Richard Cluver Predicts

In our 32nd year of service to the investing public

Volume: 32
Issue: 47

15 November 2019

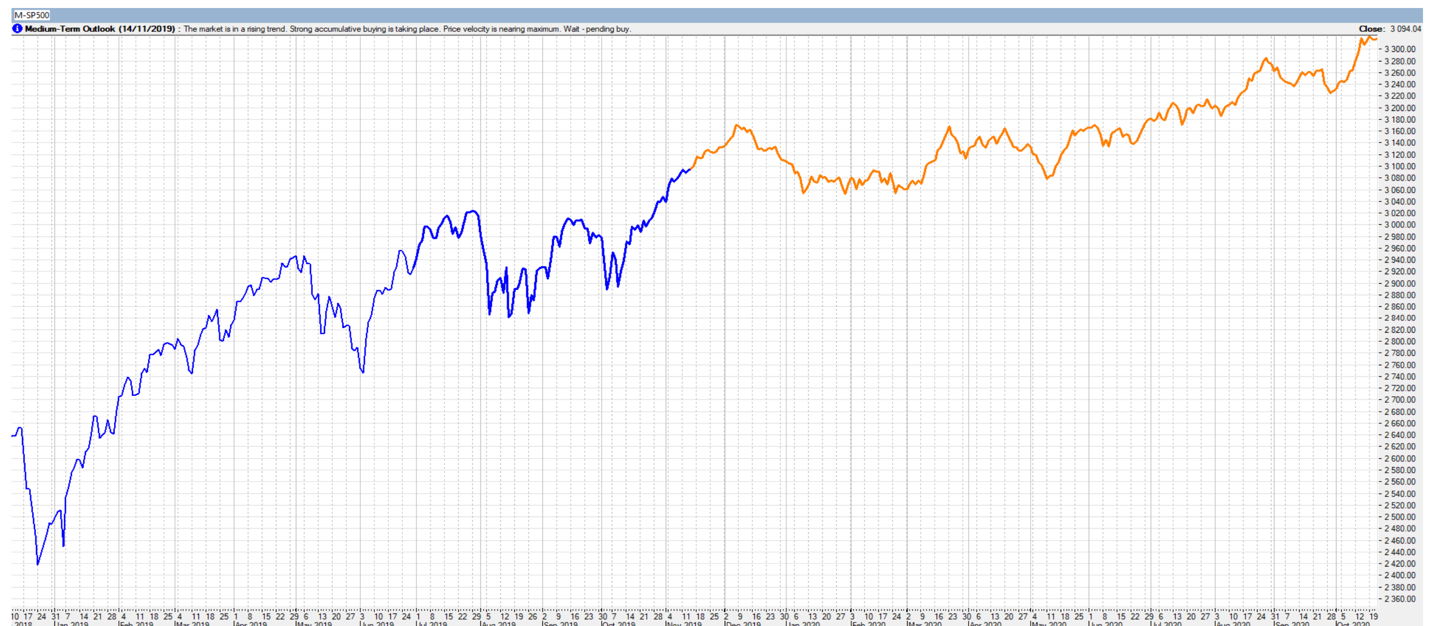
The world hit a new global debt record in the first half of 2019, according to the Institute of International Finance. It totals over $250-trillion with China and the U.S. accounted for more than 60% of new borrowing.

Borrowing by governments, households and non-financial business now accounts for more than 240% of the world's gross domestic product, and it's growing faster than the global economy. In developed countries, governments account for the bulk of borrowing over the past decade. In emerging markets, companies have taken the lead — but more than half of corporate debt in those countries is likely held by state-owned businesses.

Contrast this with a new poll conducted by Bank of America of 178 of the world's wealthiest people who collectively control $574-billion of assets and who largely believe equities will be the top performing asset class in 2020.

"The bulls are back," says the bank, after survey data shows investors are piling into equities as recession worries fade and the "fear of missing out prompts a wave of optimism and a jump in exposure to equities and cyclicals." Those investors surveyed have also lifted the level at which they think the S&P 500 index will peak, at 3246, up from 3166 last month and the highest level since the question was first introduced in June 2018. Here note ShareFinder projects it will peak at 3322 next October.

Regular readers of this column will know that ShareFinder has for some time been telegraphing the same glad tidings with respect to Wall Street with ShareFinder today projecting clear growth through to the end of next year as depicted in the following graph:



The Wall Street projection stands in sharp contrast with the rest of the world where ShareFinder senses that a major global market correction is likely to begin next October: I will be publishing the second chapter of my new book; The Crash of 2020 on Wednesday November 27th in the forthcoming issue of ***The Investor*** in which I am outlining why I think China will be the cause.

Adding to this debate, the Business Maverick today reports that Jack Ma, the co-founder and former chairman of the Alibaba Group, has said that trade “turbulence” between the U.S. and China could last 20 years if the two superpowers aren’t cautious. “We have to be very, very careful,” Ma said on Thursday in an interview with Bloomberg TV.

“We have to solve problems; we should not create more problems.” While a full-scale trade war might not last that long, relations could end up rocky for the next two decades, he said. The trade dispute, which has been going on for more than a year and a half, has already ensnared more than 70% of bilateral trade in goods. If the two countries can’t resolve at least some of their differences in the coming weeks, the White House will on December 15th add 15 percent tariffs on $160-billion of Chinese imports.

Meanwhile, as I commented last Friday, Chinese leaders have turned to using turbo-charged stimulus financing to get their economy moving once again. A consequence of this strategy has been a dramatic and rapid rise in debt. As of 2017, China’s total debt amounted to 255.7 percent of its gross domestic product. But despite this, third quarter figures indicate that the Chinese economy grew at its weakest rate since 1992. To counter the slow-down the Chinese government has announced it intends to address sluggish growth with further tax cuts and even greater access to credit in an attempt to improve the country's business and investment landscape.

Meanwhile, the Shanghai stock exchange closed down today, but the better representative of far eastern share trading currently is Hong Kong’s Hangsen Index which has been in a steeply-declining pennant formation since January 2018 as depicted in my graph below:

ShareFinder projects that it is likely to continue falling until early April and then recover until mid-October before plunging into early 2021 ushering in the crisis I have been warning about when the world’s debts finally begin to catch up with us.

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

Our own Blue-Chip Index has been enjoying a healthy improvement which ShareFinder projects will continue until late February ahead of a brief retraction until mid-March and then a final up-surge until October 6 before it too goes into a tail spin:

The month ahead:

New York's SP500: I correctly predicted a continuing 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, and I continue to hold that view.

London's Footsie: I correctly predicted that the Footsie was peaking and I still see it likely to decline until the end of January before a volatile recovery becomes the dominant theme for the year ahead.... until October 14!

Hong Kong's Hangsen: I wrongly predicted the bull phase would continue and did not see this week's sharp correction. However, I continue to expect the gains will last until early January. Thereafter I still see declines all the way until April before the next bull phase sets in.

JSE Industrial Index: I correctly anticipated a brief decline until the 21st, a short recovery and then down-hill until mid-May.

Top 40 Index: I correctly predicted a brief decline until the 15th/25th followed by a short recovery and then a decline from early-December until mid-January and another recovery until mid-February.

ShareFinder Blue Chip Index: I correctly predicted gains which I saw lasting until now. Now I see a volatile period with declines to the end of this month, a brief recovery and then a down-trend until mid-March.

Gold shares: I correctly predicted an upward surge would last until mid-December followed by a weaker trend for most of the New Year.

Gold Bullion: I correctly predicted weakness would last until mid-month followed by brief gains until early December. However, the outlook for the New Year is negative until March.

The Rand/US Dollar: I correctly predicted a recovery which I now see lasting until November 22 followed by brief weakness into the second week of December followed by gains until mid-January and then a further phase of weakness until late March.

The Rand/Euro: I correctly predicted gains which I now see only\y lasting until November 19 followed by weakness until December 13 and then gains until the end of the year.

The Predicts accuracy rate on a running average basis over the past 719 weeks has been 85.32%. For the past 12 months it has been 93.15%.

Richard Cluver