Richard Cluver Predicts

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

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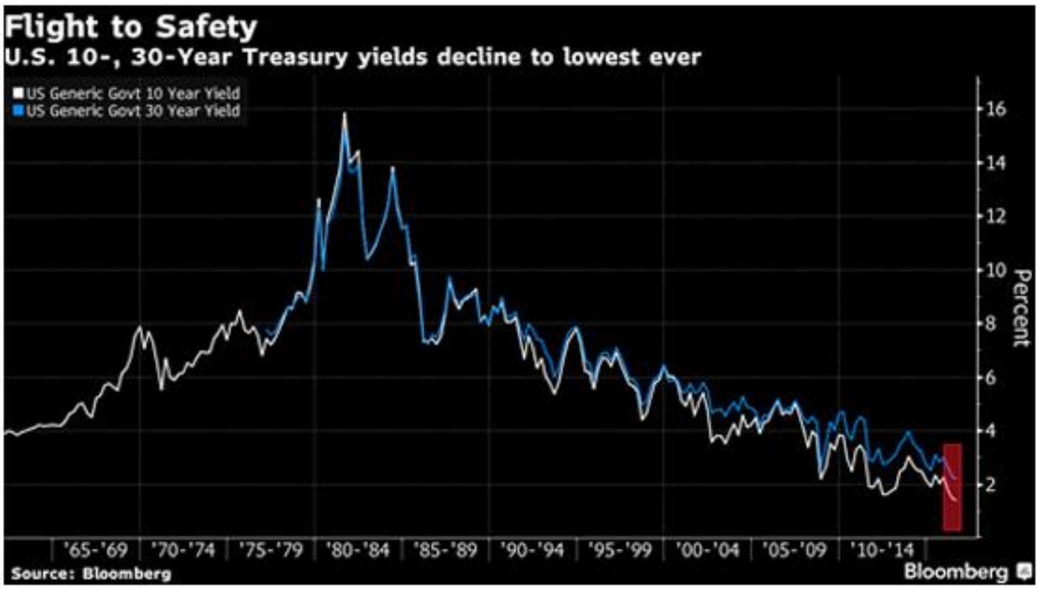
I have been preparing this week for a talk I will be giving at the Kloof Country Club on Tuesday, July 26 as a fundraiser for the Rotary Club of Kloof. The subject is "Brexit and how to survive the coming global economic crisis."

It has led me to delve deeply into the causes of the current global economic malaise searching for solutions that are simply not forthcoming from the great economic brains of this planet. In a nutshell, the cause of democracy has obliged politicians worldwide to promise the economically undeliverable which in turn has led to a mammoth global debt that now amounts to $59.7-trillion which simply cannot be repaid. The US alone, is responsible for a third of that figure.

South Africa, though far down the list of nations with unsustainable debt, is already in a position where the average taxpayer earning R17 387 a month is paying R39 207 a year in income tax of which 52 cents in every Rand is going directly to paying the interest on our current $140.7-billion external debt. That is R2 06-trillion. Since social grants and the public service wage bill together eat up virtually every cent the Government collects in taxes every year, we are obliged to borrow to pay for everything else. That is why this year we will borrow another R221.6-billion.

Clearly all this debt is unsustainable. The interest on it globally is sucking up so much money out of the economies of the world that there is little left to keep the wheels of industry turning. That is why one in three citizens of this planet are unemployed, and why ordinary people do not have sufficient money to live decent lives.

And global debt is rising in leaps and bounds every second of the day. Inevitably collapse stares us in the face and the only practical solution that nations have ever found is to default. However, the holders of this debt are the pension funds of this world whose beneficiaries are in turn suffering because central bank manipulation of interest rates has driven bond yields to their lowest levels in living memory. The graph above illustrates how US Treasury Bonds have fallen to their lowest yield ever.



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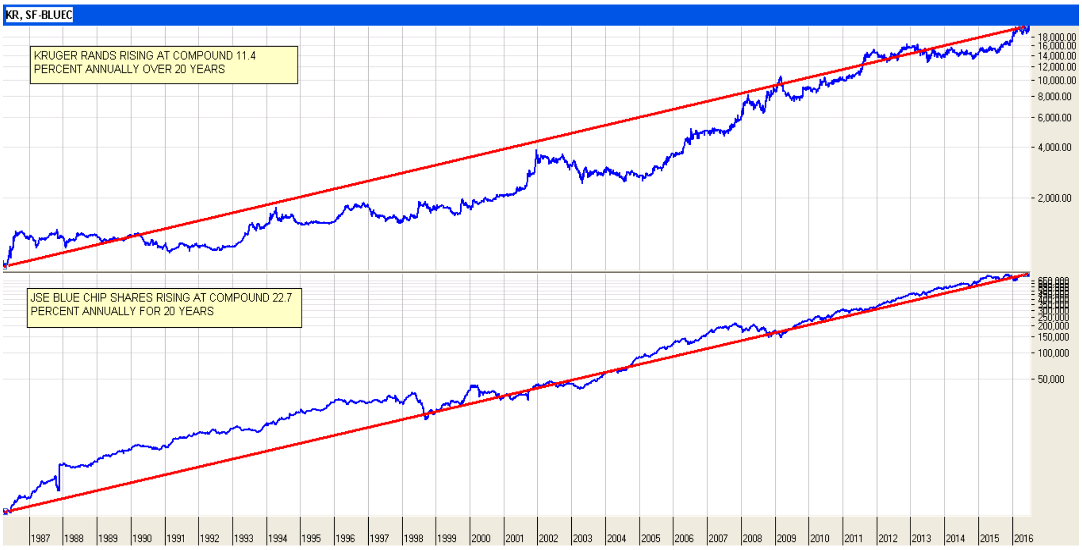
If sovereign borrowers default in this instance, pensions will collapse and, inevitably, the Great Depression that has been staring us in the face for over a decade now, will be triggered. That is why you, dear reader, need to make sure that you are not solely dependant upon a pension in order to survive the future. Safety lies in a mix of Kruger Rands – as the ultimate safety net – and blue chip shares.



There is, of course, one other solution. Governments will have to trim their budgets and start paying back the debt, but only a handful like Greece and Ireland have been doing that. And few are likely to achieve the economies that are necessary to be able to start paying back...and if they do, a depression is the likely consequence. Thus collapse is inevitable. The only question is when...and the clock is ticking!

The next month:

New York's SP500: I correctly predicted a short upward correction before further weakness sets in. And now for the weakness until July 12 before the next recovery.

London's Footsie: I correctly predicted another weakening phase that should last until around July 12 before a recovery begins.

JSE Industrial Index: I wrongly predicted a rising trend for the rest of the month. Now I see a very brief recovery before a fresh decline begins around July 11.

Top 40 Index: I correctly anticipated gains but wrongly expected them to last until mid-July. Now I see a fresh recovery beginning today and lasting for the next eight trading days.

The ShareFinder Blue Chip Index: I correctly predicted the probability of volatile declines which I still see lasting unto late July.

Golds: I correctly predicted a whip-saw rising market. Now I see declines until Thursday followed by a brief recovery and then further weakness until the 21st.

The Rand: I correctly predicted a strong recovery which I now see lasting until Thursday with weakness thereafter.

The Predicts accuracy rate on a running average basis over the past 587 weeks has been 83.74%. For the past 12 months it has been 92.14%.

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