



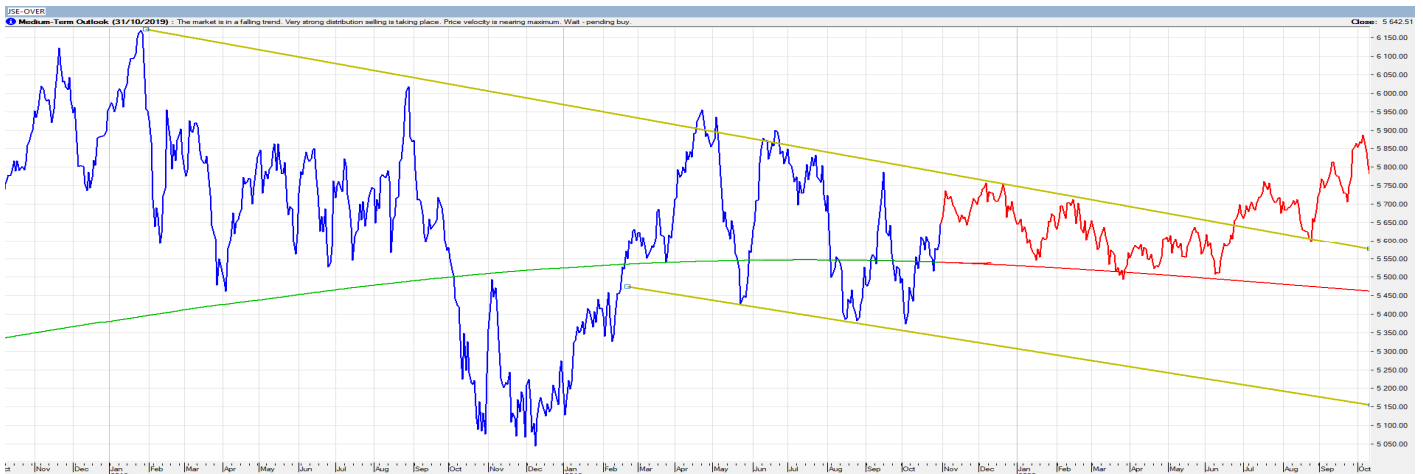
The Wall Street Journal noted yesterday that investors were breathing sighs of relief that US corporate profits haven't waned as much as feared, giving new life to a stock-market rally that had largely stalled since the summer.

Although US corporate earnings have been on track to decline for the third consecutive quarter, about 75 percent of the 280 companies in the S&P 500 that have posted results through to this week have beaten expectations. That's slightly above the five-year average of 72%. While overall profits are expected to fall about 3.2% from a year earlier, the steepest decline since 2016, most analysts have called a bottom and now project earnings growth to accelerate next year, helping to allay fears of a potential recession.

Meanwhile here at home the rand remains under pressure as markets await the outcome of this evening's expected announcement by Moody's Investor Services on SA's sovereign rating. The rand shed 0.6% yesterday and was last trading this morning at R15.10 to the US dollar, 50c weaker than just before the MTBPS speech.

There has, however, been some good news on equity markets this morning, as a positive manufacturing activity report in China helped lift shares in Asia. Asian shares had initially fallen following small losses on Wall Street and a Bloomberg report that suggested China and the US were some way off concluding a long-term trade deal.

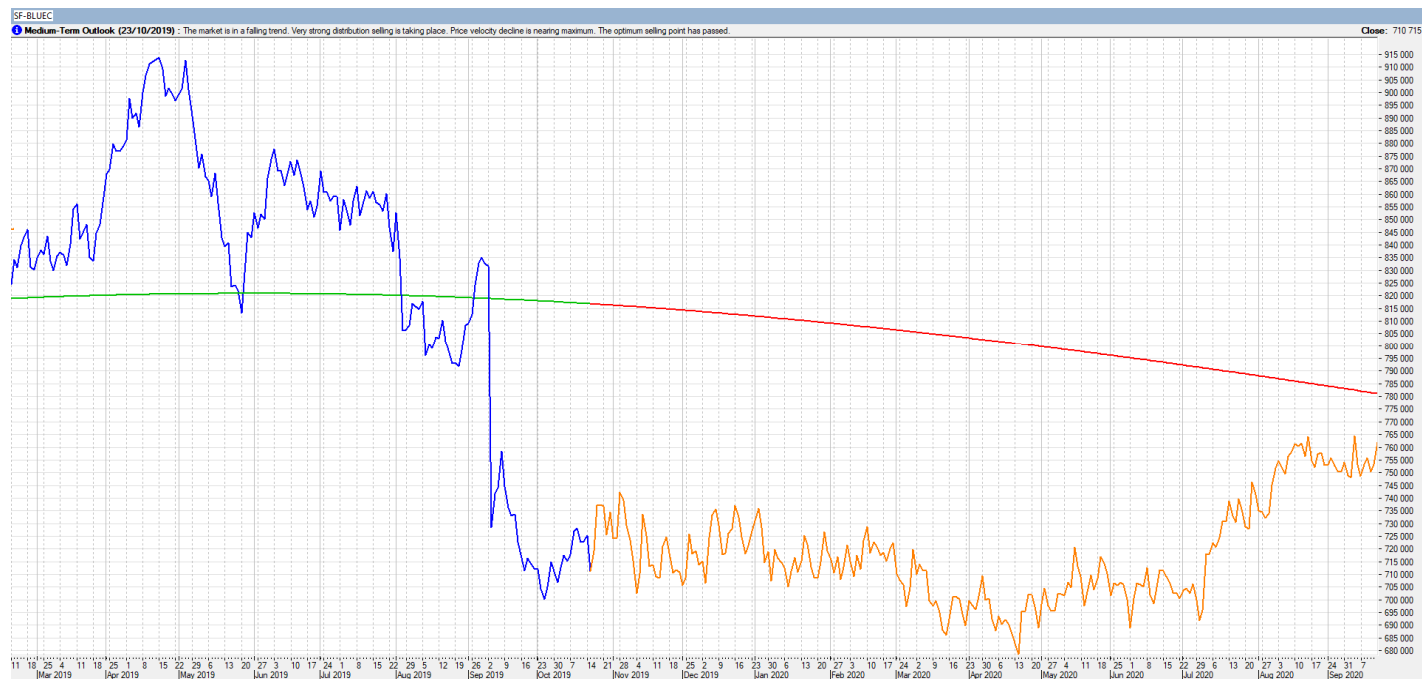
My thumb in the air measurement this morning senses a cautiously optimistic outlook in the short to medium term but I am troubled by our Finance Minister's answers in Parliament yesterday in which he appeared less than optimistic about the probability of the Moody's report due out this evening. Furthermore, ShareFinder remains pessimistic about the JSE All Share Index which remains locked in a downward-trending pair of parallel trend lines which I have coloured yellow in the example below:



But do note that ShareFinder senses an upward break-out from this pattern in the second half of the new year with steadily-diminishing volatility in the months preceding that event and the actual bottoming of this market in late March.

The ShareFinder Blue Chip Index has been artificially diminished by the impact of the Naspers/Prosus share split which was actually positive for investors who received a healthy cash injection. However, the index is lumbered with my definition that a newcomer to the market must languish for five long years before its performance can be taken seriously as a potential Blue Chip and so Prosus is currently not included among the Blue Chips when, because of its pedigree it really should be. Hence the sharp decline that is registered in the graph during September which we are giving serious thought to eliminating.

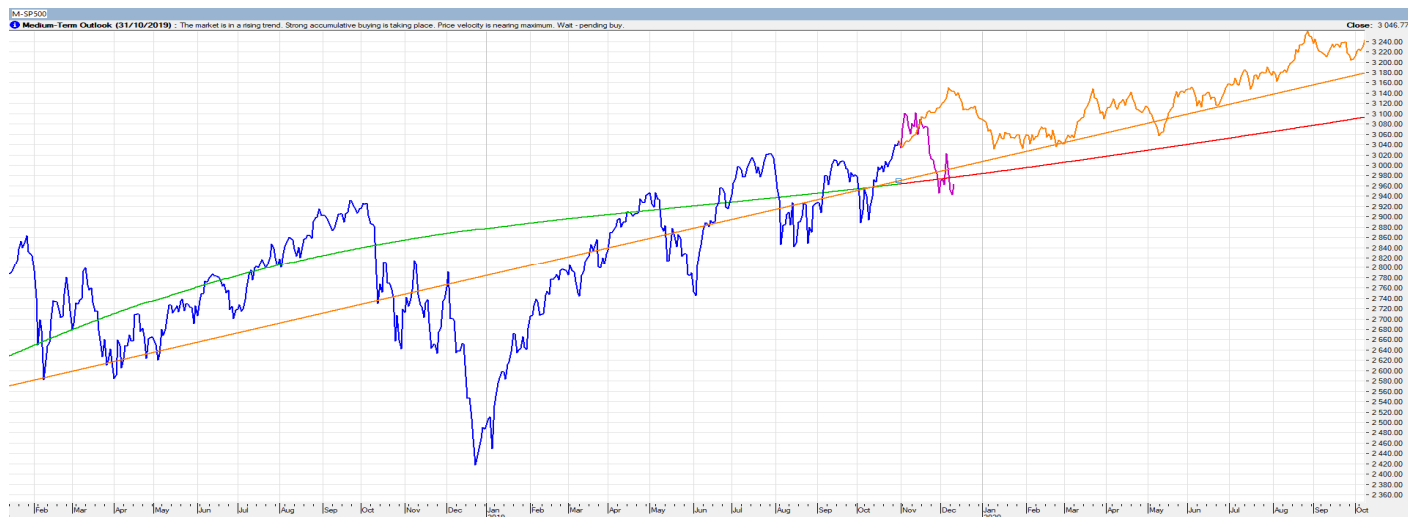
However, such an intervention would not be likely to cause much change to the current projection which, you will note, agrees with the All Share Index projection that the market will bottom in mid-April before beginning a long slow recovery:



ShareFinder is hedging its bets about the outcome of the Moody's report with a short-term (purple) projection of rand weakness until mid-November. However, the more reliable medium-term projection (orange) predicts that the rand will recover continuously between now and the end of the year (yellow trend line) before turning negative in the new year as denoted by my black trend line.



Of course, in the end it all depends upon what happens on Wall Street and here ShareFinder remains positive for US stocks which it sees continuing to gain value throughout the coming year:



So, who knows, perhaps the Gods will continue to favour our markets notwithstanding the shaky pass South Africa has mismanaged itself towards in these past few years. At least we now appear to have a Minister of Finance no longer in denial about our circumstances and apparently prepared to take the hard choices that are necessary to put us on the road to recovery...and a State President who is prepared to back him up.

And who knows, perhaps the Boks will beat the Brits tomorrow and give us all something to celebrate!

The month ahead:

New York's SP500: I correctly predicted a continuing recovery which I saw lasting until early-December, with another weak phase from then until the second week of January before a long growth period, and I continue to hold that view.

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 brief bull phase that began in August and should continue until early January. Thereafter I still see declines all the way until April before the next bull phase sets in.

JSE Industrial Index: I correctly anticipated a recovery lasting until the first week of December followed by a volatile decline until June.

Top 40 Index: I correctly predicted the beginning of a recovery lasting until early December followed by volatile weakness until mid-year.

ShareFinder Blue Chip Index: I correctly predicted gains which I still see lasting until the first week of November followed by weakness until mid-April.

Gold shares: I correctly predicted the next upward surge which I still see lasting until mid-December followed by a weaker trend for most of the New Year.

Gold Bullion: I correctly predicted a volatile sideways trend until now. Now I see weakness until mid-month followed by gains until early December. However the outlook for the New Year is negative.

The Rand/US Dollar: I was premature in predicted a recovery but I still see one lasting until the end of December before fresh weakness sets in.

The Rand/Euro: I was also premature in predicting gains until the first week of November. Now I see only modest gains until the end of the year followed by weakness well into the New Year.

The Predicts accuracy rate on a running average basis over the past 718 weeks has been 85.31%. For the past 12 months it has been 93.59%.

Richard Cluver