



Richard Cluver Predicts

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



Volume: 28

11 December 2015

Issue: 42

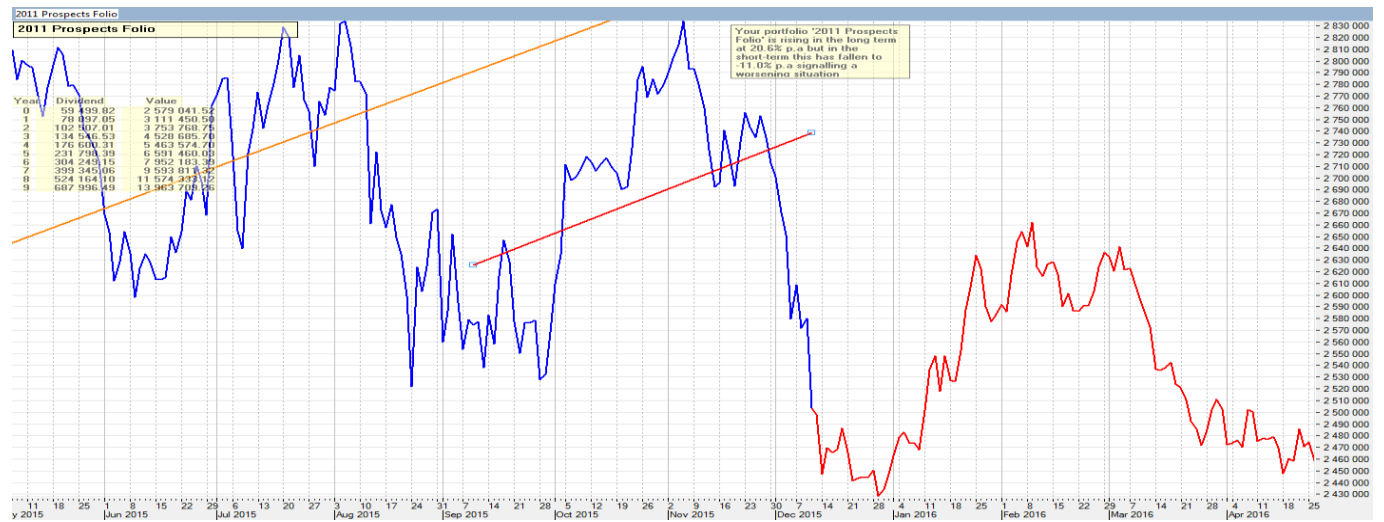
I had to check the date when I opened my morning newspaper yesterday lest I was confused and it was actually April 1.

Way back when it was popular dinner party chatter to maintain that if Jacob Zuma was elected to be president of South Africa, that would be the time to emigrate and since the latter's unexplained decision to axe Minister of Finance Nhlamhla Nene I have no doubt that countless South Africans are wishing they did.

The Rand has taken a beating which will severely hurt everyone planning a holiday abroad this Christmas and battering the value of investment portfolios. Worst of all, the poor, whom Zuma claims to represent, will pay dearly as the decline of the Rand batters the price of essential foodstuffs which, as a consequence of the drought, have to be imported.

That is only the beginning because by this action Zuma has all but guaranteed that our national credit rating will be downgraded to junk status which implies that foreign pension funds that have invested heavily in our Blue Chip shares and our sovereign bonds, will be forced to sell. That will torpedo our share market and massively impact upon the economy.

Recently we have all been bracing ourselves for tax increases in recognition that Zuma's government has run out of money. Now with the cost of government borrowing already costing us 10 cents in every Rand of the revenue the Government receives from taxpayers, that levy is bound to dramatically increase.



For readers of this column who actively follow the Prospects Blue Chip Portfolio, the cost of Zuma's actions, coming as they have in the wake of an already serious market situation following on the ratings agencies downgrade of our sovereign status, has been R76 748 in the first day and it is likely to get worse in the days ahead.

As ShareFinder projects in the graph above, the portfolio is likely to continue losing value until after Christmas after which it should begin recovering unless there is fresh foolishness ahead

that might worsen the current outlook. Following the February budget, ShareFinder thinks it will lose value again, implying further shocks at that time.

The Rand, which lost value relative to the Dollar at a compound annual rate of 3.9 percent from the time the ANC Government came to power, began losing value at compound 14.4 percent annually after Zuma took office. Since the beginning of this year that rate has accelerated further to 43.9 percent as illustrated below. I expect it to worsen more in the weeks ahead.



The next month:

New York's SP500: I correctly predicted a sharp plunge and I see weakness continuing until Christmas..

London's Footsie: I correctly predicted the start of a declining trend which should be over very soon with a recovery until the end of the year.

JSE Industrial Index: I correctly predicted declines which I now see lasting until Tuesday followed by a brief recovery. However the best we can now expect will be a bumpy sideways trend.

Top40 Index: I correctly predicted the beginning of a decline which I now see lasting until the middle of next week, followed by a recovery until Christmas..

Gold: I correctly predicted a recovery, but it is likely to over very soon.

The Rand: I correctly predicted a brief recovery but it is already over. Now I see another recovery beginning either today or Monday.

The Predicts accuracy rate on a running average basis over the past 571 weeks has been 83.61%. For the past 12 months it has been 94.32%.

Richard Cluver