



# Richard Cluver Predicts

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



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**Brenthurst Wealth Management estimates that since 2014 R400-bn has left the country's bond and stock markets and following on the ANC's land confiscation without compensation policy acceleration it has worsened significantly resulting partly in the massive under-performance of the share and bond markets when compared to the rest of the world.**

In their observation, massive amounts have been flowing out of the JSE and bond market. Outflows have been consistent since the beginning of 2014 and with the exception of a couple of months of positive inflows surrounding the ascendancy of Cyril Ramaphosa as head of the ANC in December 2017 and for two months thereafter.

In October this year another R8bn left our shores, the largest outflow of money since the dark days of international sanctions in the mid-80's which explains the dramatic collapse of average values of shares on the JSE to date. As of this week the JSE was down 18%, one of its worst performances in many years.

Noting that over the past ten, seven, five, three and one years, foreign investments have substantially outperformed the local stock market and, furthermore, that interest rates in SA are set to start rising soon and stock markets normally don't do well when interest rates start creeping higher, Brenthurst has accordingly recommended to their clients that they remain underweight in SA shares.

I thought it accordingly worthwhile to compare the performance of the New York and London stock exchanges with our own JSE All Share Index and accordingly determined that if you spread half of your money on tracker funds equally between those two you would have achieved an average growth of 6.7 percent compared with the 7.6 percent achieved by the JSE All Share Index. I have depicted the ten-year performance of the three markets in the graph below:

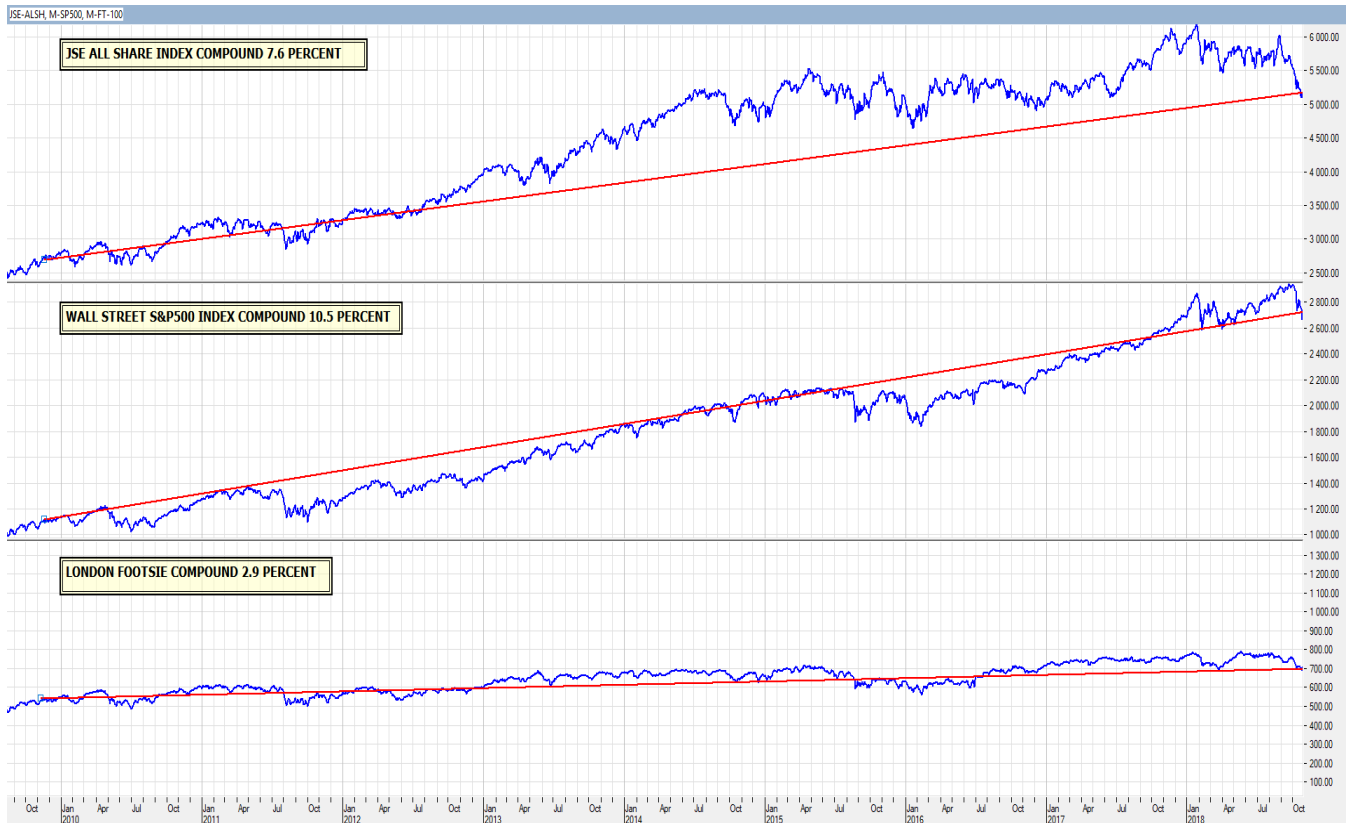
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Of course, that is only half the story because the Rand has taken considerable strain during the past decade of ANC misrule. On average over the past decade, the Rand has lost an average of 2.6 percent a year against the two currencies. Thus, if you deduct 2.6 from the average growth of the 7.6 percent average growth of the JSE you will see that the corrected comparison suggests that JSE investment would in foreign currency terms have left you with real growth of 6 percent a year compared with an average of 6.7 if you had invested half and half in London and New York market trackers.

However, as I constantly remind investors, you can do a lot better than simply buying a market tracker. Were you to invest only in shares that have achieved constant earnings and dividend growth over the past decade, then this JSE Blue Chip selection would have provided you with 20.8 percent compound over the past decade. Subtract 2.6 from that figure and you would still be something like three times better off by investing in South Africa as my next graph illustrates:



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Meanwhile the Wall Street Journal has reported that shares of retailers are sliding on Wall Street despite reporting third-quarter results that suggest strong consumer spending and better profits., a clear signal that broader worries about global growth and interest rates are spooking investors. The retail selloff is a sign of larger anxiety about growth and volatility are rippling to other groups.

Macy's fell 7.2% Wednesday even after delivering healthy sales growth in its latest quarter and raising its guidance for the year. The department store operator's shares have fallen 12% this week, though they are still up more than 30% for the year. Their decline followed Home Depot's 0.2% slip Tuesday after similarly upbeat results; the home-improvement retailer's shares are off 3.3% this week.

The trend has extended to other retailers that report in the coming days. Walmart, which just posted third-quarter results, is down 3.8% for the week. Target has shed 4.4% in that span, while Kohl's is off 7.5%. Both of those companies are slated to report earnings next week.

While some think a strong October retail sales report from the Commerce Department later Thursday could steady the sector, others expect volatility to continue.

#### **The next month:**

**New York's SP500:** I correctly predicted that markets would decline once more, and I see this trend continuing throughout this month.

**London's Footsie:** I correctly predicted that markets would decline once more, and I see this trend continuing throughout this month.

**JSE Industrial Index:** I correctly predicted gains which I still see lasting into early December followed by protracted weakness.

**Top 40 Index:** I correctly predicted a recovery which I still see lasting at least until early December.

**ShareFinder Blue Chip Index:** I correctly predicted the brief recovery would soon be over. followed by weakness into mid-December followed by a long recovery.

**Gold shares:** I correctly predicted the downward trend would continue and I still see it lasting until mid-May.

**Gold Bullion:** I correctly predicted an up-turn which I still see lasting until mid-week. But then it is likely to be downwards after that...well into the future.

**The Rand:** I correctly predicted the beginning of a recovery which I see lasting until around November 28 followed by renewed weakness until mid-December.

***The Predicts accuracy rate on a running average basis over the past 681 weeks has been 84.88%. For the past 12 months it has been 94.33%.***

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