Richard Cluver Predicts
In our 32nd year of service to the investing public

Volume: 32
Issue: 5
01 February 2019

How often we fail to recognise that everything is connected which is why we cannot escape the folly of other people's actions.

Yesterday I was accompanying my wife on a shoe hunt when we called at a Foschini branch where a very cheerful and pleasant young man directed us to the shoe department. I could not help wondering whether he was aware of how slender was the thread upon which his personal welfare depended bearing in mind the financial distress of his employer.

Momentarily I considered how fortunate I was not affected by it. But then I realised that I was a shareholder in both Mr Price and Shoprite which have both taken a thump on the stock exchange lately due to poor trading results. His impending difficulties and my own momentary pain are, of course, directly linked to the fact that the Minister of Finance was recently forced to raise VAT which has drained cash out of all South African consumers' pockets, which is why in turn that retailers generally are taking strain right now.

From there it is but a short leap to the catastrophic reign of Tom Moyane at SARS and the cash shortfall the Fiscus is facing due in large part to the fact that certain illicit cigarette manufacturers are getting away with not paying their due excise fees. So a few are being enriched, presumably for the benefit of another connected few, at the expense of all South Africans.

I am also reminded of how, in trying to explain to a domestic worker the magnitude of the known plundering of Government funds after Finance Minister Tito Mboweni made his now famous "R500-billion and counting…" statement, I needed to make that figure meaningful. Remembering that I had read that the cost of an RDP house was R100 000, I explained that this sum would build 5-million houses: enough to end the 2.3-million house backlog in South Africa, pay for free education for all and a whole lot more besides.

But I wasn't sure of the figure so I checked with an architect friend who does a lot of Government work and his response was very telling. Yes R100 000 was the standard tender figure, he agreed, but the actual figure is around R60 000 because those who are awarded the tenders immediately put R40 000 into their own pockets before passing on the work to contractors who actually do the work.

And of course it does not end there because the contractors are required to source their materials from designated suppliers who add on their own percentages, so who knows what the real cost of an RDP house should be; perhaps a third of the official figure. And that implies that instead of 5-million houses it might be possible to build 15-million; one each for every pensioner in the country!

Now consider that one in three RDP houses has to be significantly repaired or even demolished and rebuilt because of sub-standard workmanship. That implies that with proper administration we might have saved the cost of another 5-million houses and collectively gone a very long way to solving most of our problems.

Now consider this week's testimony by suspended assistant portfolio manager at the Public Investment Corporation, Victor Seanie, suspended because he queried the wisdom of the PIC investing R4-billion of government pensioners' money in a, by all accounts grossly overvalued Ayo Technology Solutions; more good money after the billion Rand write-off of a previous investment in Independent Newspapers and recognize that the welfare of 2.16-million civil servants has been put at risk with further knock on stress to our retailers.

Ignoring for a moment that the latter figure can be compared with the fact that the US federal government employs 2.123-million people, or that our civil service represents 22 percent of all employees in South Africa whereas the comparative figure for the US is 1.7 percent, it must be very clear to everyone in this country why ANC mismanagement and corruption has brought our economy to a grinding halt.

Similarly it should be no surprise that against a US unemployment rate of 3.9 percent, ours is 26.7 percent.

Which brings me to the plight of our retailers. Food retailers like Shoprite, Spar and PiknPay are normally regarded as the most defensive stocks to hold because of the simple observation that even in the worst of economic times, everyone needs to eat. So consider the Shoprite graph below:

Since March 6 last year the price has fallen from R275.50 to R153.13 this week. That is a disastrous 44.4 percent decline.

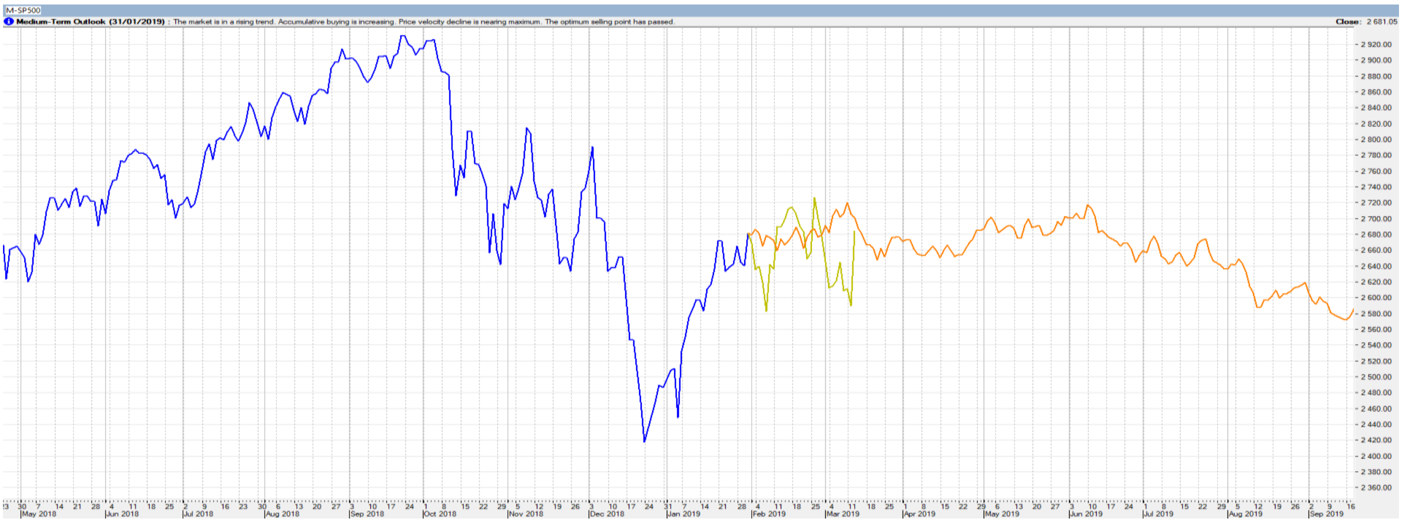
Spar, graphed below, fell from R222.65 last March to R168 in October – a decline of 24.5 percent before it recovered to R210.72 in January. However ShareFinder projects an imminent decline (in yellow) to R160.82.

PicknPay peaked at R80.70 last May, fell 20 percent to R64.44 in October before recovering until December. But now ShareFinder projects the probability of a decline to R60.65 in March.

By way of comparison, the JSE All Share Index fell from a peak value of 616231 to 504344 in December before beginning a recovery. That's an 18 percent decline. And ShareFinder sees it rising to 568345 by the end of this month.

And now we know whom to blame. This is all the proof one needs to see how close to the brink of disaster we have come. Now our future hangs by a thread and yet nobody responsible is wearing orange overalls!

By comparison, Wall Street was rising through most of 2018 but since it peaked in September it fell 26.7 percent to a December 21 low and it has a little way still to go before it peaks, if ShareFinder is correct on or about February 26 and then goes into a slow decline with most international economists predicting that this year will see a global economic slow-down into a 2020 recession:



US citizens can blame their maverick president and his misguided trade wars for that one!

Who needs politicians? I am feeling more than a passing sympathy for Helen Zilla's call for a tax boycott!

The next month:

New York's SP500: I wrongly predicted the market would trend downhill until early March. Now I see gains until early March before a year-long decline.

London's Footsie: I predicted marked would head downwards in the long term but failed to foresee this week's sharp recovery. Nevertheless I still see declines.

JSE Industrial Index: I correctly predicted the Index would fall. Now the signs are confused with short-term recovery seen until late February within a longer-term decline until August.

Top 40 Index: I correctly predicted the possibility of a rise, but it is likely to be short-lived ending around the 7th with some February volatility within a longer-term decline until August.

ShareFinder Blue Chip Index: I correctly predicted the end of the upward trend. Now I see gains until the second week of February before the next decline...

Gold shares: I prematurely predicted the start of a long decline until the end of May but I continue to hold that view.

Gold Bullion: I correctly predicted a whip-saw immediate future with possible gains immediately today followed by a falling trend later and another brief recovery. But overall the long-term trend should be down.

The Rand: I correctly forecast further strength. Now I see some weakness until early March followed by further gains.

The Predicts accuracy rate on a running average basis over the past 692 weeks has been 84.97%. For the past 12 months it has been 93.13%.

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