



Richard Cluver Predicts

In our 29th year of service to the investing public of South Africa



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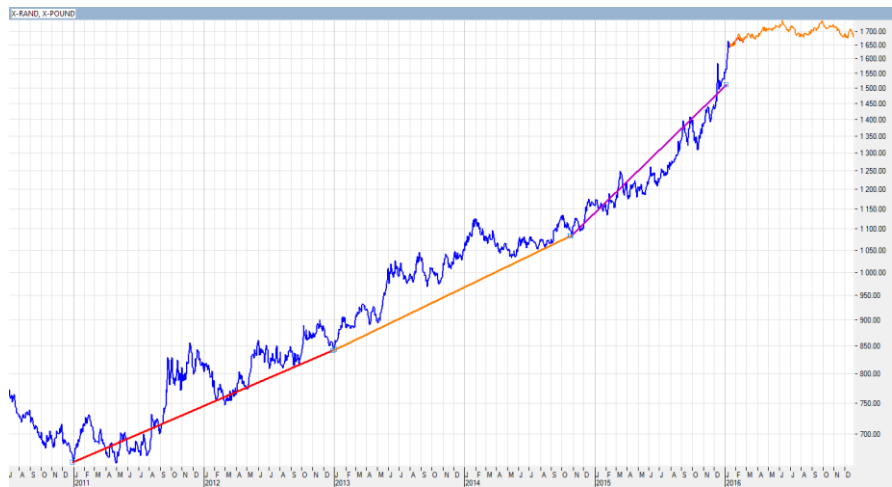
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Could it get any worse? Now one of the world's top merchant banks is betting that the Zuma administration is bent of destroying our economy and has listed the Rand as the main currency to short which makes us vulnerable to massive further weakness.

Goldman Sachs' global markets team has identified shorting the rand as one of its top trades for this year due to falling commodity prices and South Africa's current account deficit. According to the businessinsider.com, the Rand and the Chilean peso were both identified by Goldman as shorting opportunities in 2016 as both are major metals producers.

To short a currency is to sell that unit with the aim of making a profit when the price of that currency falls. To go long is to buy a currency with the expectation that the asset will rise in value.

My first graph on the right details how the Rand has fallen in value relative to the US Dollar during the Zuma years. From January 2011 to December the following year the Rand weakened at compound 12.5 percent. Then from January 2013 to January 2015 it weakened at compound 17 percent while from January 2015 to the present it has been weakening at 48.3 percent compound annually.



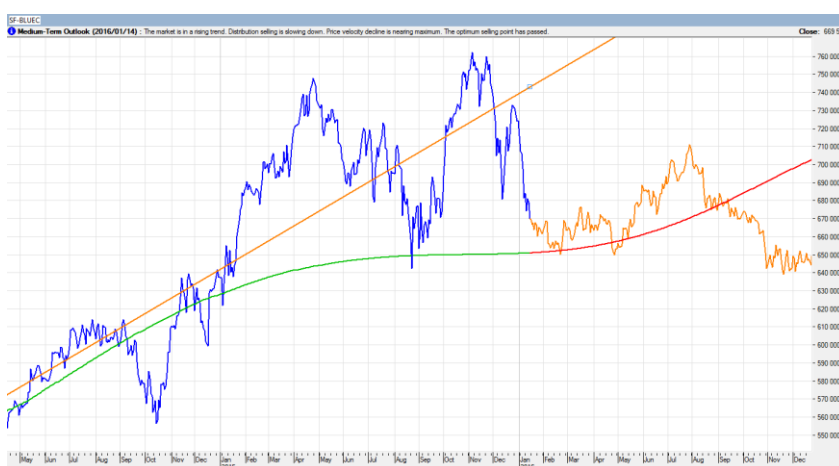
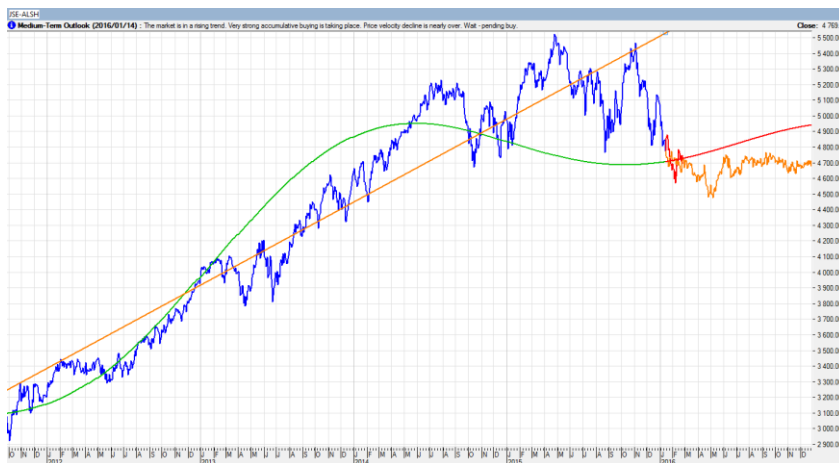
In my second graph I have gone back further to the halcyon days of post apartheid South Africa when, if you take a straight line linking the Codesa days through to the Jacob Zuma days, you can see the Rand was losing just 5 percent a year although there was a forerunner of what we are now seeing taking place



from January 1996 to March 2002 during which the Rand went from R3.63 to the Dollar to 12.0487 to the Dollar before falling back to R5.67 in December 2010. That time around we were rescued by the beginning of the minerals boom that largely insulated us and other commodity producers from the worst of the sub-prime crisis. And of course many are hoping

that we will once again see the Rand recovering as it did in 2002 and 2003 and again in 2009 and 2010. Sadly however, there is nothing on the horizon this time around that can suggest an economic rescue.

A major ANC loss of municipal control in the mid-year elections which might be interpreted by overseas investors as heralding the beginning of the end of an era of kleptocracy might offer something of a psychological boost, but any benefit that might offer is likely to be more than outweighed by the near certainty of our government bonds being downgraded to junk status by the ratings agencies. Nevertheless, as my first graph on this page details, ShareFinder projects that the JSE All Share Index will bottom in late April and begin a reasonable recovery thereafter and I have learned to trust the programme's predictive ability. However, the Blue Chip Index (second graph) has another tale to tell suggesting that the mid-year recovery could be over by the end of July.



I accordingly end as I did this month's Prospects letter suggesting that you take this opportunity to move cash offshore while you can and to prepare to invest on the New York and London exchanges. Our associate Kylie Jerg can assist you both to transfer capital and to open an account with Saxo Bank. E-mail her at Kylie@banyan.co.za

The next month:

New York's SP500: I correctly predicted weakness until mid January. Now I see the start of a recovery.

London's Footsie: I correctly predicted a decline. Now I see a recovery lasting into mid-February.

JSE Industrial Index: I wrongly predicted a recovery. Now I see the decline continuing well into February.

Top 40 Index: I correctly predicted the beginning of a recovery but it was very short-lived. Now I see another brief upward spurt but it is likely to be over by mid-week running down again until the 26th.

Golds: I correctly predicted a brief recovery which is likely to be end today followed by an erratic decline until mid-February.

The Rand: I correctly predicted the start of a recovery which I see lasting ten days.

The Predicts accuracy rate on a running average basis over the past 574 weeks has been 83.59%. For the past 12 months it has been 93.02%.

Richard Cluver