



Richard Cluver Predicts

In our 32nd year of service to the investing public



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Predicts is a day early this week because it is Valentine's Day and I am off to the Natal Midlands to enjoy it....and I trust you all will enjoy it as well!

If we thought 2018 was an unhappy one for South African investors, 2019 is already starting to look a whole lot worse as each day brings news of some worse catastrophe and evidence of more thieving by politically connected people who seem to have robbed the country to a complete standstill....and yet nobody has been arrested except for whistle-blowers.

President Ramaphosa's promises at SONA and his reassurances that Eskom will be able to keep the lights on are not ringing true in the ears of ordinary South Africans who are daily having to contend with an apparent reality that Ramaphosa is not really in control and fresh warnings from Ratings agency Moodys that we could very soon be consigned to the final investment catastrophe of total Junk status. Inevitably, short of a miracle, we could see the withdrawal of billions of foreign dollars and the decimation of JSE share values.

Admittedly the discovery of a vast new gas field off our south coast might prove to be a game changer in the long term. But in the short we need to find a way of trimming down a bloated Eskom salary bill without, somehow, triggering a crippling national strike, and we need to find a way of staving off Eskom's creditors without further burdening the fiscus; the event that the ratings agencies have long warned us about while nothing was practically being done.

While this local exercise in brinkmanship is completely dwarfed by the catastrophe facing Britain if it cannot somehow find a way to avoid crashing out of the EU, and that other catastrophe of the lack of a satisfactory US-China trade deal, but in relative terms, our uncertainty is just as great for us and the consequences of failure just as dire.

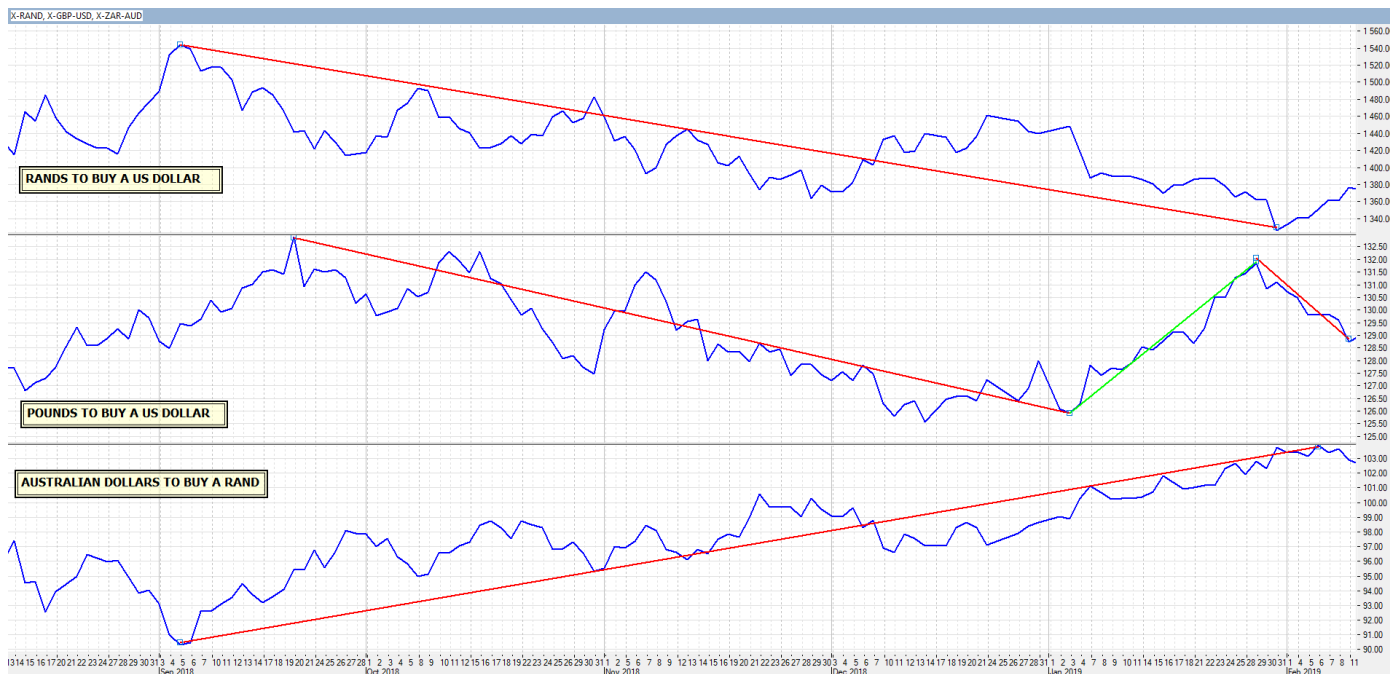
Readers might, however, take comfort that amidst the deafening roar in our ears, JSE Blue Chip shares are continuing to rise, signalling that in the eyes of professional investors, an optimistic outlook lies ahead:



More heartening has been the trend of the Rand. In my next graph you can see, from the top, how in the past six months the rand has strengthened against the US Dollar at an annualised rate of 31 percent.

In the second graph of the composite you can see how the Pound was also strengthening against the US Dollar until the beginning of this year until the Brexit crisis really took hold. But note the Pound has again been strengthening so far this month.

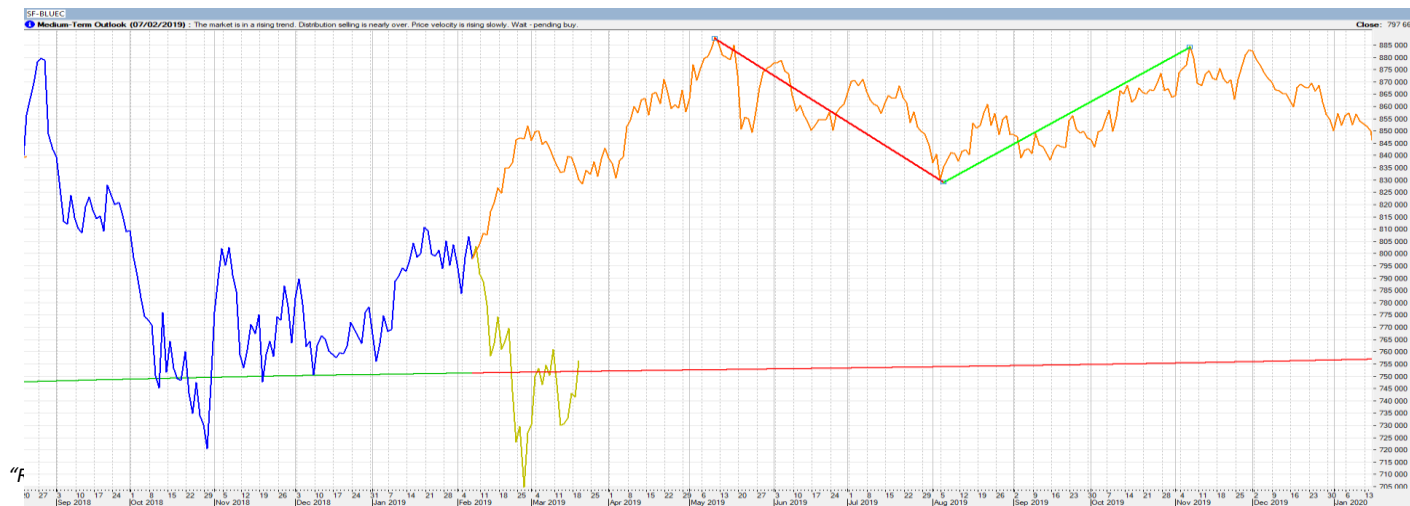
In my third graph you can see what South Africans love to see; how the rand has been strengthening against the Australian Dollar.



So, if the news is making you gloomy, you can console yourself that by the real measures of our economy, things are actually favourable.

In the short-term though, things do not look good for our Blue Chips. The yellow trace on the right of my next graph tracks what ShareFinder thinks will happen to Blue Chips during the rest of this month; a price plunge worse than I have seen for some time. More worryingly, as I have several times pointed out, in the medium term ShareFinder sees a recovery until May 10 and then another plunge which I have highlighted in red. But it could be all over by August 5 as my green recovery line suggests.

I will keep you posted on those projections!



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<http://www.sharefinderpro.com>

The next month:

New York's SP500: I correctly predicted gains which I saw lasting until today followed by a decline until March 4 before the next sharp recovery until March 20 before the next decline begins.

London's Footsie: I correctly predicted the recovery would continue ahead of declines which I now see beginning tomorrow but recovering Monday before another decline. However the beginning of a protracted bear market which I saw last week and predicted would last until late September, is now likely to start only on February 26.

JSE Industrial Index: I wrongly predicted declines until the end of the month though there was medium-term pressure for a recovery during the same period. Now I see a volatile sideways trend ahead of a major decline likely to start on the 26/28th.

Top 40 Index: I wrongly predicted further weakness. Now I see the gains continuing until the 21/22nd ahead of a decline until the 5th and possibly continuing until the 1/20th.

ShareFinder Blue Chip Index: I correctly predicted the start of a decline which I saw continuing until the 27th. Now, however, there is medium-term pressure for a gain until the 28th so the two forces might cancel each other out.

Gold shares: I correctly predicted gains which I saw lasting until March 6 but now I expect them to be over by the 26th at the latest followed by declines until late May.

Gold Bullion: I correctly predicted a brief recovery which I correctly expected to be over by mid-week. Now I see further gains in whip-saw fashion until well into March before a long decline until November.

The Rand: I correctly forecast weakness which I now see lasting until at least February 18 followed by a brief gain. But fresh weakness is likely from the 22nd until March 6.

The Predicts accuracy rate on a running average basis over the past 694 weeks has been 84.98%. For the past 12 months it has been 93.13%.

Richard Cluver