Richard Cluver Predicts

In our 32nd year of service to the investing public

Volume: 32

Issue: 10 **08 March 2019**

One swallow does not make a summer so they say, but in the share market a series of blue chip companies reporting earnings increases usually signals the onset of a market up-turn and there have been a growing number of such events this year.

So let me start this Friday with ShareFinder's projection for the future of MTN which rose in price so dramatically yesterday following the positive news that it expects growth in full year headline earnings per share of between 80% and 90% and growth in basic earnings per share of between 95% and 100**%.**

Notice the green smoothly-curving long-term cycle projection line which suggests that the share price has finally bottomed after a long period of decline which began in late 2014 after the price had peaked at R260.10. Yesterday it closed at R89.90, up from R75.05 the previous day.

The graph on the right shows what has happened to the share over the past five years of turmoil which, to be fair was largely the result of events beyond South Africa's borders but nevertheless tracks the hopelessness that so many South Africans have felt about the South African economy as a rapacious ANC has systematically destroyed service delivery systems that have taken two centuries to build.

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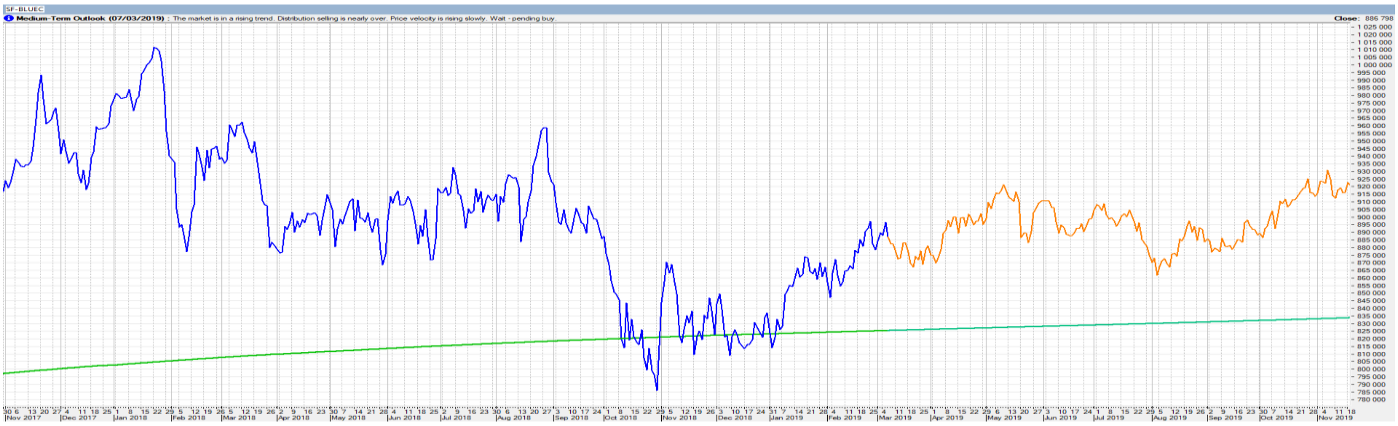
Notwithstanding the positive result, a consensus of market analysts is that MTN shares are a "Sell".

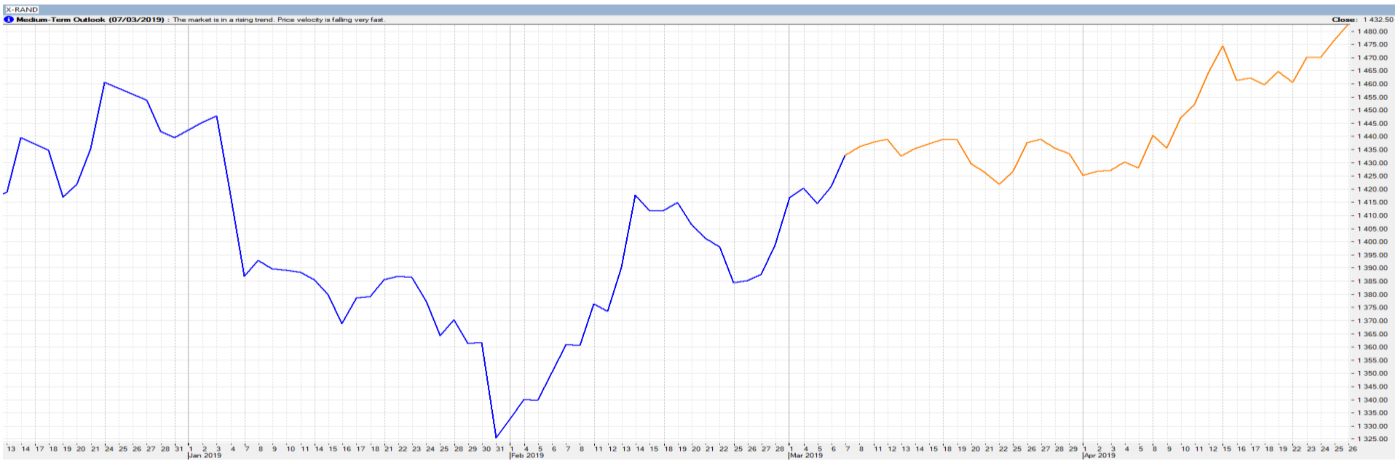
Few have reported quite as dramatic a projected earnings increase as MTN, but it is nevertheless clear that the worst is over for an increasing number of listed companies and the tide has clearly turned for Blue Chip shares as a whole as my following graph of the ShareFinder Blue Chip Index makes clear, though ShareFinder continues to project bad things for the market from May 10 until August 5 which, as I have warned before, suggests some unhappy changes after the May elections.



The irony then is that foreigners sold a net R14.6bn of shares in January with 19 of the 22 trading days seeing outflows, according to JSE. Hardly surprising when the ANC continues to plod ahead with its plans to nationalise property without compensation which is illegal in terms of international law and is in defiance of a multitude of treaties signed between South Africa and her international trading partners. So it is no wonder foreign investors want out!

And President Cyril Ramaphosa worsened the situation considerably yesterday in Parliament when he firmly committed the ANC to nationalising the SA Reserve Bank. Overseas perceptions of the South African government have worsened considerably in recent months as a consequence of the revelations of the State Capture enquiry which have served to confirm what a majority have long suspected; that corruption and the theft of state money has become institutionalised in this country. Thus the Reserve Bank statement is obviously being seen as yet another exercise in State Capture; the precursor to further theft on an industrial scale.

It should thus be no surprise that the Rand weakened sharply in the aftermath of the President's speech and ShareFinder projects that it will continue doing so until at least the end of April as my next graph illustrates:



These are dark times indeed for the South African economy as we try to recover from the immense damage that has been done by corruption and mismanagement. Foreign investors, upon whose goodwill our future recovery so heavily depends, desperately need strong words of reassurance at this time. Sadly President Ramaphosa only worsened those perceptions yesterday.

He really needs to up his game if he hopes to lead all South Africans, rather than a politically-connected few, back to prosperity!

The next month:

New York's SP500: I have been for some time correctly predicted a market decline lasting until at least September but wrongly last week predicted an interim gain. Now it is downhill all the way!

London's Footsie: I correctly predicted declines which would precede a bear market lasting until September and I continue to hold that view.

JSE Industrial Index: I correctly predicted a major decline which started on time and could last until early August.

Top 40 Index: I correctly predicted that the gains would continue but they ended at mid-week rather than today. Now I see declines at least for the rest of this month with a brief up-tick in April within a longer term decline until August.

ShareFinder Blue Chip Index: I correctly predicted a decline which I now see lasting until March 21.

Gold shares: I correctly predicted declines which I still see lasting until mid-May...

Gold Bullion: I correctly predicted declines that are likely to last until November.

The Rand: I correctly forecast a sideways trend until the end of this month with growing pressure for a short-term recovery until March 25. I continue to see a volatile whip-saw sideways trend for the rest of this month followed by further weakness until May.

The Predicts accuracy rate on a running average basis over the past 698 weeks has been 85.01%. For the past 12 months it has been 92.5%.

Richard Cluver