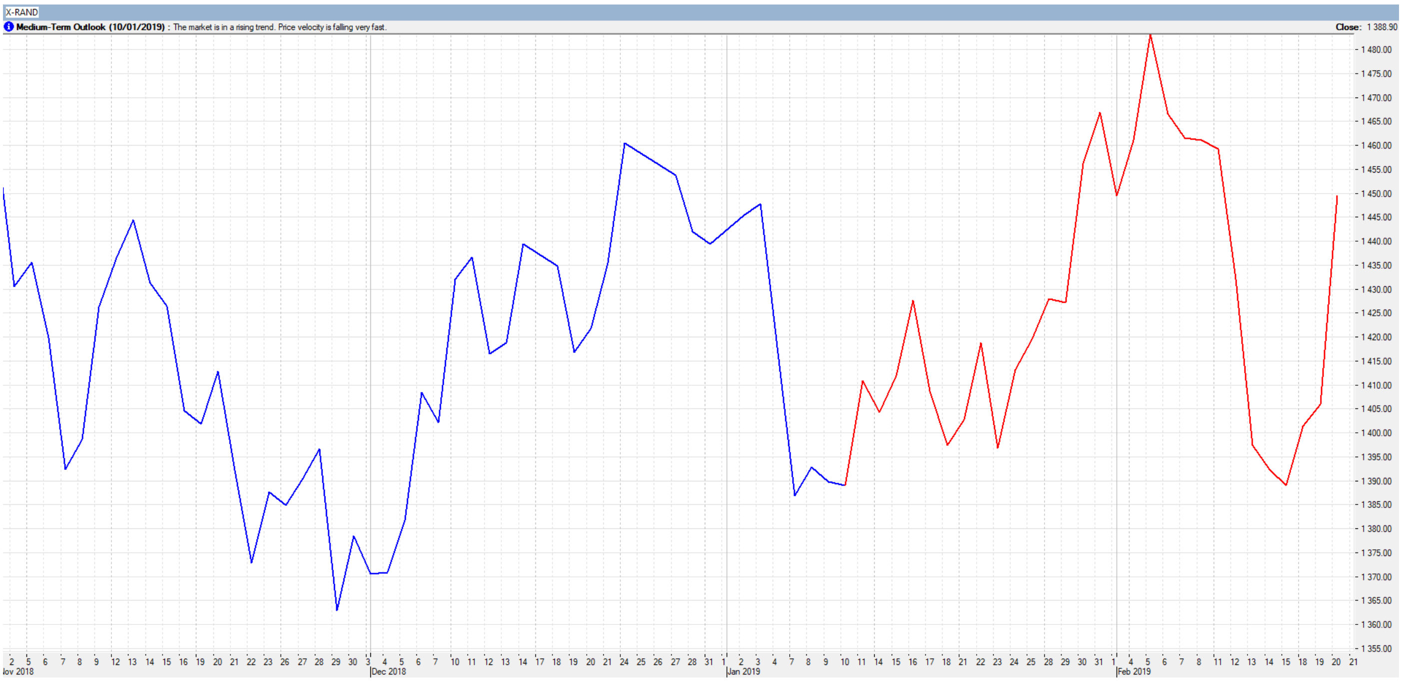
Accordingly, the lone real ray of sunlight in this turgid scene remains South African Blue-Chip shares, i.e. those shares of companies which have delivered constantly rising dividends for a minimum of the past decade. As my graph below illustrates, this category of shares as measured by the ShareFinder Blue Chip Index has delivered a constant 21 percent compound growth rate for the past 32 years and ShareFinder projects that this year will be no different. My Graph shows the past 32 years drawn in logarithmic scale in order to remove the upward curve that results from exponentiation. It is based on orders of magnitude, rather than a standard linear scale.



Expanding the graph in order to show more clearly what ShareFinder projects will occur during the current year makes it clear in my final graph that Blue Chips, with 93 percent accuracy, will continue rising until mid-May before turning negative until early August; hopefully not a sign that the May elections will cause similar uncertainty to that being experienced in Britain and the US currently!



That said, the outlook for the Rand is not too promising. Given that over the tenure of the ANC government since 1994 it has lost value at a constant 5.8 percent annually, its short-term fluctuations are not of great import, but as my graph shows, ShareFinder sees the Rand losing value from now until February 5 before the next brief phase of recovery begins:



That said, ShareFinder projects in long-term mode that the Rand will gain significantly between mid-August this year and mid-February next year.

The next month:

New York's SP500: I correctly predicted the end of the recovery but failed to see this week's brief further gain. But I expect it to be downhill from here until mid-February.

London's Footsie: I correctly predicted a recovery lasting into January. Now I sense the trend has peaked as I predicted it would and heading down until mid-February.

JSE Industrial Index: I correctly predicted a very volatile upward trend which I now see likely to top out between January 16 and 18 before heading down into mid-February.

Top 40 Index: The decline I predicted was more brief than I expected but I correctly saw a following gain which I still see lasting until January 18 though this remains brief interim noise in a longer-term decline until August.

ShareFinder Blue Chip Index: I correctly predicted an upward turn, but the subsequent decline is now likely to only occur between January 16 and 18 and it is likely to be very brief.

Gold shares: I correctly predicted gains which I saw lasting into early February. But I have changed my mind and now expect the peak to occur between January 16 and 22 but I still foresee a long decline until the end of May...

Gold Bullion: I correctly predicted the end of the recovery and, although there could be another upward phase between January 25 and March 19, I still see a declining market thereafter until mid-November.

The Rand: I correctly predicted gains but I think they are over now with weakness possible until early February. The longer-term trend however suggests a strengthening currency until the end of March.

The Predicts accuracy rate on a running average basis over the past 689 weeks has been 84.94%. For the past 12 months it has been 93.13%.

Richard Cluver