Richard Cluver Predicts

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

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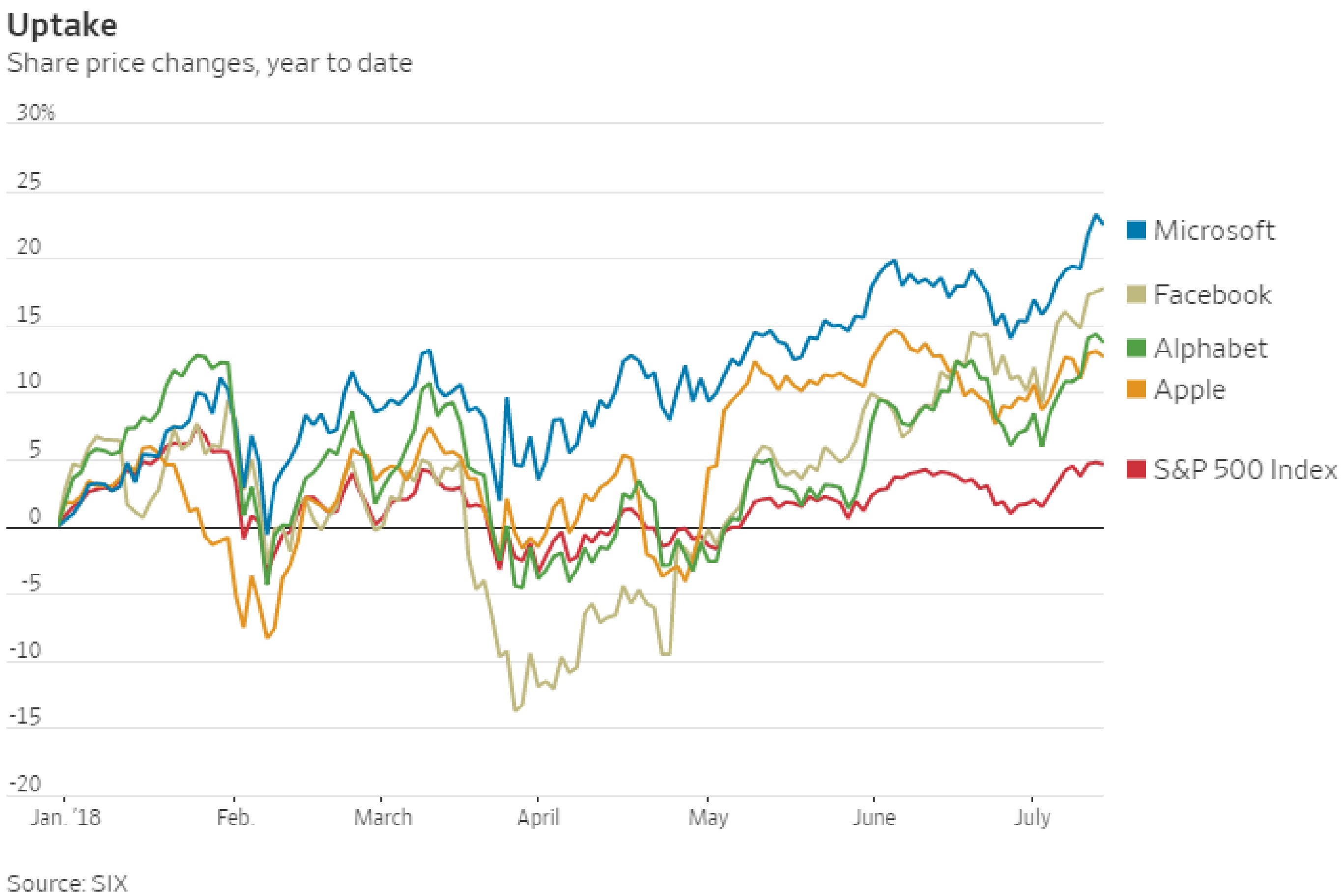
For nearly two years ShareFinder's artificial intelligence driven share market prediction system was forecasting a significant overall price decline of Wall Street stocks in July this year, and suddenly it is no longer doing so.

What is one to conclude from this dramatic change of events which could have a significant impact upon investment strategy.? Well let's start with a look, courtesy of today's Wall Street Journal, at the recent performance of America's top performers, the so-called FANGS:



The FANGS, notes The Guardian: Facebook, Amazon, Netflix and Google, have been roaring away since the turn of this year. Their share prices have climbed so far, so fast, that together they are now worth an extraordinary $250bn more than just four months ago.

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To put that sum into perspective, compare it to the value of all the gold mined in the world in a year which is worth about $115bn. Or look at it another way - $250bn is about the same as the annual GDP of countries such as Venezuela, Pakistan and Ireland.

Together the four firms are now valued on Wall Street at more than $1.5tn, about the same as the Russian economy. Amazon, which beat forecasts with first-quarter sales of $36bn, has increased in value by $80bn since the start of 2017 to $440bn, meaning the near 17% stake held by Jeff Bezos is now worth $13.5bn more than it was in January. His total wealth now stands at $74bn.

Bezos, who also owns the Washington Post, is now on the brink of toppling the legendary investor Warren Buffett to become the world's second-richest person after Bill Gates. Both men are spending their money fast, Gates on fighting malaria and other treatable diseases in the developing world, and Bezos on building his own spaceflight company, Blue Origin, with the aim of beating the Tesla boss Elon Musk to Mars.

Facebook has grown in value by $92bn to $424bn this year. Its founder Mark Zuckerberg's fortune has increased alongside the share price by $13bn to around $60bn. He owns only about 14% of the quoted shares, but under an unusual voting structure he controls more than 50% of the company.

Alphabet is the gorilla in this room of big beasts. It is now valued at $610bn, up $68bn since the end of December. Its founders, Larry Page and Sergey Brin, own around 7% each. Their combined stake is worth about $85bn, up $8.5bn since the start of year.

The significance of these moves is that, like Naspers in South Africa, they have a dramatic impact upon the trend of the major Wall Street indices. Consider the comparison below. The JSE All Share Index has been falling since late January while Naspers has been rising steadily.

So, the JSE Overall Index is falling because the majority of South African shares are falling but the consequence of Naspers and a handful of other very highly-rated shares attracting all the attention of the investment community is that the JSE Top 40 Index is also rising as illustrated below;

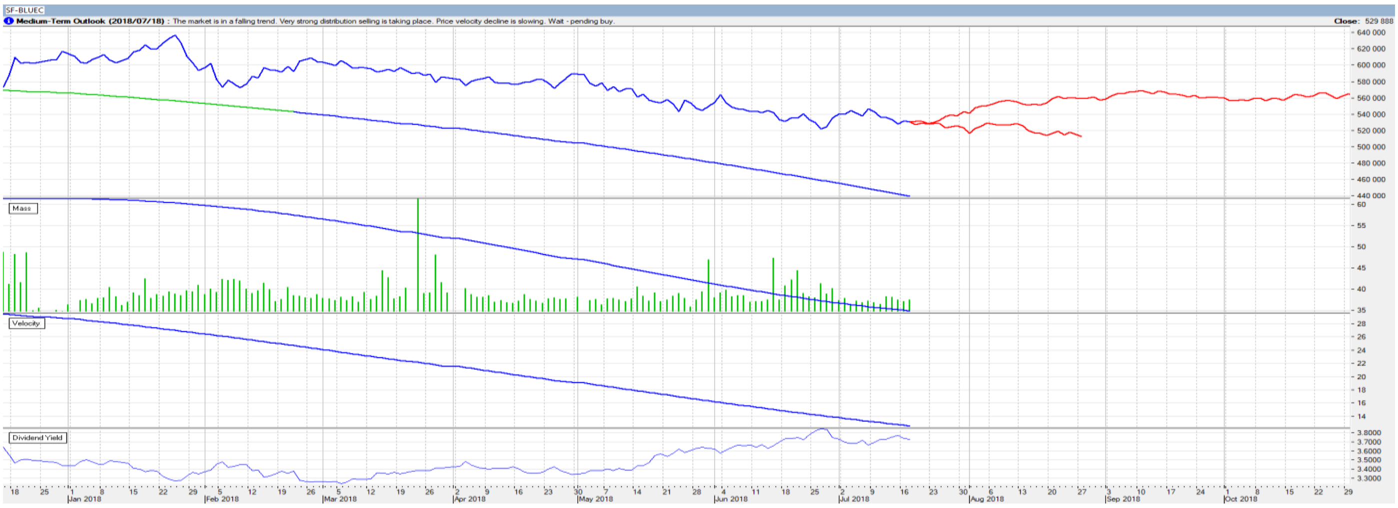
All of which implies that if one simply follows a few top indices, one might be mistaken into believing that the whole market is showing excessive exuberance…which in South Africa it clearly is not.

So, the consequence is that the Russel 2000 which measures the performance of Wall Street's top performers is now standing at an unprecedented price earnings ratio of 81.25 while the Dow Transportation Index is standing at just 11.47.

So, what we have is a Wall Street in the closing stages of its longest ever bull run, boosted at a time when it should be falling over a cliff by President Trump's injection of a last minute dose of cocaine in the form of tax cuts that the US Government simply cannot afford at a time when the sum of all US borrowings now well exceeds 300 percent of gross national product. That debt, together with the combined debts of the world's other major nations, threaten to overwhelm the world economy sometime…possibly sooner than most of us expect

Meanwhile a maverick US President is taking on the world in a trade war which could very probably get so out of hand that the world might very well see a re-run of the Smoot Hawley trade war of the 1930s which pitched everyone into that ultimate horror of economic mismanagement: The Great Depression.

Thus, while ShareFinder is no longer projecting a significant Wall Street decline, I certainly would not discount that probability. Meanwhile, note that ALL of ShareFinder's indicators expect the local decline to continue for some time yet:



The next month:

New York's SP500: I wrongly predicted a very volatile falling market until late July, but I continue to hold that view.

London's Footsie: I correctly predicted a recovery continuing until mid-August. Now the signs are confused with a short-term continued rise projected but in the longer-term a decline is seen.

JSE Industrial Index: I correctly predicted that the decline will continue but in the short-term a brief recovery is on the cards.

Top 40 Index: I correctly predicted a brief decline followed by an up-tick which is now under way and should last until the end of the month.

ShareFinder Blue Chip Index: I correctly predicted a decline followed by a brief recovery. Now I see another dip ahead of a recovery that could last until mid-September

Gold shares: I wrongly predicted a recovery which I saw continuing until September. It has, however, been postponed and now might not start until the end of the month.

Gold Bullion: The signs were confused and when that happens a decline is the usual outcome which is what happened. Now a recovery is on the cards lasting until the 25th and possibly as long as August 7...

The Rand: I correctly predicted some short-term weakness but now a short-term recovery is possible though again short and long-term projections oppose one another.

The Predicts accuracy rate on a running average basis over the past 665 weeks has been 84.61%. For the past 12 months it has been 91.61%.

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