Richard Cluver Predicts

In our 32nd year of service to the investing public

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Against a global backdrop of falling energy prices which are being hailed by analysts as the forerunners of a coming global recession, the ANC has finally acted to articulate a game-changing policy on electricity.

In the following NEC quote this week, though hedged by the usual political speak which included references to the “interests of workers” the ANC has agreed to move on from coal-fired generation to the “lowest cost option” which is without doubt renewable energy sources. Renewables now cost 60c/KWh over the life cycle, while coal costs R1.30/KWh and nuclear is between R1.70 and R2.80/KWh.

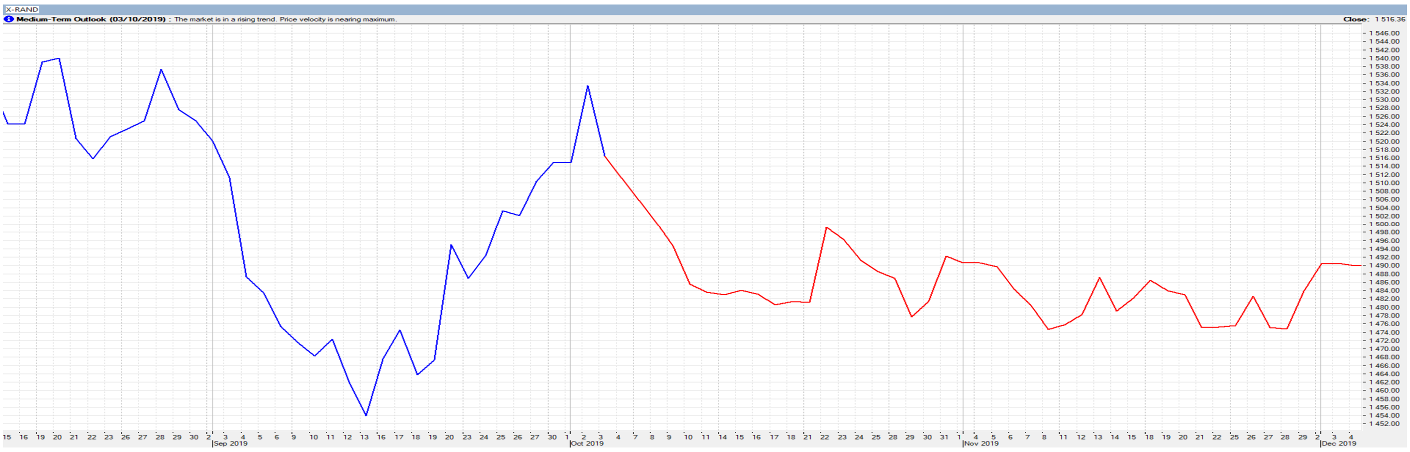
The NEC statement on Tuesday included the following: “The NEC affirmed the approach of a balance between national development goals and global obligations with regards to climate change, particularly in the energy sector. The Integrated Resource Plan should articulate the lowest-cost option for the future energy mix for South Africa, with increased contributions from renewable energy sources. The NEC agreed to develop a strategy on a just transition to a low-carbon path of development that takes into account the interests of workers, communities and broader society. This should include such new technologies as fuel cell applications which require platinum group metals (PGM) which South Africa has in abundance.”

Hopefully we can now finally put to bed the fear that the ANC is still contemplating a Putin/Zuma fleet of nuclear power plants which experts have so often warned could finally bankrupt us. More importantly, taken with subsequent ANC spokespersons comments about selling off our coal-fired plants and lowering the cost of energy, there is a real sense that the Government has finally woken up to the reality facing our economy and is embarking on the necessary fix up.

So, with the talking done, hopefully we might begin to see some of the action the country has so long despaired of happening. Meanwhile, oil prices continued their dramatic decline this week bringing hope that we might see a petrol price decline for the hard-pressed South African consumer in time for the festive season.

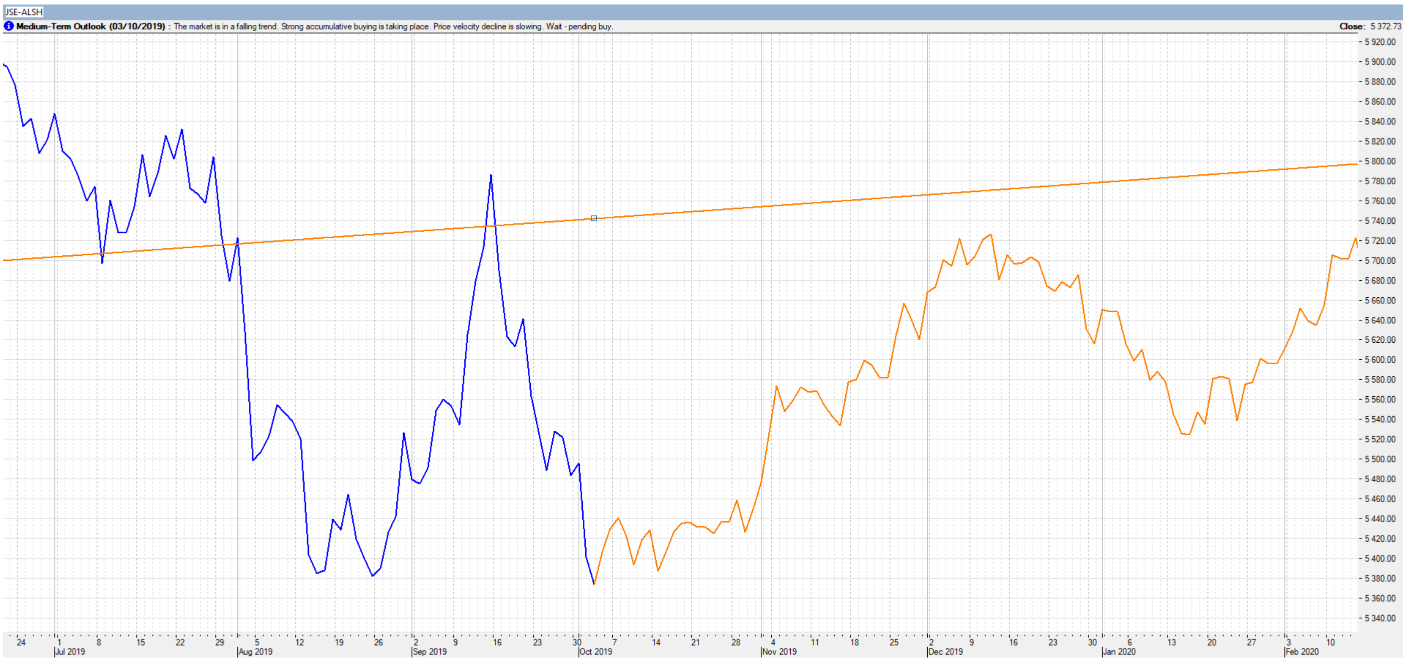
Of course, for that to happen a number of other issues will have to go our way including a benign ratings agency report at the end of this month for, in the absence of a decision by Moodys to hold off junking our bonds, that would inevitably precipitate a massive share sell-off and a Rand collapse.

So, once again I turn to ShareFinder's usually extremely accurate future forecasting system which indicates in the graph below in the red projection that the Rand is likely to continue strengthening until late November when, from a current R15.16 to the US Dollar it could strengthen to R14.75.



Such an event would, of course, be far more important than a simple lowering of the domestic petrol price. It would mean that the delivery of the NEC decision and the up-coming budget would have been enough to stave off a ratings agency down-grade together with a resultant currency and share market collapse.

ShareFinder furthermore projects that the JSE All Share Index will perform positively from here on until mid-December which similarly gainsays a ratings agency downgrade:



The month ahead:

New York's SP500: I correctly predicted a weak phase which should be over by the 16th followed by a recovery until early-December with another weak phase from then until the second week of January.

London's Footsie: I correctly predicted the September recovery would be short-lived with a decline lasting most of the month of October. Around the 23rd I see a fresh recovery beginning but it is likely to be over by late November followed by another decline to the end of January.

Hong Kong's Hangsen: I correctly predicted a decline until the 25th before the start of the next recovery phase which has now begun and should last until early January.

JSE Industrial Index: I wrongly anticipated a recovery would begin last Friday peaking in a series of tops during November before a long New Year decline. I still, however anticipate a recovery beginning between now and October 10 and still peaking in early December.

Top 40 Index: I correctly predicted a temporary weakness which I still expect to last until October 25 ahead of the next up-phase until early December.

ShareFinder Blue Chip Index: With the big drop behind it, I correctly predicted gains which I still see lasting until mid- December followed by declines until early March with a brief downward trend that could disrupt the up-trend at the end of this month.

Gold shares: I correctly predicted a brief recovery followed by a modest decline until mid-month and the latter should begin now. The next recovery should begin in early November lasting until mid-December.

Gold Bullion: I correctly predicted a decline which I expected to last until late November when another brief recovery appears likely followed by a protracted decline into March 2020, and I still hold that view. Now I see a brief up-tick from the 23rd to the 30th.

The Rand/US Dollar: I correctly predicted the interim phase of weakness would be over by the end of September. I now see a recovery until late November.

The Rand/Euro: I wrongly predicted this interim phase of weakness would last until October 9. It is already over and the Rand is likely to strengthen until October 16 followed by weakness until the first week of December.

The Predicts accuracy rate on a running average basis over the past 714 weeks has been 85.27%. For the past 12 months it has been 94.24%.

Richard Cluver