Richard Cluver Predicts

In our 31st year of service to the investing public of South Africa

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**Presidential honeymoons seldom last longer than a few months, but it is touch and go for President Cyril Ramaphosa as the analysis of this week's budget begins to come down solidly of the view that it was "anti-poor."**

With economists' opinions varying widely as to how much could be saved from national expenditure is graft and corruption were to be eliminated entirely from State spending, it is nevertheless clear that rounding up all the thieves and putting an end to their activities could have avoided the VAT increase and also put us on a growth path which would pave the road to prosperity for all.

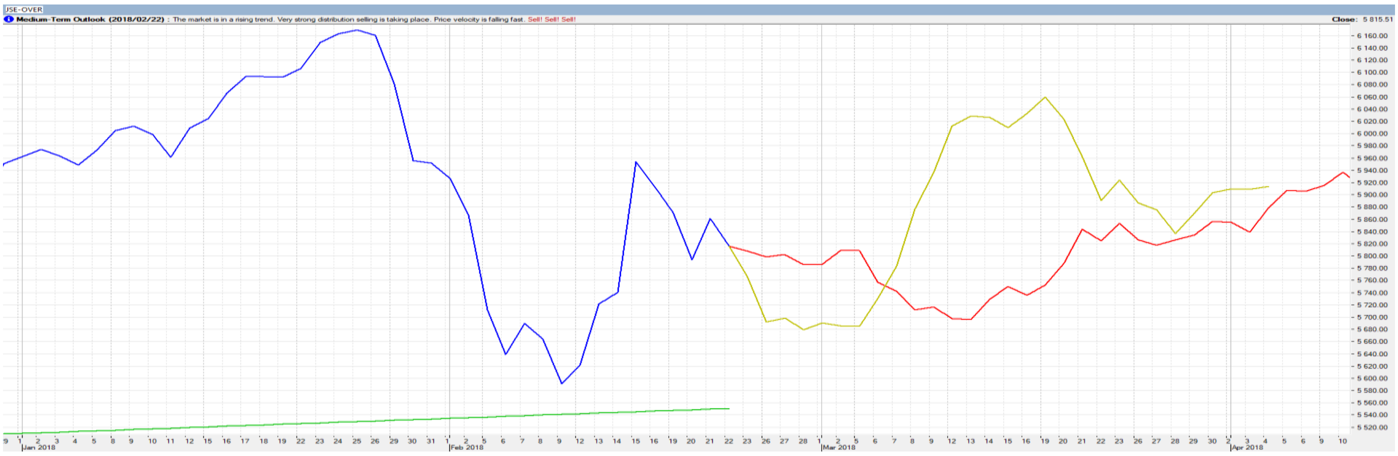
And while Cyril made it clear in his SONA speech there would be no room in his government for civil service slackers, the budget has made provision for above-inflation pay increases for an already bloated and overpaid civil service. And so, there are even more questions beginning to emerge about Cyril's promises and actual intentions.

Granted he had little time in office to sweat over Finance Minister Gigaba's numbers ahead of the Budget speech and so he will probably be given the benefit of the doubt. But the honeymoon is unlikely to last much longer if such contradictions are not promptly dispelled by positive action.

From the investor's point of view, however, the Budget ticked the single most important box of probably staving off a final ratings agency downgrade which would have led inevitably to increased bond yields and commensurate downward pressure on share prices as the stock market adjusted itself to come into correlation with bond yields.

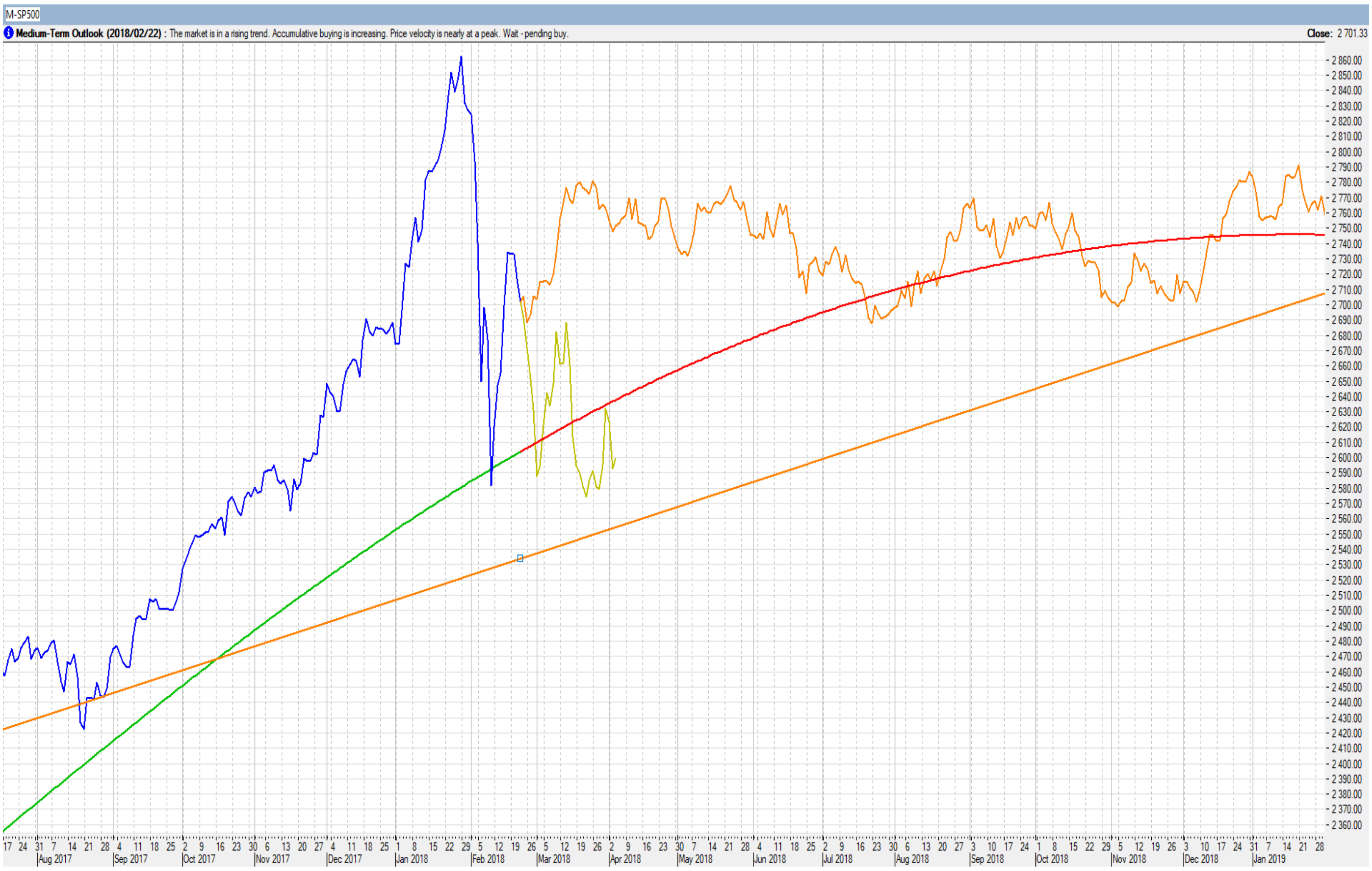
Nevertheless, though the share market initially reacted favourably to the Budget, it fell again yesterday in a move which was probably more linked to Wall Street than our own internal economic outlook.

My graph below tracks recent events with the yellow short-term and red medium-term projections both signalling further weakness until month end at least and possibly the second week of March:




In New York the recovery of the past few days was reversed yesterday following analysis of the latest Federal Reserve meeting minutes which seemed to suggest that the US economy is recovering more strongly than originally expected as a consequence of the Trump-inspired tax cuts which is seen as probably signalling more aggressive interest rate increases during 2018.

ShareFinder accordingly senses a brief recovery from yesterday's market carnage followed by a resumption of the downward trend lasting until mid-July:




## The next month:

**New York's SP500**: I correctly predicted the next decline beginning now until month-end followed by a brief recovery until mid-March and then a resumption of weakness until mid-year.

**London's Footsie:** I correctly predicted that the decline would continue…probably until June. And I continue to hold that view, now extending the decline until mid-November. However, a brief recovery is now due during March.

**JSE Industrial Index:** I correctly predicted a corrective rebound that would not last long. Now I see gains during March followed by fresh weakness.

**Top 40 Index**: I correctly predicted a rebound which I still see lasting until mid-March followed by prolonged weakness until the end of May.

**ShareFinder Blue Chip Index:** I correctly predicted the upward rebound followed by weakness which I now see lasting at least until March 6.

**Gold shares:** I correctly predicted further declines which I still see lasting until March 6 to 8 followed by a brief recovery and then further declines until mid-May.

**Gold Bullion:** I correctly predicted a short recovery but now the signs oppose one another with a fresh decline the greater probability until mid-March.

**The Rand:** I correctly predicted further gains and I see them continuing until the end of the year. Brief weakness in mid-March is however likely.

***The Predicts accuracy rate on a running average basis over the past 647 weeks has been 84.46%. For the past 12 months it has been 91.43%.***

**Richard Cluver**