Richard Cluver Predicts

In our 32nd year of service to the investing public

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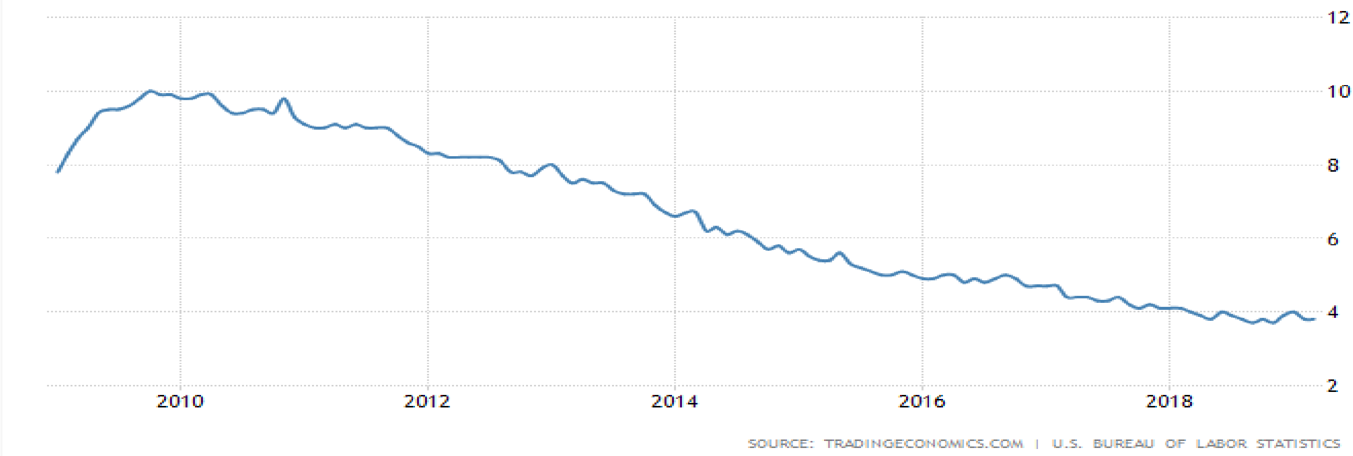
Like some mighty symphony orchestra, investment markets of the world move in an exquisite harmony in which each sub-component provides localised nuance to a grand recurrent theme rising in counterpoint which simply serves to enhance the dominant theme being played by the majors.

Thus, the lead violins are the central banks whose efforts to anticipate the potential for a rise in inflation by applying gentle nudges to interest rates provide the dominant melody: raising interest rates in order to strip money out of the pockets of citizens and accordingly cut consumption expenditure and lowering them in cases like the present when they anticipate the onset of a recession.

As recently as a year ago the United States was in the grip of an economic upsurge which had resulted in their national unemployment rate falling to just 3.9 percent; its lowest level since 2000 compared to a peak level of 9.9 percent in 2009 in the aftermath of the “Sub-Prime” market crash. The graph below illustrates that trend.



When global investment markets collapsed in the wake of the Sub Prime crisis which brought major merchant banks to their knees, the US Federal Reserve was quick to come to the rescue cutting interest rates to the lowest rates in decades and holding them there until late 2016 when, in anticipation of markets beginning to overheat, they began systematically withdrawing money from the economy with a resultant steady rise in prime lending rates which now appear to have peaked at 5.5 percent while the language of bank governors has turned markedly dovish. Thus, while a year ago markets were expecting to see at least three further rate increases this year, the Fed has now made it clear that none are expected this year and markets are now pricing in a rate cut because of a yield curve inversion which is suggesting the increases were overdone...

Furthermore, marching in step with the world’s biggest economy, the Eurozone embarked on its own policy of monetary accommodation. Now, however, both with an eye on the US markets

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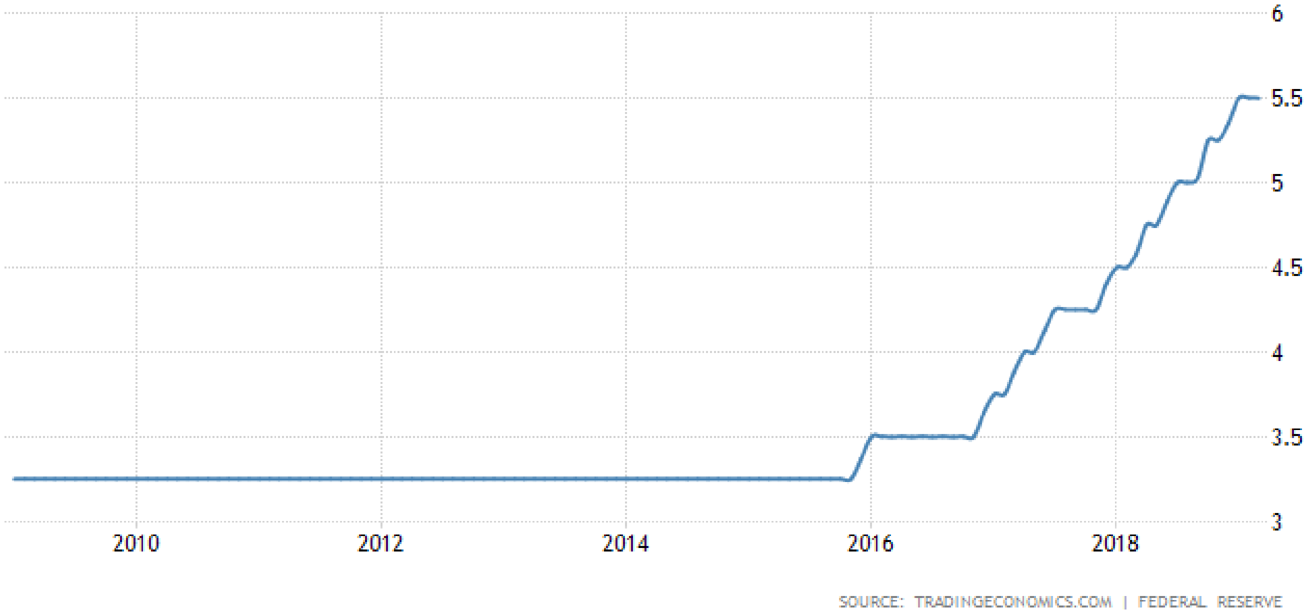
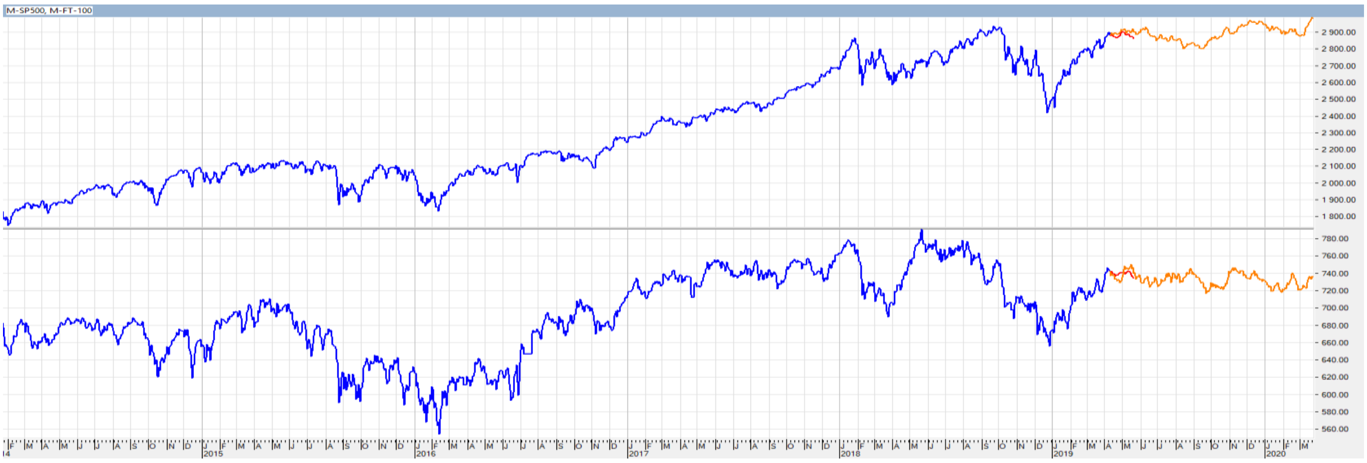
and its own problems with Britain's on/off Brexit uncertainty leading to a market economic slow-down across the entire Eurozone, lending rates there have been signalling a declining trend. My next graph, courtesy of the US Federal Reserve, tracks the trend of US prime lending rates:



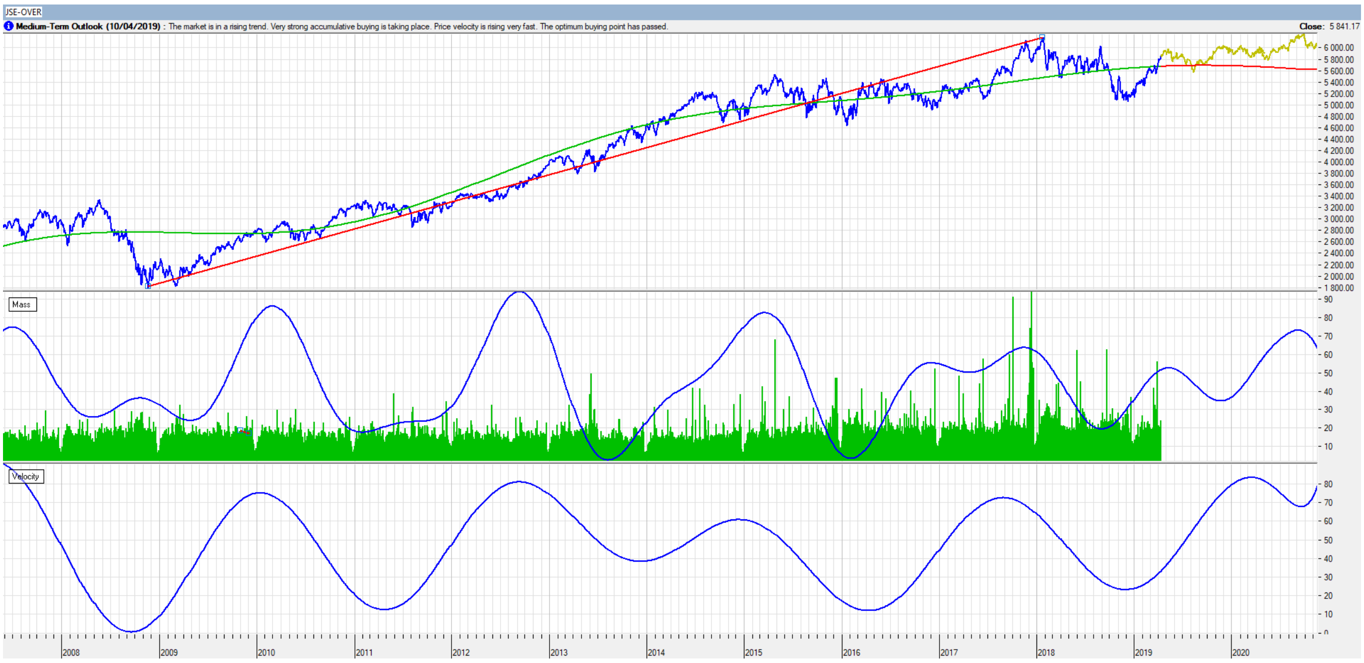
With inflationary rates at historic lows, the European prime lending rate has remained at its lowest rate of 1.97 percent in anticipation of a further economic slow-down:

The consequence of these two central bank attitudes has been to give fresh impetus to share markets which had peaked during 2018, in May in the case of London's FT 100 Index and in September in the case of New York's Standard & Poors 500 Index and then gone into a steep nose dive which abruptly ended in late December as you can see in my graph composite below.

As ShareFinder projects in red in the topmost of the two graphs, New York is beginning to slow down and our artificial intelligence systems project that New York will peak on June 11 while London is projected to peak on May 16.

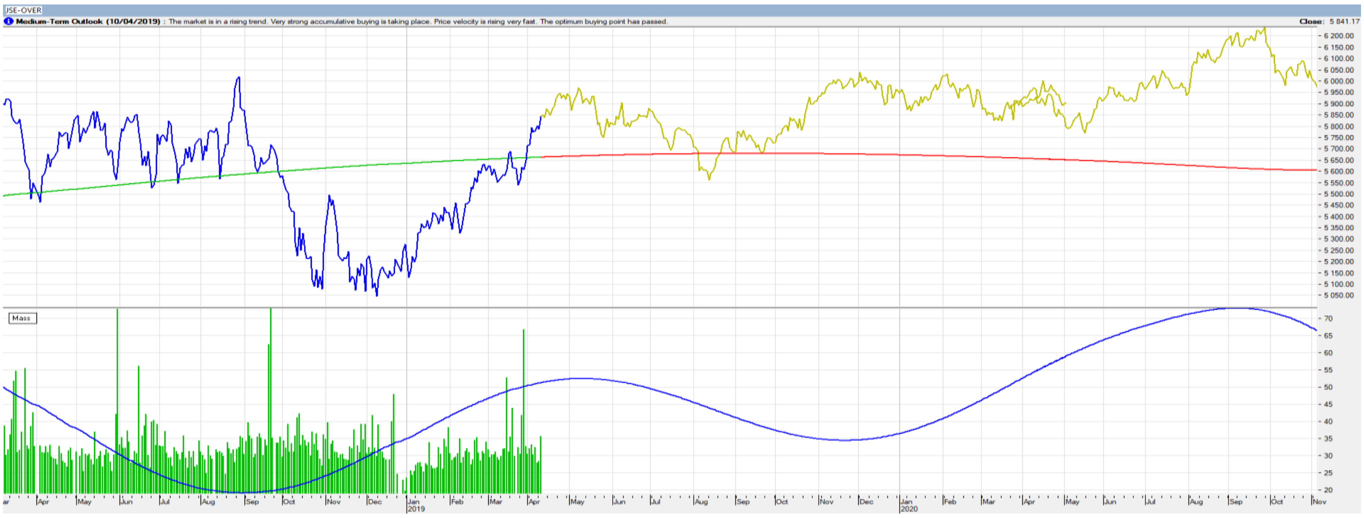


Turning to our local market I have reproduced ShareFinder's display of the JSE Overall Index for the past 11 years both to draw attention to how our market reacted to the global increase in money supply initiated by the US Federal Reserve initially and subsequently by those of the Eurozone, China and Japan rising at compound 14.3 percent annually from the November 2008 low to its January 2018 peak before entering a nearly year-long period of decline. I urge reader to particularly note how the cycles of ShareFinder's Mass and Velocity indicators anticipated the trends of the market while the smoothly-curving green line of the Fourier cycle in the upper graph has continued rising throughout, taking the 2008 decline as nothing more than a slowing trend within its long-term cycle.



The yellow, medium-term Fourier projection at the extreme right of the topmost graph suggests that the JSE will end its current up-cycle on May 8 and fall until August 13.

To give you a clearer picture of the latest position, I have expanded that graph so you can see that ShareFinder's yellow projection suggests the subsequent recover from August 13 will continue until September 28 next year before going into a decline which is also predicted by the Mass indicator below:



The month ahead:

New York's SP500: I correctly predicted a weakening trend and now there is clear evidence of the market beginning to roll over from a peak between today and the 19th. ShareFinder predicts that New York will then make double tops on May 6 and June 3 before beginning a long slide down until mid September.

London's Footsie: I correctly predicted this week's weakness and now see London declining until the 26th/29th before staging a final recovery peaking between May 6th and 16th before sliding until September.

JSE Industrial Index: I correctly predicted this week's gains toward twin tops likely to occur on April 19 and May 8 and possibly one more on June 7 as part of a volatile slide to a bottom on August 6. A day or two of weakness is however likely this week.

Top 40 Index: I correctly predicted a recovery that I saw leading towards twin peaks on April 26 and May 8 followed by a decline until August 13.

ShareFinder Blue Chip Index: I correctly predicted a recovery. Now I see a volatile decline until the 17th before the market runs up to create triple tops on May 13 June 9 and July 22 before falling until August 6.

Gold shares: I correctly predicted a decline which I still see lasting until late May.

Gold Bullion: I correctly predicted declines that are likely to last until late November with a brief short-term recovery lasting until April 18th followed by a decline until late May then a rise until mid June and then successive falling waves towards an ultimate bottom in late November.

The Rand: I think I misread my graphs in predicting weakness until the beginning of May when actually they were suggesting gains until then. Now however, the indicators are in opposition with short-term gains opposed by medium-term weakness until the end of the month though the longer-term outlook is for continued strengthening until the end of October.

The Predicts accuracy rate on a running average basis over the past 703 weeks has been 85%. For the past 12 months it has been 92.5%.

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