Richard Cluver Predicts

In our 28th year of service to the investing public of South Africa

Volume: 28

Issue: 8

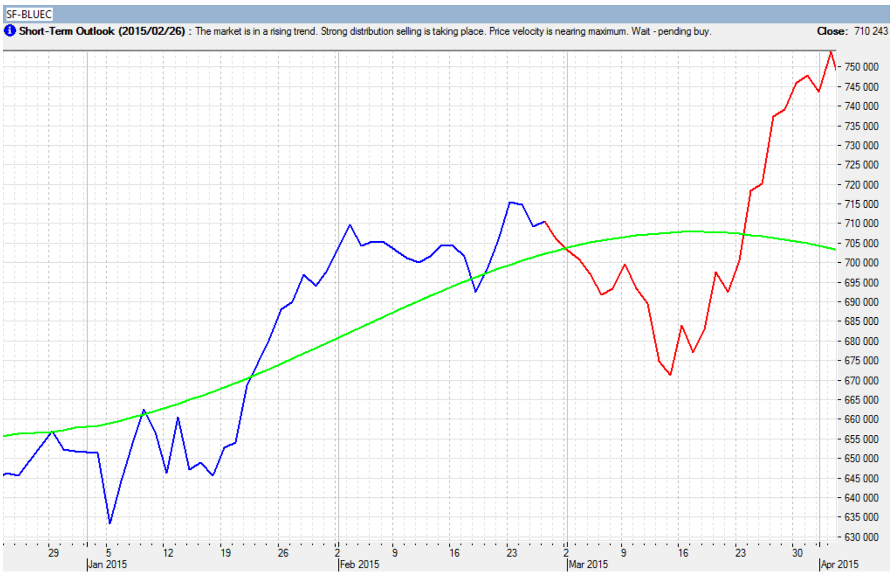
27 February 2015

Finance Minister Nhlanhla Nene's budget might not have inspired many with his creative flair and the pundits are agreed that it is unlikely to do anything for the causes of economic growth and job-creation, but investors can be grateful that he did not take the fateful step of increasing capital gains and dividend taxes. Nevertheless his message to business and to desperately-needed foreign investors is "Stay away we don't want you."

Raising Capital Gains and dividend taxes had been widely expected because the ANC's Tripartite Agreement partners have increasingly demanded that he should tax the wealthy who, they argue, own a disproportionate amount of South Africa's assets. And, listening to his budget preamble this week, I was sure increased wealth taxes were coming when he disparagingly commented that blacks owned a mere three percent of the shares listed on the Johannesburg Stock Exchange.

Now, as the JSE itself announced late last week: "Black South Africans hold **at least** 23% of the top 100 companies" while "White South Africans hold about 22%. And that puts an entirely different spin on things. Just like the fiction that white farmers own 80 percent of South Africa. Actually the Government does not know what the real figure is because it has never carried out a thorough audit. However the Kwa-Zulu Natal Agricultural Union has done one which shows that just 15.4% of Natal's surface area is White-owned. And there is evidence to suggest that similar figures apply elsewhere.

While such misinformation continues to shape Government thinking, it is understandable that this country cannot create a credible economic policy. While there is no doubt that there is a deeply unhappy divide between rich and poor, it is clearly no longer a racial issue and it is time that we learned to move beyond racial politics: time that we accepted that the only way to grow our economy and create the jobs that might end our widespread poverty is to firmly and with enthusiasm adopt investor-friendly and a business-friendly policies.



Minister Nene has failed miserably on both those fronts and by raising taxes instead of curbing Government spending he has moved merely to entrench the status quo and the consequence of his actions is already plain in the behaviour of JSE Blue Chip shares which have been losing ground since his budget speech as is clear in my composite on the right.

Happily, ShareFinder's calculations suggest that the Nene effect will be

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comparatively short-lived and it is likely to be over by the middle of March after a decline which on current projections looks likely to be of the order of six percent.

Furthermore, as the composite on the right shows, the current weakness of the JSE is more likely the consequence of a developing phase of weakness on Wall Street rather than simply a Nene effect. In New York ShareFinder is projecting the probability of a 7 percent decline over the same period.

And, as my second composite on this page well-illustrates, ShareFinder thinks that London is in for an even worse beating before March is out.

All in all, it will offer investors a buying opportunity to take advantage of. So my choice this week is Capitec Bank which, although it has run hard in recent months, appears likely to continue rising for most of this year as pictured in my last composite on this page. You might be able to get it at R417 on Monday.

The next month:

New York's SP500: I correctly predicted gains but now I see declines for most of March.

London's Footsie: I correctly predicted the beginning of weakness which I expect to last throughout March.

JSE Industrial Index: I correctly predicted a whip-saw market trending largely downwards until-mid March at least, and I continue to see that.

Top40 Index: I correctly predicted that the market would peak and now I see the decline lasting until March 10.

The ShareFinder Blue Chip Index: I correctly predicted a declining trend which I see lasting until March 13.

The Rand: I correctly predicted gains which I now expect will continue until the end of March.

Golds: I correctly predicted a decline which I still expect will last until mid-March.

Bonds: I correctly predicted the beginning of a recovery which I continue to expect will last most of March.

The Predicts accuracy rate on a running average basis over the past 537 weeks has been 82.96%. For the past 12 months it has been 91.35%.

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