Richard Cluver **Predicts**

In our 30th year of service to the investing public of South Africa

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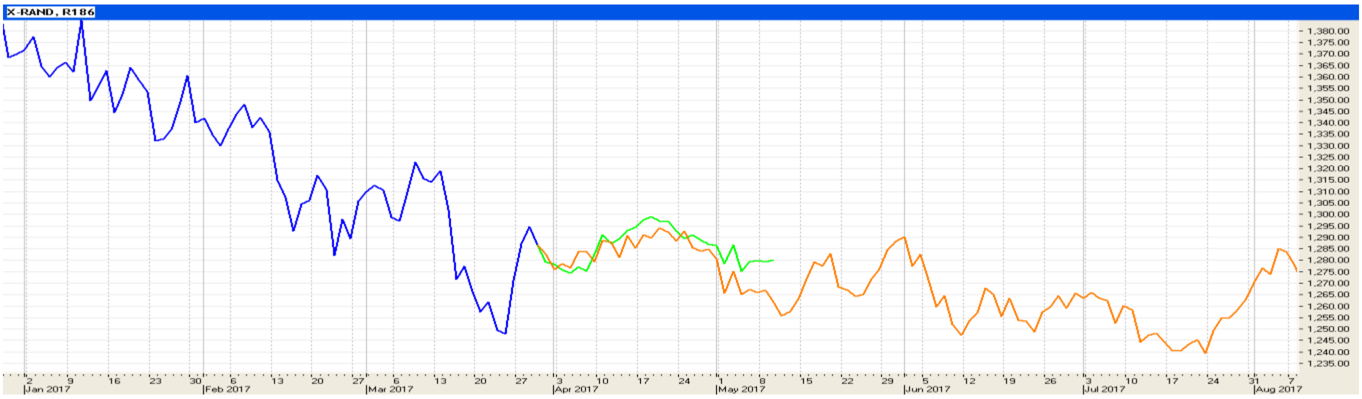
Cry the beloved country!

Virtually every South African should be, and likely will be, in mourning with the exception of a select few close to the feeding trough who expect to be enormously enriched by President Zuma's Cabinet re-shuffle last night.

For the rest of us it will be pain all of the way as the Rand tanks, the costs of servicing our debts soar and the price of every day commodities like petrol to fuel the taxis that transport this country's poor and the imported white maize that is the preferred bulk food of the poor, begin to inch up day by day.

When Finance Minister Pravin Gordhan was recalled from his overseas mission to sell South Africa to the ratings agencies ahead of next week's ratings announcement, the Rand understandably took strain going from R12.48 to R12.94 over the next few days. But then sanity seemed to prevail after major ANC figures and financial authorities stepped up to the plate to warn Zuma of the folly of his contemplated plan to axe the Minister of Finance……… and the Rand began recovering.

Happily, the Rand is still well ahead of the game having gained significant strength over the past three months with ShareFinder continuing to project that this has been a mere unpleasant blip on the long-term graph as illustrated below.



But last night, as news broke that Zuma had called a meeting of his top executive, the Rand began another tail spin, going from R12.81 to the US Dollar to R13.46 at midnight. This morning, surprisingly., the Rand has actually gained marginally as the world watches with trepidation and the odds begin to stack up against Zuma of a possible parliamentary revolt as opposition

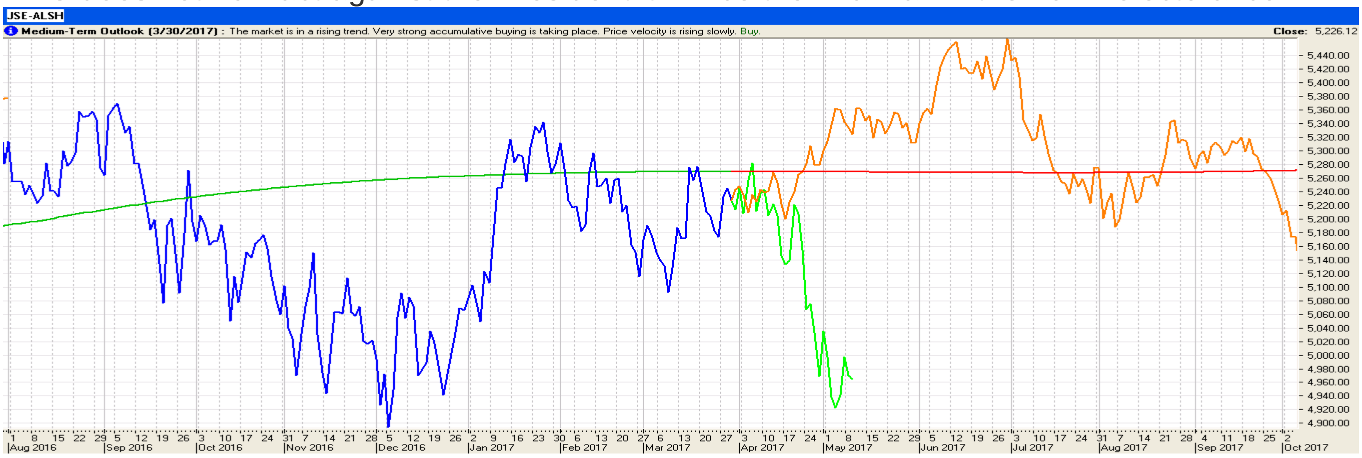
parties move towards impeachment and urgent applications to prevent the installation of the newly-announced Ministers.

What will happen in the next few days is complete guesswork but what is certain is that Jacob Zuma has acted against the best advice of the country's leading economists and of his own political advisers, all of whom have warned that such action will greatly enhance the pain that the poor of this country are already suffering in a stagnant economy that is in large measure Zuma's doing. In so doing he has provided even his most charitable observers with irrefutable proof that he is unconcerned with what is good for South Africa.

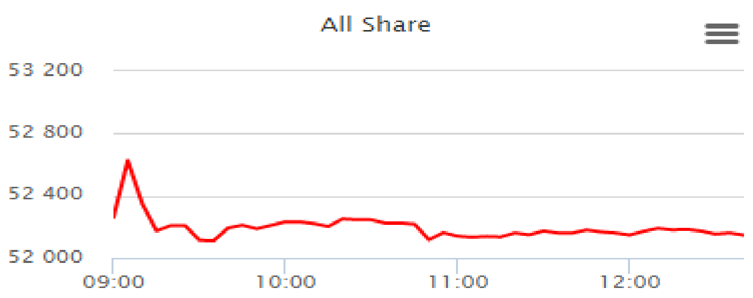
Clearly the only people who can score from this action are those greedy to lay their hands upon the treasury to exploit it for their own enrichment. There can be no other plausible explanation and in such circumstances we should all be forcibly reminded of the adage that "For evil to flourish all it requires is for good men to do nothing."

It follows that upon every South African now falls the responsibility to speak out as loudly as possible against the rape of our country.

Meanwhile, the JSE has similarly remained remarkably robust. As I have recently pointed out, ShareFinder's projections for the JSE All Share Index have interestingly been hedging their bets. In the short-term the artificial intelligence algorithm predicts sharp weakness taking us back to the lowest point of the September to December bear market while the medium-term projection is for a continuation of the recovery phase; the implication being that even this horror shall pass and the market will shrug it off, possibly adding credence to the argument that with this final lunatic move Zuma has shot his bolt for, as at least one commentator has argued, if the ANC does not now act against the President it will be the final nail in their own electoral coffin.



So what advice should I offer investors at this time? Long experience of the market suggests that the worst seldom happens and short-term trends usually reverse themselves. The very lack of significant movement in share prices since the market opened this morning is evident in the daily chart on the right ; proof that the market has not been spooked, rather adopting a wait and see attitude.



The next month:

New York's SP500: I correctly predicted a brief rally. Now however, there are signs of a cautiously optimistic trend setting in that could last a month or more.
London's Footsie: I correctly forecast declines which I did not expect to last very long and now a very modest sideways to lackluster recovery is on the cards.
JSE Industrial Index: I correctly predicted a down trend continuing until approximately now with an erratic recovery beginning now and taking us through to mid-month.

Top 40 Index: I wrongly expected the decline to last into the beginning of April. Now I sense an erratic recovery lasting until the third week of April.

The ShareFinder Blue Chip Index: I correctly predicted a decline which I now expect to last until early in the new week followed by a very brief recovery and then a decline until mid-month.

Golds: I wrongly predicted that the recovery would be short-lived with a sideways trend until the end of the month. Now I see gains throughout April.

The Rand: I correctly predicted a weaker trend which should be over early in the new week with recoveries lasting until the end of the month thereafter.

The Predicts accuracy rate on a running average basis over the past 620 weeks has been 84.08%. For the past 12 months it has been 91.07%.

Richard Cluver

White Monopoly Capital a misnoma

By Misheck Mutize and Sean Gossel*

The call for radical economic transformation has grown louder following President Jacob Zuma's 2017 State of the Nation Address. Accompanying these calls is a line of argument that says "white monopoly capital" is to blame for the fact that the majority of black South Africans remain marginalised from the mainstream economy 22 years after apartheid ended.
President Jacob Zuma answers questions at Parliament in Cape Town, March 17, 2016. REUTERS/Mike Hutchings

The term 'white monopoly capital' is not new but increasingly it's used to deflect attention away from the real issues facing the country's economy. These include government incompetence, corruption, poor infrastructure, lack of skills and bad policies.

While the white monopoly capital noise rages on it's become clear that the governing party (African National Congress) has no political will to address critical areas harming the economy such as rigid labour laws and market inefficiencies caused by state-owned enterprises.
There are also indications that the call for radical economic transformation is a political ploy to loot and enrich the black elites who are abusing their proximity to political power.

The truth is; capital has no colour or political affiliation. Thus no race or person can ever monopolise it. As such this 'white monopoly capital' talk is a fabrication.

Ownership figures based on the Johannesburg Stock Exchange's shareholder-weighted index proves this point. Approximately 50% of total market capitalisation of the stock exchange (R14 trillion) is held by international investors. Next are the Black Economic Empowerment groups who control 23% (10% directly and 13% indirectly through mandated investments).
Then there is 14% belonging mainly to South African pension funds, investment funds, which also comes with some black representation, and other unmeasured fund managers. Lastly is the Public Investment Corporation (PIC), the state owned asset management company, which holds approximately 13% of the JSE's total value, of which the Government Employee Pension Fund controls the biggest chunk.
These numbers show that the white monopoly capital domination factor is both overstated and illusive. Instead of harping on about this mythical deception the governing party should focus on saving the country's economy from the tail spinning mode.

South Africa's economy almost ground to a halt in 2016 – coming in at 0.3% down from 1.3% in 2015. Projections suggest that growth will remain depressed – under 2% – in the next two years.
There's consensus that South Africa's economy needs to grow by at least 6% to reduce stubbornly high levels of unemployment – most recently quoted at 27%. Mixed with rising political and social unrest and a weakening fiscal position this has become cause for major concern among credit rating agencies whose threat of a downgrade still hovers over South Africa.
It's therefore imperative that the government acknowledges the current state of affairs and confronts the real causes of the country's predicament. The major sectors of mining and manufacturing have been perennially shrinking in recent years as global trade and output patterns change. Yet the government still hankers after a previous era of mass low-skilled employment rather than designing education and labour market policies that will produce a more relevant skills base.
In addition, the current economic downturn is eroding both government revenue collection and it's spending. This pressure was evident in the recent budget where the R30 billion revenue shortfall was largely filled by raising taxes on high-income earners.
A continuation of this pattern makes South Africa's redistributive tax system unsustainable. The latest tax data shows that taxes the top 10% of earners pay 72% of the income taxes received. These taxpayers only make use of 6% of social services. In contrast, the bottom 50% of earners pay just 4% of taxes but receive 59% of social services.
This is a delicate situation which requires due care. Policies that limit the wealth generation capabilities of the wealthy via market interference and higher taxes will stimulate capital flight and tax avoidance. And this will negatively affect tax collection and service delivery to the poor.

To solve the current situation a number of measures need to be taken that will stimulate economic growth. First, the government needs to go back to basics. It clears the contradictory regulatory frameworks and infuse certainty around how economic transformation policies will proceed. Government must also entrench good governance and fight corruption. Most importantly South Africa needs to overhaul its education frameworks so as to develop skilled and semi-skilled labour appropriate for a globalised world.

Politicians should also stop misleading South Africans by projecting their failure on to "white monopoly capital" and creating false hopes. They should rather concentrate their efforts on fundamental areas that will strengthen business and investor confidence to help the country move out of its low growth cycle.

Lastly, the government should introduce the much advocated structural reforms in critical economic sectors. These include a sustainable supply of energy, efficiency in state owned enterprises (including partial and full privatisation), and labour market reforms.

Without political will beyond cheap rhetoric, South Africa will remain mired in a rising tide of poverty, inequality, and unemployment. As Professor Brian Kantor recently noted:

To realise the vision of the Constitution, South Africa needs transformation that opens a path to inclusive economic growth and development. Growth without transformation would only reinforce the inequitable patterns of wealth inherited from the past. Transformation without economic growth would be narrow and unsustainable.

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