Our Weekly Paid Newsletter

Richard Cluver Predicts

In our 37th year of service to the investing public of South Africa

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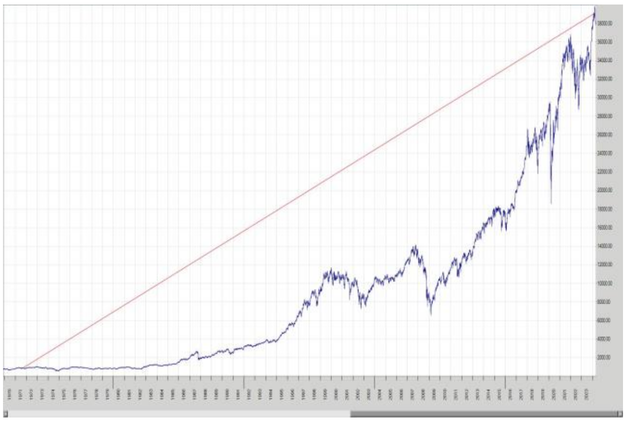
Last week I showed how, by creating a 'Least Squares Fit' graph in which a trend line intersects the greatest number of graph turning points on the historic gold graph, it was then possible to derive upper and lower limit lines which are a very useful guide to establishing when markets are overbought and over-sold.

Because readers seem to prefer that I do the work for them, that column prompted a few calls about how current share market graphs appeared using the same methodology. So let's use the same approach to look at Wall Street where, as analysts always observe, "When Wall Street sneezes the rest of the world gets pneumonia."



Accordingly I chose ShareFinder's depiction of the oldest market index of them all, the Dow Jones Industrial Average and I have taken my line from August 1971 when President Nixon ended the Gold/Dollar link. That trend line indicates a compound annual average growth rate of 7.63 percent overall.

Since, on average, share markets fairly accurately reflect the sum of national currency inflation and productivity growth, if we subtract the long-term average US productivity average, as determined by the US Bureau of Statistics as 2.2 percent, we must conclude that actual US inflation has averaged 5.43 percent compared with the official rate of 3.5. Using last week's calculation of the gold price average gain of 8.13 and deducting the official productivity gain similarly gave us 5.93 and so we have a very strong reason to believe that real US inflation is closer to an average of 5.43 and 5.93 - or approximately 5.68 - some 62 percent higher than the official rate and representing a very significant hidden tax!

But from the share market investor's long-term view, the critical issue right now is not so much the slope of the trend lines but their relativity to the red projection on the right of current index trends:

So let's expand the Wall Street projection so you can get an idea of what ShareFinder thinks is likely to happen in the foreseeable future. And the good news in the graph below is that although our AI projection thinks in red that the Dow is likely to continue declining at a modest compound -1 percent for the next two years, it also does not see the decline being as catastrophic as some researchers are warning - inasmuch as it gets nowhere near penetrating the ultra-long-term yellow line!

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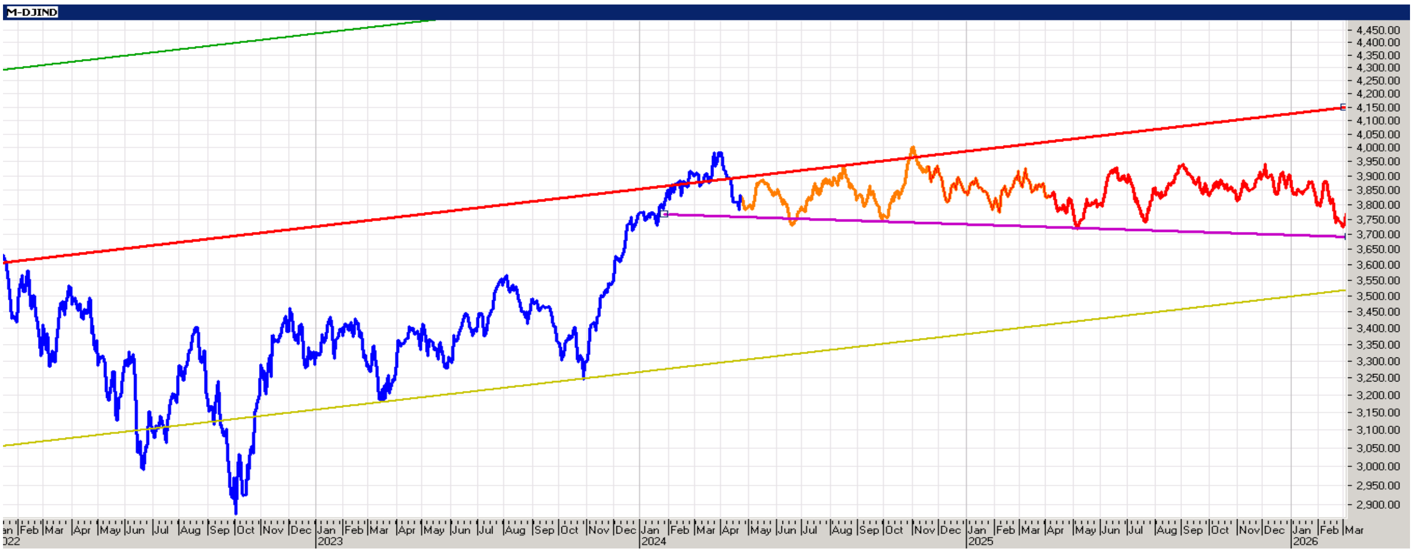
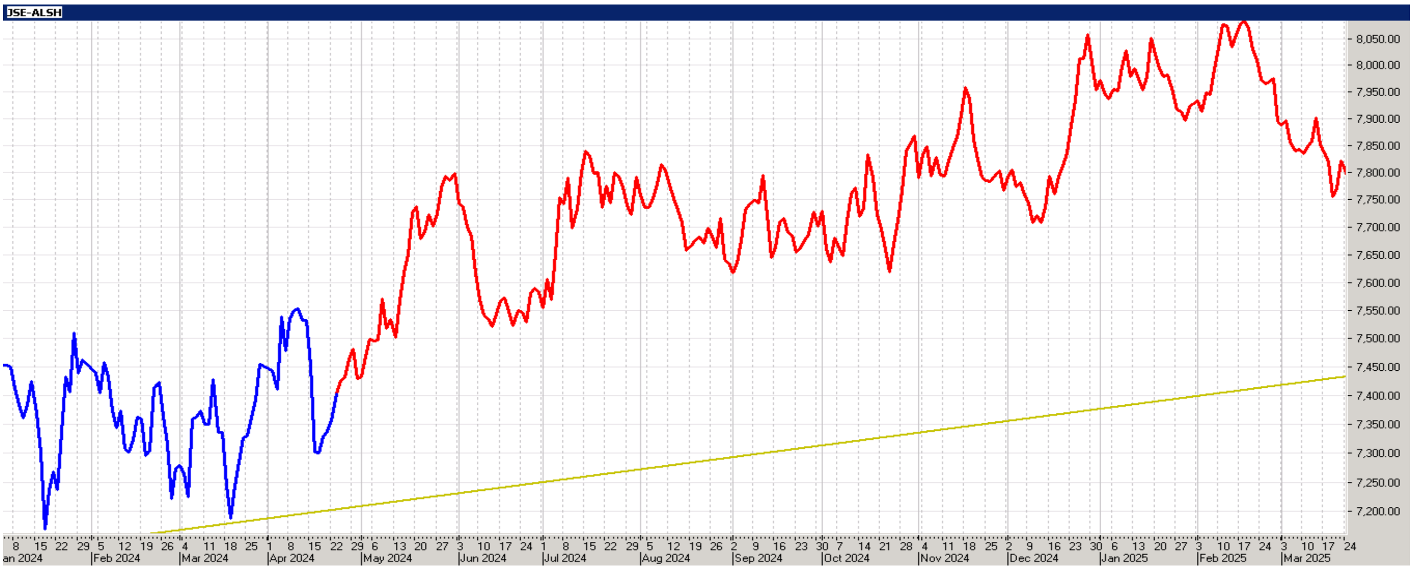
Here is an expanded version of the projected future:

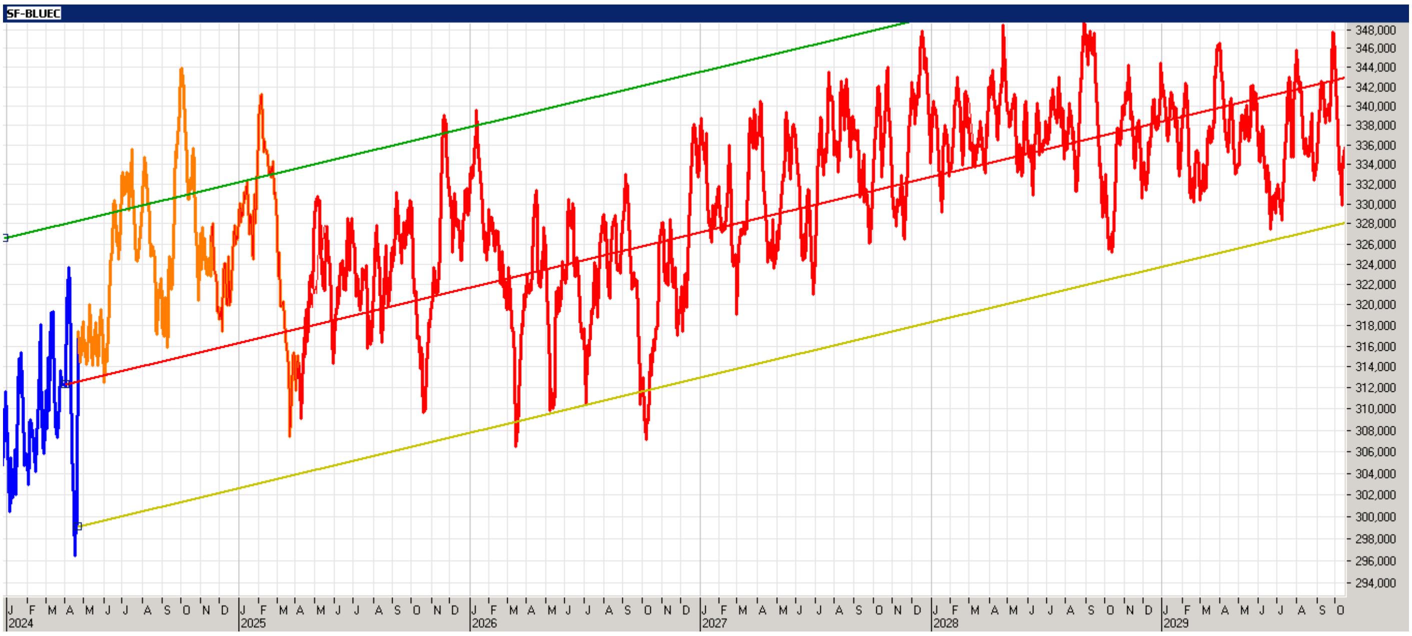


Furthermore, so far as the South African market is concerned, the further good news that I have been relaying to readers for some months now, is that ShareFinder continues to project good growth ahead. Admittedly it sees a brief and quite painful drop right after the election starting on May 31 but ShareFinder thinks that worry will all be over by June 13 with solid gains ahead at least until mid-February 2025. Furthermore the periodic bouts of modest weakness it senses from mid-July to late October and from mid-November to early December get nowhere the yellow long-term support line!



ShareFinder is similarly positive about SA Blue Chip shares right into the future with our quality shares continuing to make new highs right into late 2028. I can accordingly conclude that worst case fears of a post-election alliance between the ANC and Jacob Zuma with Julius Malema bringing in Floyd Shivambu as the enabler to pick the carcass of our once-wealthy nation is not, according to ShareFinder's projections, likely to happen. Were it to be, that yellow support line would have surely been decisively penetrated in the next few months...not very briefly in 2026:

Here is the Blue Chip projection to the end of this decade:



The month ahead:

New York's SP500: I correctly predicted the beginning of weakness to the end of April. Now I see the present recovery continuing to the end of May followed by a two-week dip and then more gains to mid-July.

Nasdaq: I also correctly predicted the down-turn which I still expect to last to approximately May 10 followed by gains to the end of July ahead of a long decline well into the New Year.

London's Footsie: I also correctly predicted the start of five weeks of gains until May 27 then a month down to June 25 and two of recovery to a mid-August peak and then down to year-end.

France's Cac 40: I correctly predicted gains from mid-month. Now I see weakness until early July followed by gains to mid-September and then losses to year-end.

Hong Kong's Hangsen: I correctly predicted weakness ahead of an extended recovery well into the New Year.

Japan's Nikkei: I correctly predicted a lengthy sideways to weakening trend with an extended recovery beginning at the end of May and lasting until late November.

Australia's All Ordinaries: I correctly warned of weakness to the end of this month ahead of a volatile recovery from month-end to late June followed by weakness right through to next February. Six weeks of gains are, however, likely from the end of September.

JSE Top 40 Index: I correctly predicted a volatile recovery until the end of October.

ShareFinder JSE Blue Chip Index: I correctly predicted gains within a very volatile long-term recovery until late September. Now I see a brief drop to May 6 followed by volatile gains until early July

Rand/Dollar: I correctly predicted brief weakness until mid-June with a short gain between May 24 and June 4. Long term I see gains well into the New Year.

Rand/Euro: I correctly expected weakness from now until early July followed by gains until the end of August.

The Predicts accuracy rate on a running average basis since January 2001 has been 87.23 percent. For the past 12 months it has been 93.3 percent.