Richard Cluver Predicts

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

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In the wake of Parliament agreeing to a constitutional amendment which will allow the expropriation of South African property without compensation, the Rand was the world's worst-performing currency yesterday.

By Wednesday night it had fallen 1.4 percent relative to the US dollar taking it to R11.7201. And yesterday the carnage continued. From its strongest level of the past week of R11.5104 to the US Dollar it had fallen to R11.9391 to the Dollar. That is a loss of 3.7 percent since the Parliamentary decision.

Furthermore, if nothing is done to assuage the panic developing in the minds of South African investors, the Rand could lose massively in the next few weeks, reversing a recovery trend that has been in place for the past two years. My graph below traces in yellow what ShareFinder's artificial intelligence systems projects might happen to the Rand by early April when the programme senses that a rate of R12.76 could be possible.

Below the Rand/Dollar graph I have also reproduced a graph of the price volatility of the currency. Volatility is a simple measurement of the difference between the price high and low of the day. Falling volatility denotes growing confidence and rising volatility the reverse while the sharp increase predicted by ShareFinder suggest panic proportions which could torpedo the JSE.

This in turn logically takes me to ShareFinder's predictions for the Share market starting with our own Blue Chip Index. Interestingly here, although ShareFinder senses that Blue Chip shares will decline in price fairly sharply over the next few days, the downward trend is likely to end on or about March 12 and in the short-term (the yellow line) the market is seen to rise to make new highs through to the beginning of April. Furthermore, price volatility which has been rising strongly recently, is projected to decline steadily at least until August.

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Now, over the many years that I have been recording ShareFinder's predictions which, if you turn to the bottom of this column every Friday you will note now stands at an accuracy rate of better than 90 percent, I have learned to trust ShareFinder far more than I trust the many political analysts whose opinions flood our TV and newspaper columns. So, if ShareFinder predicts that the share market will boom, I must assume that President Cyril Ramaphosa will shortly charge in on his white stallion with words of assurance and a picture of the way ahead which will offer us all new hope.

My personal belief is that the property expropriation issue is an entirely political one being ramped up by the EFF and former Zuma supporters within the ANC which have lost their principal raison d'etre with the removal of President Jacob Zuma. By embracing that emotive call, Ramaphosa has, furthermore, swept the ground from under EFF feet. So, noting that Ramaphosa announced in his SONA speech that expropriation would be sensibly employed in association with food production security, I suspect the real target is in fact Natal's Ingonyama Trust.

Most reliable land ownership studies of recent years have indicated that the majority of South Africans with a rightful claim to ancestral dispossession would today rather be financially compensated that be given "white" farms which they would be ill-equipped to meaningfully use.

There is, furthermore, more than enough agricultural land already in Government hands to satisfy the needs of those who would like to farm it. To date, however, the Government has seldom handed over title deeds of expropriated land forcing those claimants who now occupy it into the invidious role of squatters.

If Government is serious about this issue, however, it will need to hand over title deeds to those descendents of the dispossessed who have a genuine desire to work the land as well as reestablish something like the old system of agricultural extension officers and open access to the Land Bank.

All this of course ignores the hot political potato of the Ingonyama Trust which, at the dawn of democracy in South Africa, placed millions of hectares of Natal land in the hands of the Zulu King Zwelithini and which a recent government commission has suggested is not being managed to the best interests of the Zulu people. If the real intention of the expropriation measure is to take control of that land, it is likely that the deep divisions within the ANC will widen to chasms in the months ahead which will put all other land issues on the back burner. One has to trust that President Cyril, who has a well-deserved reputation as an outstanding negotiator and supreme strategic planner, has a clear plan for this.

Furthermore, since expropriation without compensation is clearly illegal in international law and in breach of treaties between South Africa and the majority of sovereign nations governing trade relations and investor security. Thus, enactment of this proposed constitutional amendment will inevitably result in, at the very least, economic isolation and a complete shut-off of access to foreign funding without which the Government cannot exist, one has to conclude that the whole exercise is a political manoeuvre that will in the end analysis come to nothing.

Meanwhile, as I observed in this week's issue of The Investor, one should note that the expropriation issue has not been limited to farm land. The word "property" can also apply to all the possessions of individuals, like their homes, investment portfolios, art collections etc. Until this uncertainty is removed, Cyril Ramaphosa can kiss goodbye to any hopes of an enduring economic revival. Indeed, he can expect a rapid increase in economic emigration and, internationally, for South Africa to be reduced to a pariah state by the ratings agencies…. none of which accords with ShareFinder's current predictions of a major share market boost.

So, we should wait for, at the very least, some calming words from the new president backed up, in the short-term, by positive action which will serve to prove to the international community of investors that their money will be safe in South Africa.

The next month:

New York's SP500: I correctly predicted the next decline until month-end followed by a brief recovery until approximately March 26 and then a resumption of weakness until mid-year.

London's Footsie: I correctly predicted, a brief recovery which is likely to last until mid-March and could extend beyond then to early April before the next protracted down-trend.

JSE Industrial Index: I correctly predicted a corrective rebound that would not last long. However I was taken by surprise by the property expropriation decision in Parliament and ShareFinder is consequently putting out confused signals which implies that anything is now possible. If no presidential clarification is forthcoming the only outcome will be a protracted decline.

Top 40 Index: I correctly predicted a rebound which I still saw lasting until mid-March followed by prolonged weakness until the end of May. As with the JSE as a whole, that down-turn is now already in place following the expropriation debate.

ShareFinder Blue Chip Index: I correctly predicted the upward rebound followed by weakness which I saw lasting at least until March 6. Now, though a flight into quality might boost this category of investment, ShareFinder is offering one positive and one negative outcome. Its in the hands of the politicians.

Gold shares: I correctly predicted further declines which I saw lasting until March 6 to 8 followed by a brief recovery and then further declines until mid-May. Like everywhere else, ShareFinder offers a positive and a negative scenario depending upon the politicians.

Gold Bullion: I correctly predicted a fresh decline until mid-March and happily local politica have nothing to do with this one and so I can now predict a recovery until late in March followed by declines until mid-June.

The Rand: I correctly predicted brief weakness in mid-March followed by a resumption of the recovery trend through, at least, until late September.

The Predicts accuracy rate on a running average basis over the past 648 weeks has been 84.48%. For the past 12 months it has been 91.43%.

Richard Cluver