Richard Cluver Predicts
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More and more, investors are talking themselves into the next bear market. Earlier this week former Barclays Bank CEO, Jamie Dimon was quoted at a press conference as saying "Of course there's a recession ahead **— what we don't know is, if it's going to happen soon," And Mike Corbat, Citi's C.E.O., said that business customers have been hitting "pause" in investing in their companies.**

And, speaking yesterday at the International Monetary Fund, Ray Dalio, whose investment management firm, Bridgewater Associates, is the world's biggest hedge fund, likened current global events to those that preceded the Great Depression of the 1930s. Dalio, who was taking part in a CNBC-sponsored panel at the annual meetings of the International Monetary Fund, and World Bank, weighed in on topics from global borrowing levels to the U.S. presidential election where, he said, a Democratic victory might lead to a reversal of President Donald Trump's corporate tax cut.

"Big, unique things are happening" in a global economy awash with money, Dalio said on a panel in Washington. The impetus of measures such as interest-rate, reductions and tax cuts is fading, "but we don't have a circumstance to cause a classic crash-type event at the end of the cycle."

Read more: Ray Dalio Says He's Not Sick, Just Triangulating

"You don't have the same tightening of monetary policy, you don't have the same debt rollover," he said. "But you have a lot of long-term debt maturities and you have a lot of obligations," such as pensions and health care, "that are a burden."
"So this cycle is fading and we're now in the world in that I would call great sag,"

Political polarization is making next year's US election crucial for markets, and the U.S. economy, Dalio said. "It's really almost a — most likely, a capitalist-socialist question" that will have major implications for corporate taxes, he said.
"What we're seeing in the United States and what we're seeing around the world is really a greater conflict, with almost more populism of the left and populism of the right, much like the 1930s."

Asked about data suggesting that U.S. consumer demand may be softening, Dalio said one reason for slower growth is, "that there's such a large wealth gap," a disparity that also leads to an education gap, that he portrayed as a burden on growth.

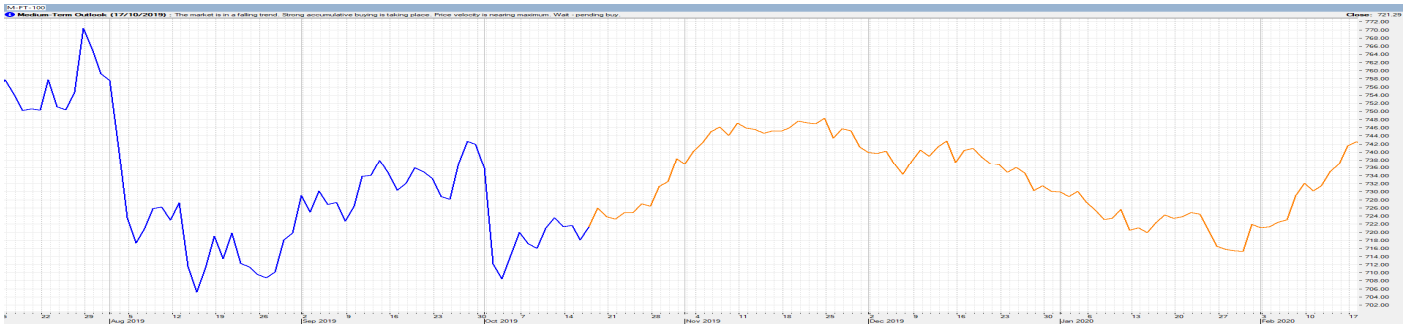
Meanwhile, a Bank of America Merrill Lynch October survey, of fund managers, shows that investors' expectations for rises in interest rates globally over the coming year have fallen sharply. Of those surveyed, just 18% expect short-term interest rates to rise in the next 12 months. That represents a "strong reversal" from September 2018, when 87% of investors predicted higher short-term rates.

The change in the view held by investors comes after recent rate cuts by global central banks, including the Federal Reserve, the European Central Bank and the Reserve Bank of Australia. Meanwhile, Bank of England policymakers have hinted at lowering rates if Brexit uncertainty persists. (renae.dyer@wsj.com)

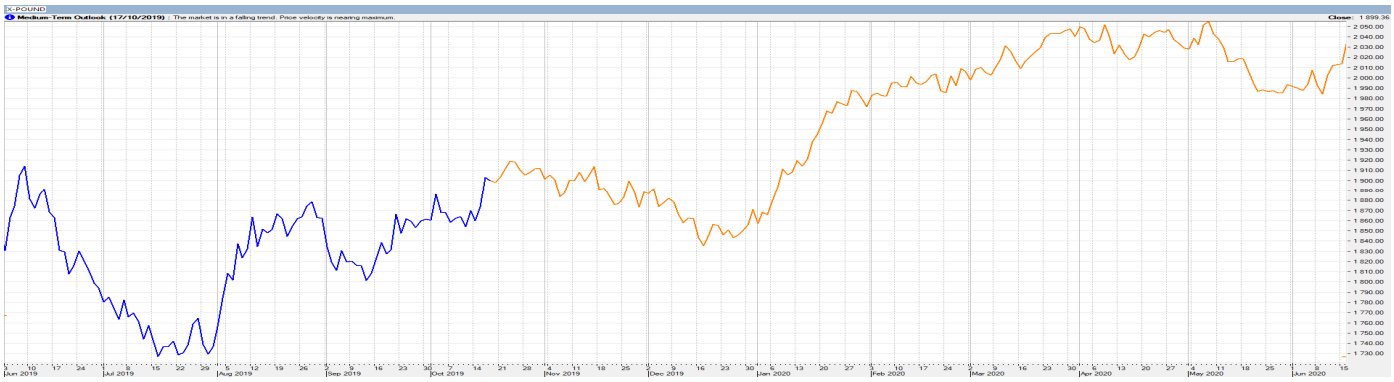
The bank predicts that investors will flock to emerging market equities in the next decade. Some 30% of investors polled expect emerging market stocks to "outperform the most" in the 2020s. The U.S. equity market is seen as the next most likely to outperform, with 22% of fund managers taking that view, followed by China at 17% and Europe at 15%. That would mean the U.S. equity market loses its dominance after having "significantly outperformed" in the past 10 years.

Turning to more immediate events dominating world headlines, we are living in increasingly volatile times or perhaps in our interconnected world we are just more aware of them. However, investors are having to digest events like the US/Chinese trade war and President Trump's abrupt decision to withdraw troops from Syria with the consequent Turkish invasion of one of the world's most sensitive fuel-related regions, not to mention the cynical consequence for the Kurdish people and the unleashing of Isis prisoners.

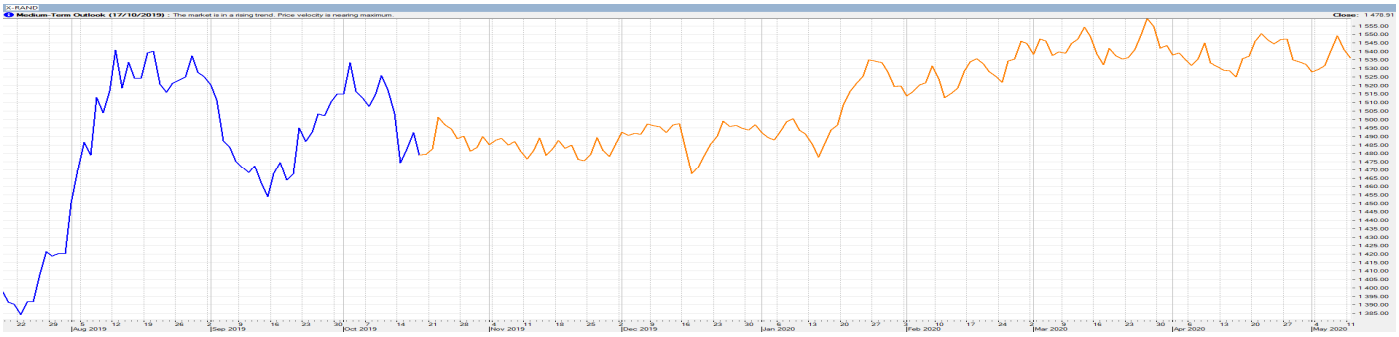
Meanwhile, we have another round of Brexit discussions which will very likely be rejected by the British Parliament. But that outcome is by no means certain. Nevertheless the latest events have had a positive effect upon a rapidly-falling London Stock Exchange which, in the graph below, ShareFinder now sees as rising steadily until the last week of November before returning to its bearish stance until well into the New Year.



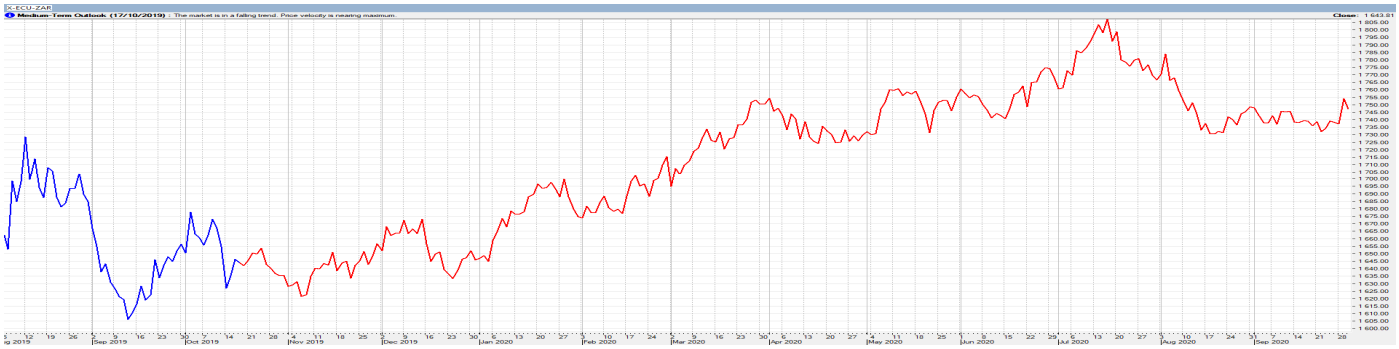
So far as South Africa is concerned, the events in Britain have not been good for the Rand which, although strengthening against the US Dollar, weakened relative to the Pound from mid-July to late August, strengthened briefly through late August and early September before recently losing ground again quite sharply. In the graph below, ShareFinder suggests that the bull run of the Pound is nearly over, however, from the middle of next week it will likely begin to retrace after peaking at R19.18 to the Pound. By mid-December ShareFinder thinks the Rand/Pound parity could be back to R18.35. However, in the New Year ShareFinder sees the Rand as a major loser relative to the Pound with the possibility of R20.54 being reached by early May.



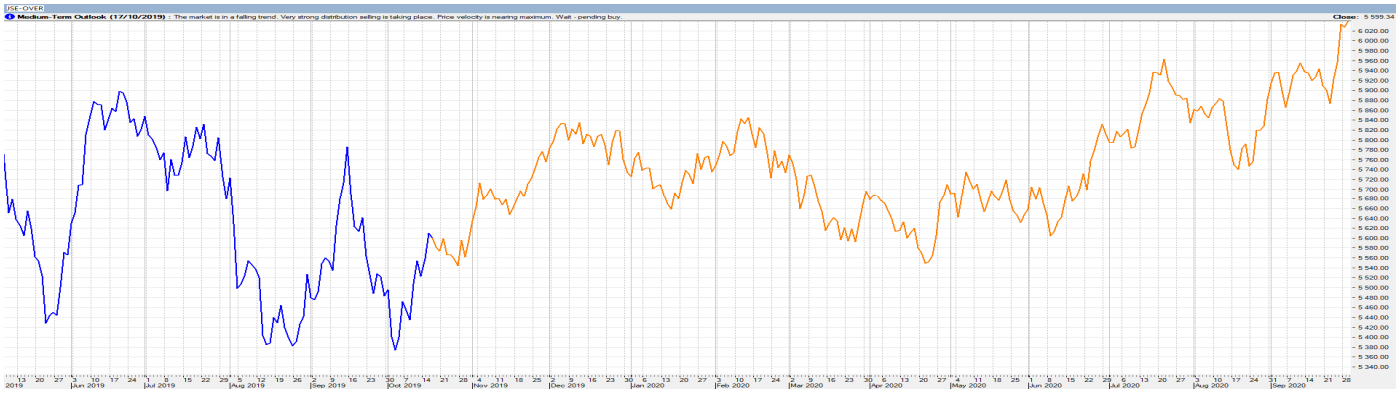
However, Rand weakness might not be a consequence of the Brexit issue for, along with the Pound, ShareFinder sees the Rand losing ground to the US Dollar in the New Year weakening to a possible R15.59 by late March as my next graph illustrates:



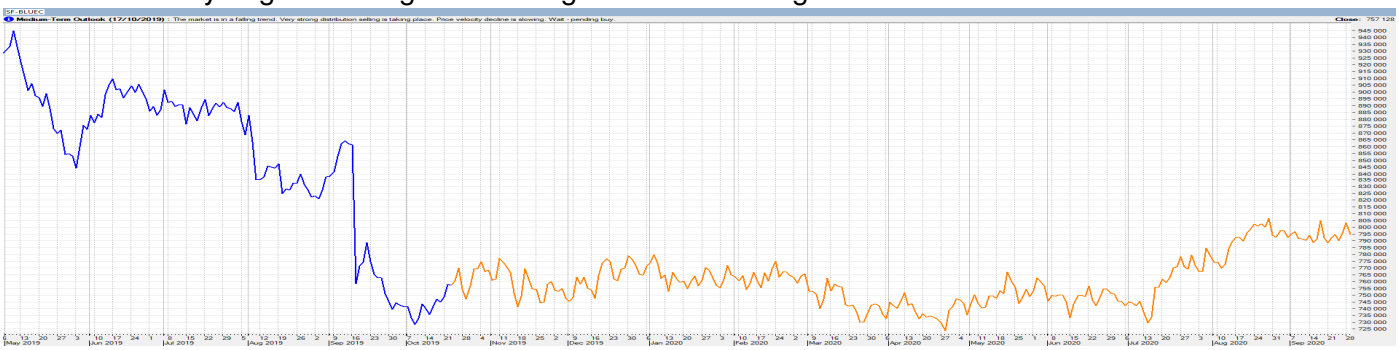
ShareFinder is also pessimistic about the Rand relative to the Euro. As you can see in my graph below the Euro is seen to strengthen steadily from early November to reach a peak strength of R18 to the Euro by next July.



Curiously, this projected Rand weakness is not seen as likely to extend to the JSE where the All Share Index is seen as likely to weaken between early February and late April before surging upwards to new peaks by next September:



Ironically, however, this strong performance projected for the overall market is not projected to happen for the Blue Chips in respect of which ShareFinder sees weakness from early January until mid-April before a modest recovery begins leading to modest gains until late August:



The month ahead:

New York's SP500: I correctly predicted a recovery which I still see lasting until early-December, with another weak phase from then until the second week of January before a long growth period.

London's Footsie: I wrongly predicted that the September recovery would be short-lived followed by a decline lasting most of the month of October. However I correctly predicted a bullish phase beginning around now and I see that lasting until late November.

Hong Kong's Hangsen: I correctly predicted a recovery which expected to last until early January with a further interim decline beginning about now until early November before a November to early January recovery and then a long decline until April.

JSE Industrial Index: I correctly anticipated a recovery which I still see lasting until early December followed by a volatile decline until June.

Top 40 Index: I wrongly predicted a decline until nearly the end of the month. Now I see a brief decline until the 28th when a solid recovery could begin lasting until early December followed by weakness until mid-January.

ShareFinder Blue Chip Index: With the big drop behind it, I correctly predicted gains which I still see lasting until the first week of November when, following brief weakness, I see gains until the end of the year.

Gold shares: I correctly predicted a slightly weaker sideways trend amid some volatility until early November when I see the next upward surge beginning and lasting until mid-December.

Gold Bullion: I correctly predicted a volatile sideways trend until the 23rd when another upward spike is possible followed by an equally sharp decline with another sharp up-tick beginning in late November.

The Rand/US Dollar: I correctly a recovery which I still see lasting until mid-December.

The Rand/Euro: I correctly predicted the current interim strengthening phase should last until approximately the 16th before further weakness would set in. Now I see gains until the first week of November followed by weakness until mid-December.

The Predicts accuracy rate on a running average basis over the past 716 weeks has been 85.28%. For the past 12 months it has been 93.8%.

Richard Cluver

Published by Richard Cluver Investment Services
http://www.rcis.co.za
richard@rcis.co.za