



Richard Cluver Predicts

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



Volume: 29

11 November 2016

Issue: 31

I began today with an annual event; the early morning Remembrance Day service at Highbury school which, in 1939 when World War 2 broke out had a total of just 110 boys in the entire school. Yet, from that little school in Hillcrest, then a village outside Durban, 52 old boys were to give their lives to that war.

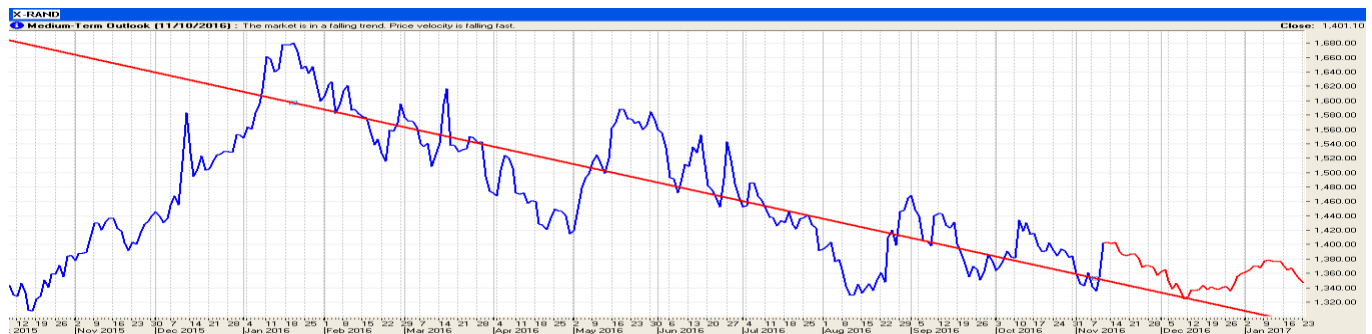
Another 12 died in the 1914-18 war and another two in South Africa's bush war. It is an astoundingly high percentage which we, the generation that followed, should be humbled by. I was a small boy when the war ended and for me it consequently offered none of the fears. But I was there to watch "Our Boys" in a victory parade marching down Durban's West Street and have clear memories of the happy post-war years when, with such a large injection of manpower returning into the workforce, South Africa boomed.

New highways, dams and railways were built and my early memories of Durban were of a skyline littered with cranes as new buildings rose everywhere. What a contrast with today when we face an official unemployment number of 20 768 000 compared with 15 663 000 in employment. So 57 percent of our potential workforce has no work while the party that governs the country is focused primarily on keeping in office a President who has been found guilty by our highest court of renegeing on his oath of office and, by the evidence of the Public Protector, who is motivated only by how much he and his cronies can steal from State coffers.

I mention all of this because of the "shocking news" this week that Donald Trump is the next President of the USA. He has won the popular vote because of his promise to "Put the forgotten men and women of America back into work." Millions of Americans are desperate to believe that the billionaire businessman can pull off the miracle that has so far eluded the professional politicians whose only contribution has been to double the national debt in their years since their failure to rein in the Sub-Prime feeding frenzy led to the collapse of Wall Street in 2008.

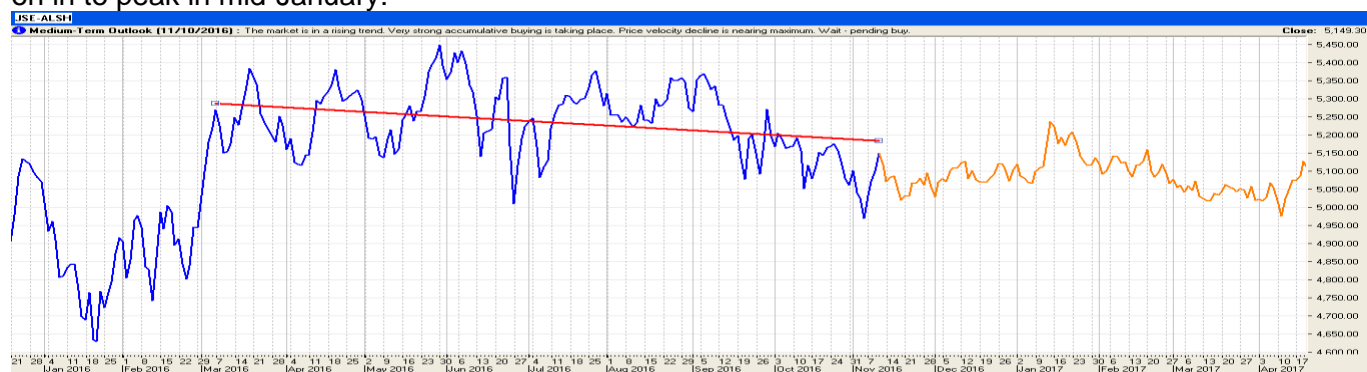
Indeed, monetary authorities worldwide have since that time driven the collective sovereign debt of nations to a colossal \$62 444 648 677 623 701. Chances are, if you look up that figure on the internet you will, however, read a completely different but much larger number because it is rising at over a million dollars a second. It is such a towering number that very few nations could conceivably repay the debt their country has clocked up since 2007. South Africa's debt puts us in position 36 on the debtors list. Fortunately for us only half of our total debt is external at \$137 500 000 000 or 23 percent of our GDP while our total Government debt is actually just over 50 percent of GDP. Critically, however it stood at only 27.8 percent of GDP when Jacob Zuma's administration took control of our purse strings.

So what are the markets telling us about the likely consequence for South Africa of a Donald Trump presidency? I start with the Rand which since Tuesday has weakened from R13.3214 to the US Dollar to an overnight figure of R14.0806.

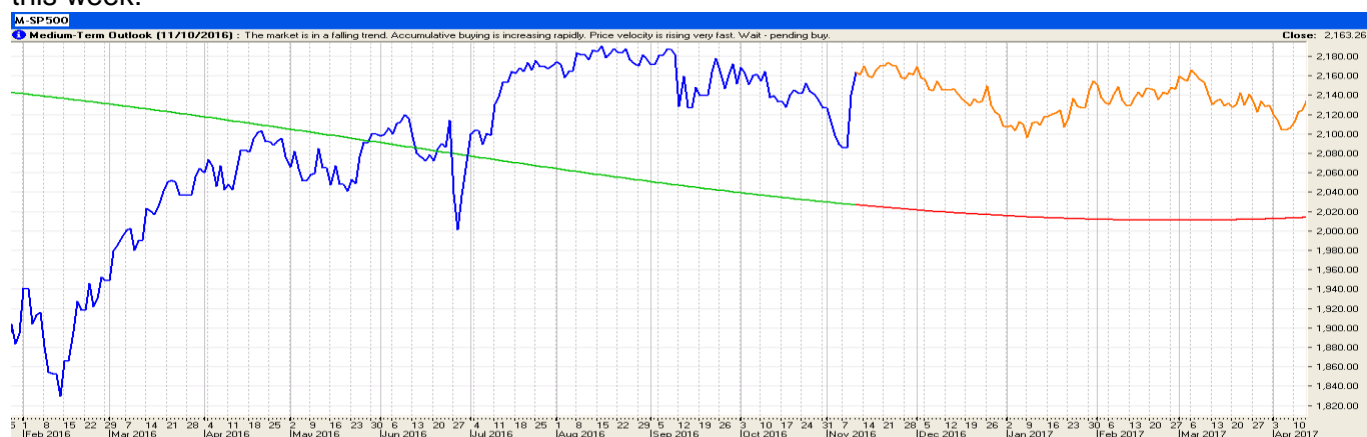


However, if you think that figure is really significant, please consider it in the context of Rand movements of the past 12 months. Note particularly how the Rand fell from R13.0716 last October to its weakest point of R16.9599 over the period when our President saw fit to swap an esteemed Minister of Finance for an unknown yes-man named Des van Rooyen.

Clearly our currency market has so far taken a relatively sanguine view of the likely impact of Mr Trump upon our economy. Astonishingly too, and contrary to what the pundits had predicted if Mr Trump won, the JSE All Share Index has barely reacted. Admittedly it fell quite sharply initially but it has all but recovered that initial reaction. Furthermore, ShareFinder predicts that the market will recover from here on in to peak in mid-January:



And just look at what Wall Street's broadest index of share market value, the S&P500 Index has done this week:



Can it be then that all the experts were wrong about Trump? Can it be that investors have taken hope from his promises that he will put millions of Americans back to work just as then US President Franklin D. Roosevelt did in his first term of office from 1933 to 1937 with his "New Deal" infrastructure-building projects.

It is very early days yet, but that is what the markets seem to be saying.

The next month:

New York's SP500: I correctly predicted a recovery which I see continuing at least until the end of the year.

London's Footsie: I correctly predicted a retraction though I expected it to last until the 15th whereas it turned upwards on the 8th. Now I see a modest decline but recovery should begin again on Monday.

JSE Industrial Index: I correctly predicted a brief decline until November 9 with an extended recovery that I now see lasting until the first week of December.

Top 40 Index: I correctly predicted a recovery but I believe that is over now and a decline until the 15th should be followed by a recovery until the 22nd.

The ShareFinder Blue Chip Index: I correctly predicted a brief recovery followed by a decline which I now see ending on Monday followed by a recovery until the 18th.

Golds: I correctly predicted a recovery late last week followed by brief losses. Now I see a rising market at least until mid-December.

The Rand: I correctly predicted weakness lasting well into November. Now I sense a recovery starting around November 17 until the 24th.

The Predicts accuracy rate on a running average basis over the past 604 weeks has been 83.96%. For the past 12 months it has been 90.36%.

Richard Cluver