Richard Cluver Predicts

In our 32nd year of service to the investing public

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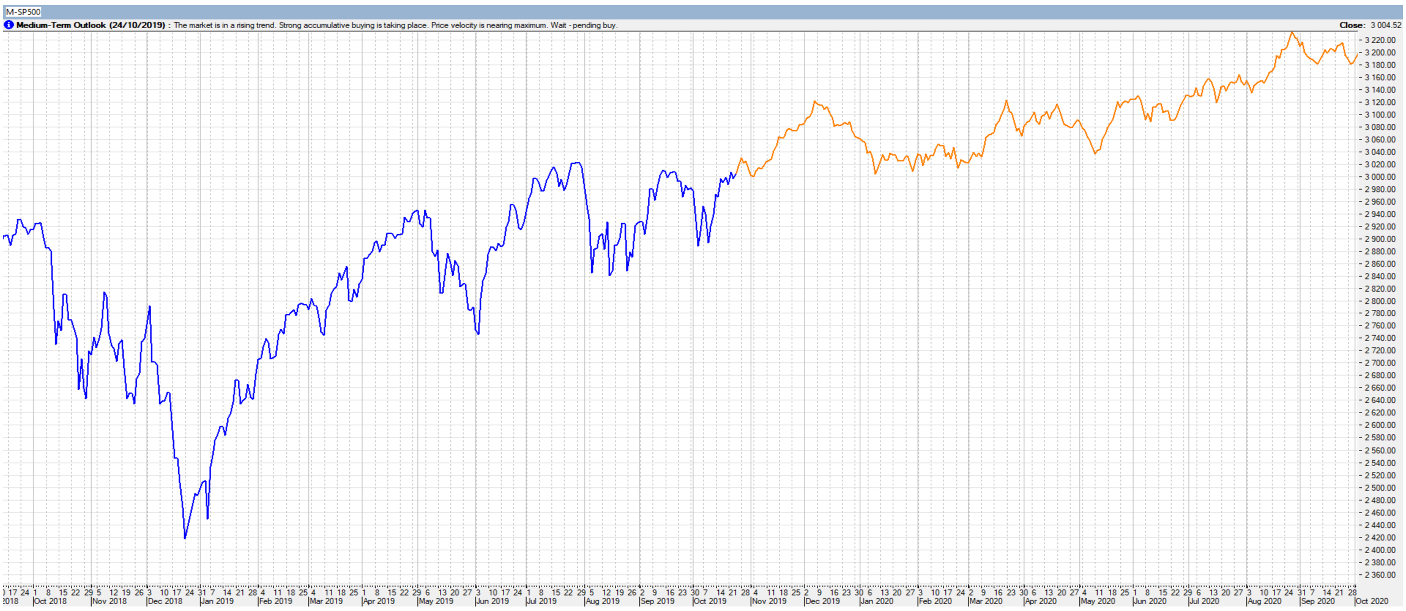
Ninety years ago, this week Wall Street experienced its most troubled day, notoriously known as "Black Thursday," which gave the world the first taste of the worst event ever to happen in the world's economic history, the Great Depression.

What bothers me is that I believe we could be heading for another such event which is why in next week's issue of The Investor I will begin serializing a new book that I am researching in order to explain the parallels between then and now.

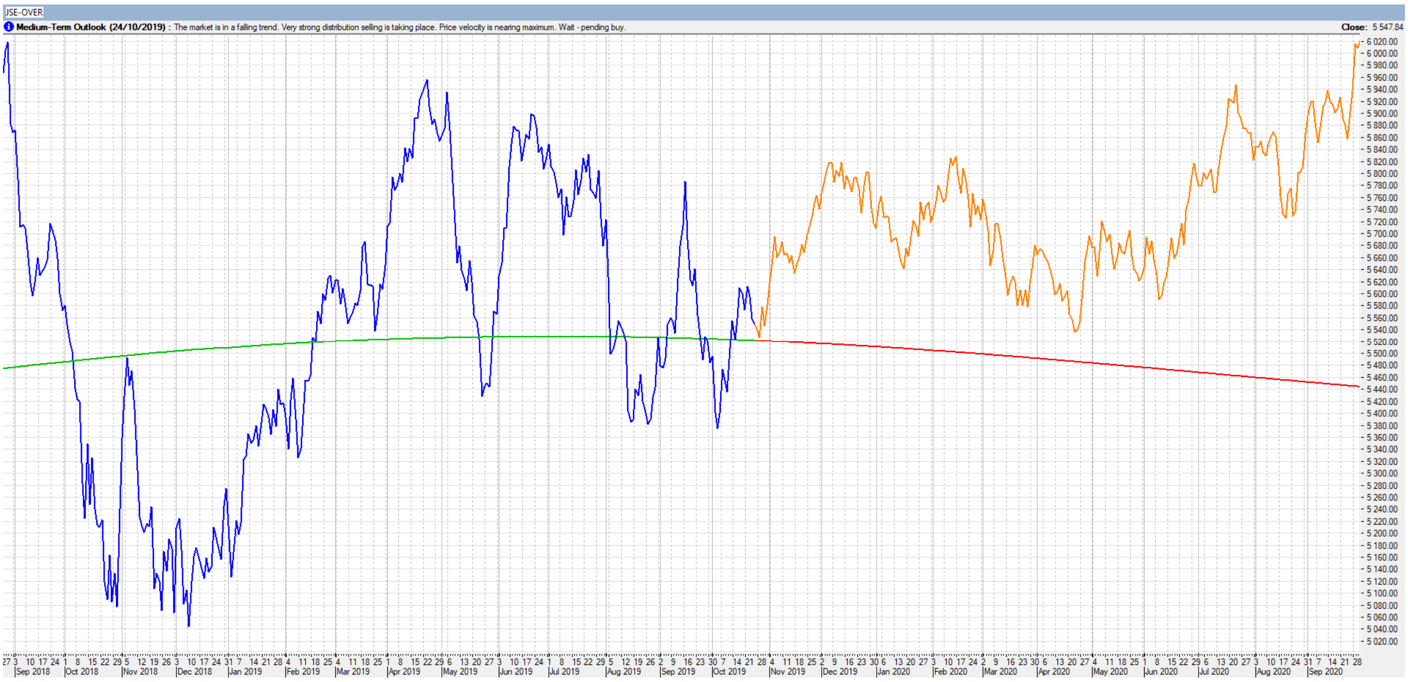
But to return to Black Thursday, that day in 1929 brought the first taste of the Great Crash. At the opening bell, 150,000 shares of oil company Cities Service traded hands for $8.4 million, the largest block trade of stock ever to be recorded. By 10:30 a.m., even the blue-chip stocks were dropping $5 to $10 with each trade, and the ticker tape was running 16 minutes late. At 1:30 p.m., Richard Whitney, president of the New York Stock Exchange and lead broker for J.P. Morgan & Co., marched up to the trading post for U.S. Steel and bid $205 for 25,000 shares—$10 higher than the last bid, and the panic broke. The Dow closed down 2.1% on record volume of 12.895 million shares.

So, it is worthwhile to start today with the observation that notwithstanding a series of indicators suggesting that a US economic recession is likely within the next few years, Wall Street as measured by the S&P500 Index is looking remarkably healthy at this stage of the longest ever bull market. In ShareFinder's analysis below it is projected to keep on rising steadily for the next 12 months. A significant change from this time last year when the index was on its way down for a significant decline of 18 percent between September 29 and December 24.



Note the red line track which is ShareFinder's take on what is likely to happen on Wall Street over the next 12 months.

ShareFinder is not nearly as sanguine in respect of the JSE All Share Index which, if you consider the graph projection below, senses the probability of a marked decline between February and April next year though, like its outlook for Wall Street, it nevertheless senses that by this time next year the overall market will be significantly higher than at present.



But the really good news this Friday is that ShareFinder projects that the Rand will strengthen significantly against the US Dollar in the next few weeks which implies a benign signal from Moodys next week and a constructive mid-term budget from the Minister of Finance. I have created trading bands about the long-term performance of the Rand which over many years has lost annually against the US Dollar at compound 6.9 percent in order to make it clear that the worst period for the rand occurred following the recall of President Zuma and September last year during the time we all became fully aware of the carnage that State capture had caused.

Once we were used to that shock and began the realistic process of putting South Africa right the Rand has settled into a much narrower trading band as represented by the red and mauve lines which, though continuing to weaken, have now settled into a far more benign rate of compound 2.9 percent annually with the Rand projected to continue strengthening throughout the coming year to a strong point of around R14.4 to the US Dollar this time next year.

Since Britain is a major trading partner and likely to become more important if it leaves the EU, it is encouraging to note that relative to the Pound the Rand has only lost value at a compound rate of 2.7 percent a year over the past 30 years as denoted by the green line albeit the relationship have been very volatile in recent years.

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In my graph below ShareFinder projects that the Rand will gain significantly against the Pound between now and the end of the year taking our exchange rate to R18.1 to the Pound by mid-December. However ShareFinder is not so sanguine about the Rand's relationship with the Pound in the New Year sensing that we could reach close the R21 to the Pound by this time next year.

The month ahead:

New York's SP500: I correctly predicted a continuing recovery which I still see lasting until early-December, with another weak phase from then until the second week of January before a long growth period. Now I see brief weakness for a week from next Monday ahead of strong gains until early December.

London's Footsie: I correctly predicted a bullish phase lasting until late November and I continue to see this followed by declines to the end of January before a volatile recovery becomes the dominant theme for the year ahead.

Hong Kong's Hangsen: I correctly predicted the beginning of an interim decline which should end today followed by gains until December 9. But thereafter I see declines all the way until April before the next bull phase sets in.

JSE Industrial Index: I anticipated a recovery but was premature in the call. However I expect it to begin now and last until the first week of December followed by a volatile decline until June.

Top 40 Index: I correctly predicted a brief decline until the 28th when a solid recovery could begin lasting until early December followed by weakness until mid-January.

ShareFinder Blue Chip Index: With the big drop behind it, I correctly predicted gains which I still see lasting until the first week of November when, following brief weakness, I see gains until the end of the year.

Gold shares: I correctly predicted the next upward surge beginning and lasting until mid-December.

Gold Bullion: I correctly predicted a volatile sideways trend until the 23rd when another upward spike was possible followed by a decline beginning on Wednesday through to the end of November before a long recovery period.

The Rand/US Dollar: I correctly a recovery which I still see lasting until the end of December.

The Rand/Euro: I correctly predicted gains until the first week of November followed by weakness until the end of December.

The Predicts accuracy rate on a running average basis over the past 717 weeks has been 85.3%. For the past 12 months it has been 93.8%.

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