



Richard Cluver Predicts

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



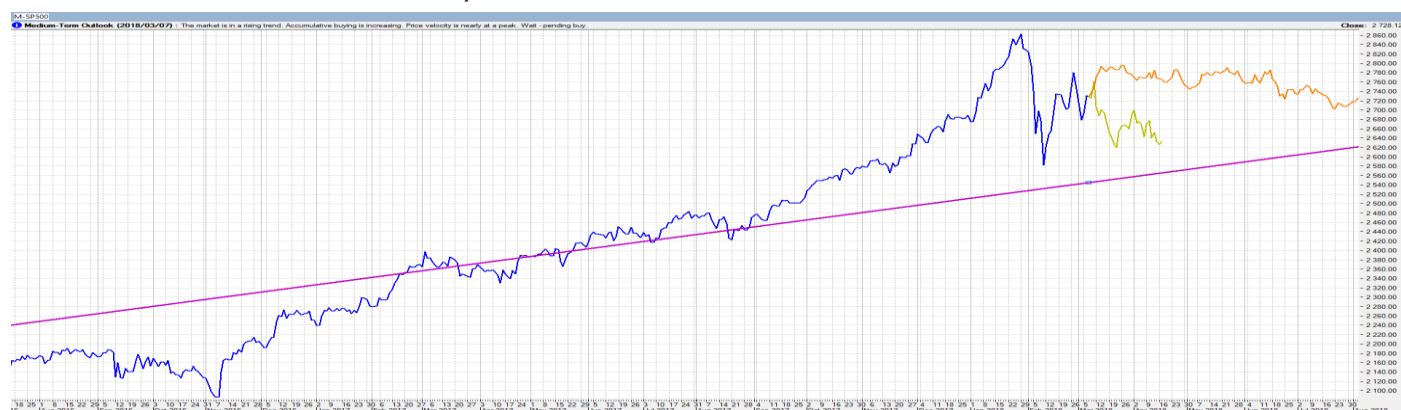
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For months ShareFinder has been predicting that a massively overpriced Wall Street will begin to correct downwards during March this year. By the latest projections, that day could be today or, at the latest, March 26.

In my graph below, you can see the yellow (short-term projection starting today) and the red (medium-term) projection starting on Wednesday followed by a brief up-tick until March 26, whereafter, the decline is projected to begin in earnest. *Note that ShareFinder's projections have been constantly demonstrated to be better than 90 percent accurate as to timing but the magnitude of such moves is not nearly as accurate and so you should not be deceived by the modest rate of decline that is depicted.*



My second graph shows that such a correction has been under way in London since mid-January and is likely to continue until early August.



Such corrections are the inevitable result of one of the longest-running a bull markets in history (one that has lasted nine years) and the fact that the interest rate cycle has changed from negative to positive with Central banks noting all over the world the rise of inflation together with the onset
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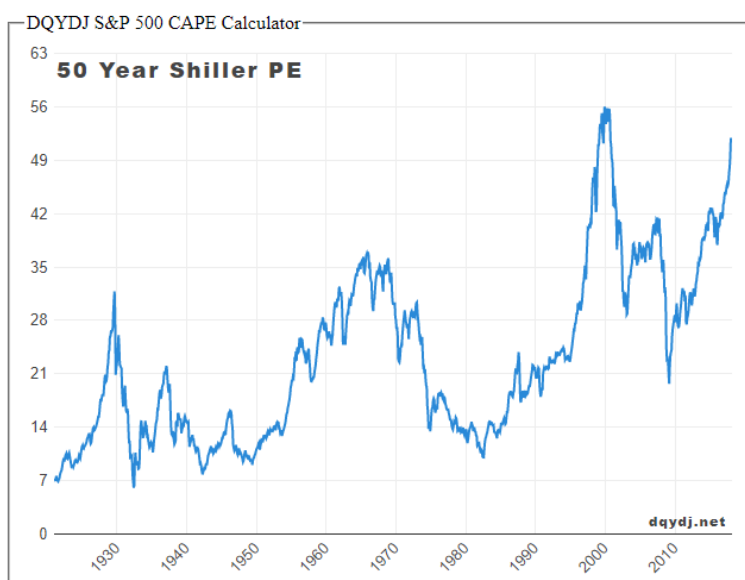
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of significantly declining unemployment figures and a solid improvement in GDP growth which has begun to manifest itself in rising mineral prices as demand for raw materials follows in the wake of global recovery. Even South Africa's Zuma-led moribund economy is beginning to show healthy signs of growth notwithstanding the uncertainty of a possible wholesale land grab.

Though ShareFinder is often able to project with some precision the actual timing of such events, the trigger mechanism which releases pent-up pressure for market direction change is usually a mystery. It can be marked by simple market rumour but more likely it is an event simply waiting for an excuse to happen as highlighted by the Cape Ratio graph on the right which illustrates that at a reading of 49.5 compared with a highest ever reading of 55.8 in April 2000 just ahead of the "Dot Com" share market crash, Wall Street is exceptionally expensive.



In this case the imminent trigger appears likely to be President Donald Trump's resuscitation of an old US nightmare known as the Smoot-Hawley Tariff Act which in 1930 imposed dramatically high tariffs on US imports and resulted in tit-for-tat retaliatory sanctions by Britain and many European countries leading directly to the bankruptcy of export-orientated industries throughout the US eastern seaboard and then, in a ripple effect, the collapse of a series of eastern banks and, as the contagion spread across the US, to the Great Depression.

More than a thousand economists reportedly warned American leaders against hiking tariffs as much as 60 percent on a huge range of imported goods but President Herbert Hoover, desperate to ensure his own re-election and wanting to curry favour with workers who were increasingly worried about an economic slowdown, signed the bill in 1930.

Soaring tariffs set off a global trade war. America's trading partners retaliated, and global trade fell sharply, deepening the Great Depression which in addition to the crippling burden of 1914-18 war reparations that had been forced upon Germany, set the stage for the rise of Adolf Hitler, Nazism and in turn set the stage for World War Two.

In the latest case, Trump's attempts to bring back Smoot-Hawley seems to have prodded China into pressuring North Korea to parley nuclear disarmament as an initial proposition for reconciliation talks with its southern counterpart and, ultimately with the world which could prove a massive gain for the cause of global peace. But if he fails to finesse this exercise and triggers another global trade war, the consequence could be as equally stark as the Great Depression given the massive indebtedness of most of the world's leading nations.

Just how serious global debt is can plainly be seen by the following list. In it I have listed all the countries whose net government debt exceeds 60 percent of their gross domestic product. Economists generally argue as a rough rule of thumb that when a nation exceeds this level of indebtedness it is unlikely to ever be able to repay since the cost of interest alone is likely to exceed the maximum amount the government is able to extract from its citizenry in the form of taxes.

Here it is also important to note that given the latest deficit in South Africa's budget we are likely to hit the 60 percent mark sometime next year which is why several of the major ratings agencies have listed our sovereign bonds as "Junk" and the interest rate on the R186 government bond, at 8.19 percent, is one of the world's highest. Only bankrupt Brazil with a bond yield of 9.55 on its long bonds is higher than South Africa.

Greece is generally regarded as a basket case with a debt to GDP ratio of 181.6 – more than three times South Africa's current ratio - but the yield on Greek long bonds is currently only 4.13 percent; just half the yield on South Africa's sovereign debt. We really are on the brink. But the

major nations are in a far worse mess and nobody can see a way out of it except to acknowledge that it has to end badly. That is why I fear that when a share market correction finally comes, it will be a very serious one....and that correction might now be about to begin!

The next month:

New York's SP500: I correctly predicted a brief recovery which I now predict will be over by approximately March 26 at the latest followed by a resumption of weakness until mid-year.

London's Footsie: I correctly predicted, a brief recovery which could last until early-April followed by a protracted down-trend until the end of the year.

JSE Industrial Index: I noted that ShareFinder was putting out confused signals which implied that anything was now possible but that if no presidential clarification was forthcoming on the land expropriation bill the only outcome could be a protracted decline. Instead, in the face of a global trade war and even more uncertainty the JSE remained buoyant. ShareFinder is, however, less confused now and sees the coming Monday as the probable turnaround date with declines now probable until at least the 14th and possibly until April 11.

Top 40 Index: I correctly predicted a rebound lasting until mid-March followed by prolonged weakness at least until the end of the month.

ShareFinder Blue Chip Index: I correctly predicted the upward rebound followed by weakness which I saw lasting at least until March 6 and then, though a flight into quality, recovery that could now last into the second week of April.

Country	Net public debt as % of GDP (CIA) ^[1]	Date	Total (gross) government debt as % of GDP (IMF)	Net government debt as % of GDP (IMF) ^[2]
 Greece	181.6	2016	158.546	155.378
 Japan	234.7	2016	237.918	134.325
 Lebanon	132.5	2016	139.527	134.18
 Grenada	110.0	2012	112.567	112.567
 Portugal	126.2	2016	122.985	111.556
 Cape Verde	116.8	2016	112.199	107.691
 Italy	132.5	2016	126.978	103.208
 Ireland	77.9	2016	117.122	102.324
 Antigua and Barbuda	89.0	2012	98.692	98.692
 United States	73.8	2016	106.71	87.859
 France	96.5	2016	90.291	84.065
 United Kingdom	92.2	2016	84.86	82.785
 Gambia, The			77.179	77.179
 Belize	86.3	2016	76.314	76.314
 Jordan	90.6	2016	79.586	74.936
 Hungary	75.1	2016	79.003	72.772
 Albania	71.0	2016	72.564	72.564
 Dominica	70.0	2012	72.164	72.164
 Spain	99.6	2015	97.2	71.931
 Israel	62.2	2016	69.637	69.574
 Seychelles	59.1	2016	82.528	69.482
 Egypt	92.6	2016	80.155	68.807
 Iceland	56.5	2016	99.083	68.23
 Belgium	106.7	2016	105.600	65.363
 Bahamas	64.4	2016	60.408	60.408
 Brazil	72.4	2016	71.218	60.107

Gold shares: I correctly predicted a brief recovery which I now see lasting until late this month followed by a decline until mid-May.

Gold Bullion: I correctly predicted a recovery until late in March followed by declines until mid-June and I continue to hold that view.

The Rand: I correctly predicted brief weakness followed by a resumption of the recovery trend through, at least, until late September and I still hold that view.

The Predicts accuracy rate on a running average basis over the past 649 weeks has been 84.51%. For the past 12 months it has been 91.43%.

Richard Cluver