**More than once lately I have observed the old adage that the night is always darkest just before dawn and that certainly appears to be the case with the stock exchange at present. Pessimism abounds and yet there are many signs that suggest the market is now bouncing along the bottom.**

Let's start this morning with ShareFinder's projection for the JSE All Share Index, noting for a start the smoothly-curving green line which turns red in projection. This tracks a long-term cycle wave flowing through the data stream which makes it clear that a down-cycle trend which began way back in June 2018 is still trending down and is likely to continue until May next year. Within this cycle there was a shorter one which produced a market bull phase between December last year and mid-April this year and was accurately forecast by the orange medium-term projection (which turned blue as daily events overtook it). Now note that the same orange projection is suggesting another bull cycle has begun and will continue on upwards even though the green/red long-term line is still trending down.

Technical analysts have coined the phrase "the snake in the tunnel" to describe the fact that short-term waves snake within longer term waves.
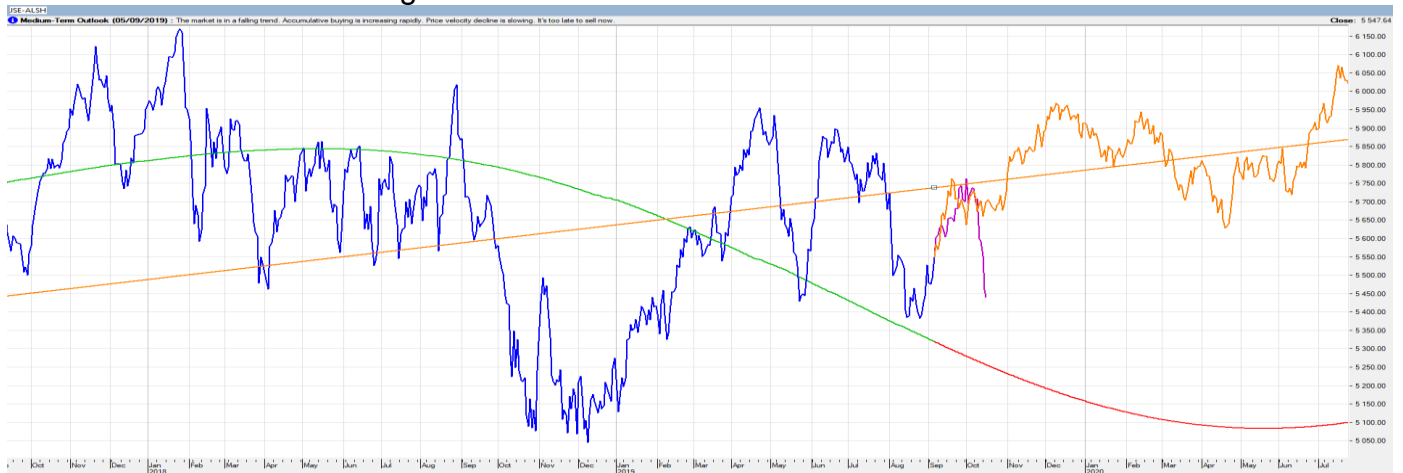

Now turn to the mauve short-term projection which indicates that until the end of this month both short and medium-term waves at in unison which powerfully implies that for the rest of this month the market will likely rise. Furthermore short and medium projections agree that for the first week of next month there is likely to be a down-phase – and always bearing in mind that the green long-term cycle is still negative – and so with all three cycles agreeing the first week of October could be rather weak for the JSE.

Finally, note the straight line which is a trend line stretching back 25 years and represents the long-term growth of the market at, in this case, a compound annual average rate of 2.8 percent a year. Though a straight line, this trend is in fact a super curve which might in fact have something like a 50-year cycle which emphasises that if you did nothing else but buy an all market index you

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would still see some growth in the value of your investment even though it would be likely to do no better than the long-term inflation rate.
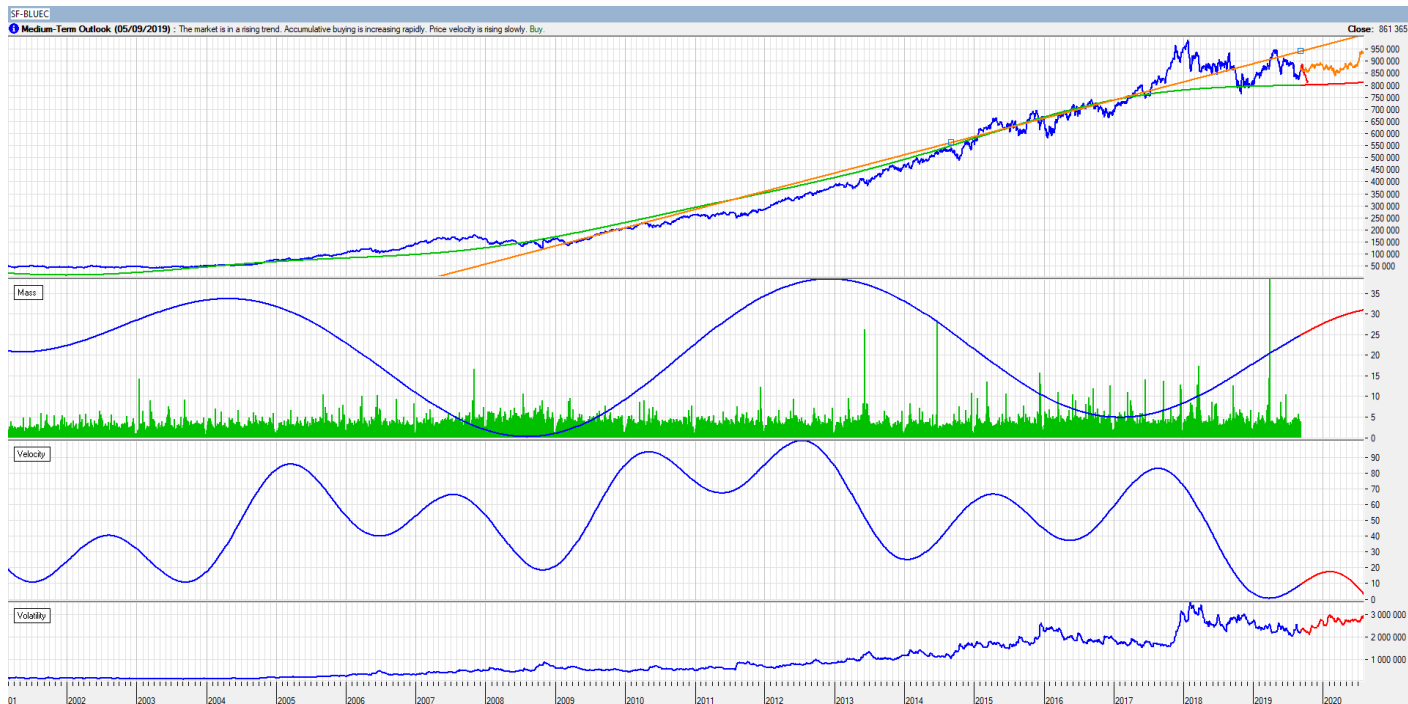
Turning next to the ShareFinder Blue Chips, which are simply a collection of shares of companies which have paid consistently-rising dividends for not less than a decade, it is understandable that these would deliver superior growth over the long term and so lets start by observing that the straight orange trend line in the following graph is rising at 10.9 percent compound; ample reason why you should always confine your investment to this sector for, recognising that over the past 25 years inflation has averaged around 4 percent in South Africa, a blind selection of this category of shares will guarantee that in the long term your money will always grow.
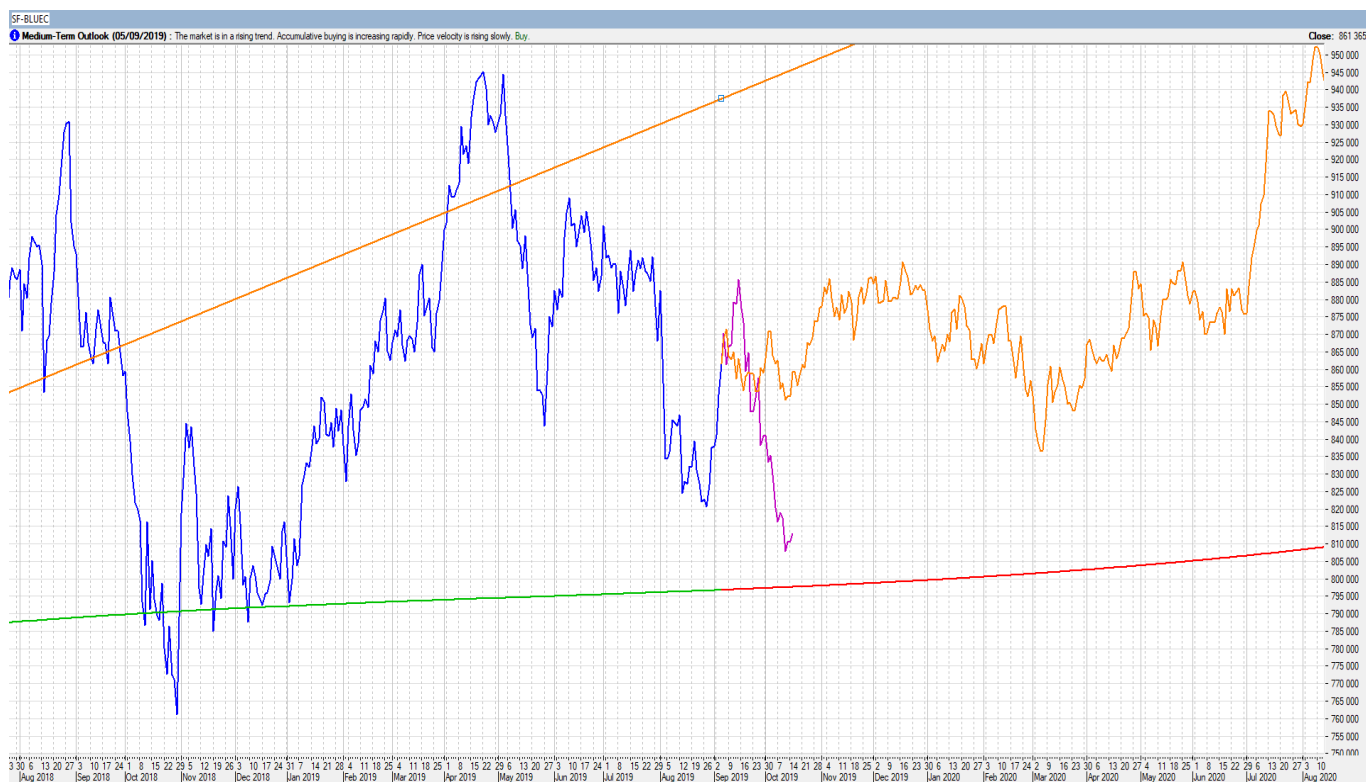
Note further that although the All Share Index is still in a long-term bear cycle until the middle of next year, these shares are still enjoying an up-cycle as emphasised by the green/red long-term wave.

Readers will be aware that ShareFinder long projected that the Blue Chip index would bottom in August and this graph confirms that just that happened. But now note that the orange (medium-term) and mauve (short-term) projections will both in a down-+phase between September 16 and 24 and both agree on an up-phase after October 11 which the medium-term projection suggests will last until mid-December before the next down-cycle begins.
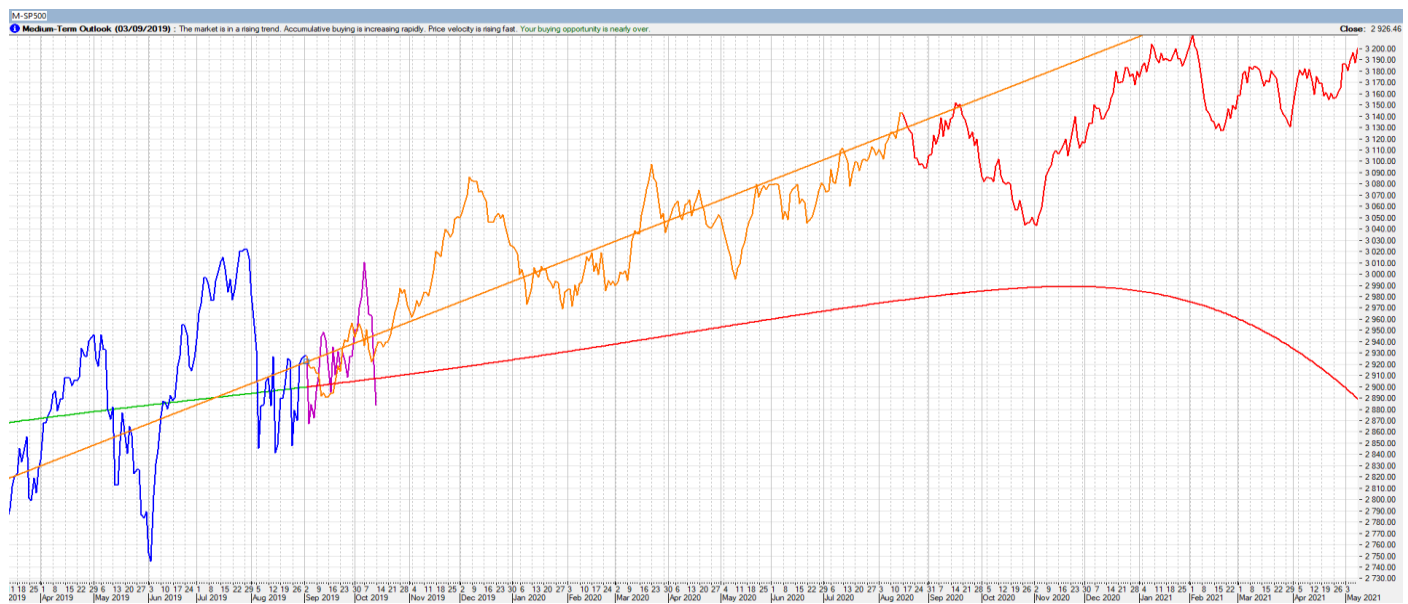
Finally, I offer you the full Blue Chip analysis which allows you to see that the long-term up wave (green) has been in an up-phase since 2002 and is now nearing its peak suggesting that the next major recession could be expected around 2021 or 2022. Note also, the second panel of the display within which the Mass indicator tracks the waves of accumulation and distribution and, below that panel, the Velocity indicator which measures the long-term momentum of buying and selling pressure which exert alternating phases of strength and weakness which collectively determine the likely magnitude of movement of market up and down phases.

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Medium-Term Outlook (05/09/2019) : The market is in a rising trend. Accumulative buying is increasing rapidly. Price velocity is rising slowly. Buy.   Close: 861 365

So reading the entire display it is clear that despite the negativity of the economy Blue Chips have actually been recovering since October 2018 and are likely to continue doing so at least until the end of next year but the momentum of this recovery is likely to start slowing from early in the new year.

Hopefully, experienced users of our software will understand these relationships but it helps from time to time to emphasise these points so that everyone is on the same page.

Finally, let us look at New York's S&P500 Index which is clearly in a continued up-phase until early December and then down until late January but overall in a rising pattern until the end of January 2021 so, notwithstanding the fact that New York's yield curve is now completely inverted – suggesting great uncertainty in the money market and the fear of an impending recession – the fact that we are entering a presidential mid-term phase with Mr Trump seeking re-election for a second term, one can be sure of political manipulation of the US economy which is likely to be good for the market.

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The month ahead:

New York's SP500: I correctly predicted a consolidation before entering another 12 months of recovery with a next weak phase is likely between mid-December and mid-January and I still hold that view.

London's Footsie: I predicted the market would head for an interim bottom in September but that it should be over by early October with the final bottom unlikely before late January and I continue to hold that view.

Hong Kong's Hangsen: I correctly predicted that a recovery would begin from the end of this month and that process now appears to be under way with the next peak likely around early January.

JSE Industrial Index: I correctly predicted the recovery would continue and I now see it peak around the 19th of this month before declining somewhat until late October with another up-phase following until early December.

Top 40 Index: I correctly predicted a recovery which I now see lasting until September 20 before entering temporary weakness until October 24 ahead of the next up-phase until mid-December.

ShareFinder Blue Chip Index: I correctly predicted gains which I still see lasting until mid-December followed by declines until early March.

Gold shares: I correctly predicted a recovery which I still expect to last until mid-December but overlooked an interim decline which could last until the end of this month.

Gold Bullion: I correctly predicted a peak around September 5 with the following decline lasting until late November when a brief recovery appears likely followed by a protracted decline into 2020.

The Rand/US Dollar: I correctly predicted the start of a recovery which I still see it lasting until mid-December.

The Rand/Euro: I correctly predicted that the Rand would continue strengthening relative to the Euro and I continue to expect that to continue until mid October followed by weakness until early December when a brief recovery appears likely.

The Predicts accuracy rate on a running average basis over the past 712 weeks has been 85.24%. For the past 12 months it has been 94.29%.

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