



Richard Cluver Predicts

In our 32nd year of service to the investing public



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Arguably the principal thought on the minds of many people around the world will be what bargains can be found this Black Friday, but for those monitoring global financial markets, the main concern today is what impact the latest disagreement over Hong Kong will have on Sino-US relations.

Earlier this week US President Trump signed into law the promotion of support for pro-democracy movements in Hong Kong, which yesterday resulted in condemnation from China and the promise of retaliatory measures which obviously cast into doubt the signing of a phase one trade deal any time soon. It also placed into sharp focus a new set of tariffs on Chinese goods, due to be imposed on 15 December which most had hoped might be rolled back.

Here at home, there can be no greater issue facing South African investors currently than the dire economic situation; of an imminent complete downgrade to junk status and the possibility of our loans being called in; shades of the Rubicon crisis in the 1980s that ushered in a negotiated debt standstill and an era of austerity that directly brought about the end of National Party rule.

Arguably worse, however has been the refusal of ANC members to recognize the situation and their demands at a weekly caucus behind closed doors last Thursday. According to a Daily Maverick report Gwede Mantashe and Pravin Gordhan were brought in to meticulously explain the facts, figures, thought processes, options and policies which they, together with Ramaphosa and Finance Minister Tito Mboweni, have been propagating publicly very widely of late.

Notwithstanding being told emphatically that government has completely run out of money, several ANC backbenchers reportedly made their dissatisfaction and disagreement abundantly clear, demanding that SAA be bailed out to the tune of R2-billion. After being told that the partial privatisation of SAA was the only way the airline could be saved, the back benchers apparently would have none of it.

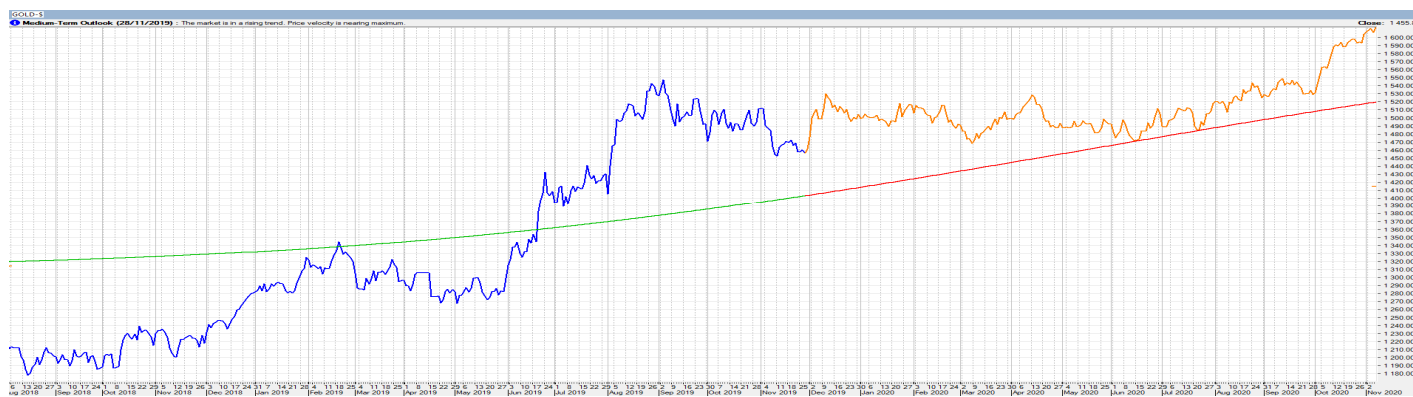
The threat is the removal of the Ramaphosa group and a return to Zuma era kleptocratic practices because, at the heart of the rebellion of back-benchers is the drive against corruption in favour of arresting, prosecuting and sentencing those found guilty of or abetting corruption. With clear signs emerging that there could soon be a wholesale loss of jobs coupled with lengthy periods in South Africa's tough prisons for those found guilty of the massive corruption and criminal mismanagement which flourishes on a massive scale in those provinces, metros and municipalities where the ANC governs, the fight back has gained confrontational intensity.

The rebellious mood was reported to be particularly prevalent among many younger ANC MPs who are new arrivals in Parliament, having been elected for the first time in the 2019 general election. Mantashe and Gordhan were met by an avalanche of critical questions once they had concluded their initial input.

Meanwhile Bloomberg reports that the gold call options market this week saw \$1.75 million in block trades betting that the yellow metal could almost triple in price within a year, massively surpassing the previous record. Around noon in New York yesterday 5,000 lots were closed for a gold option giving the holder the right to buy gold at \$4,000 an ounce in June 2021. The bets were sold at \$3.50 an ounce.

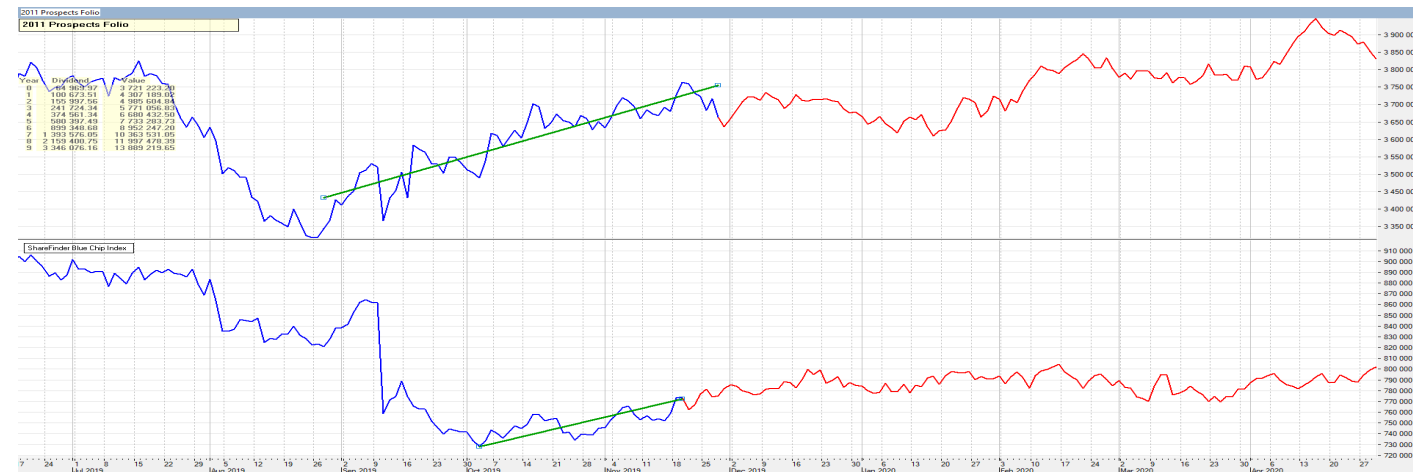
“It’s like 18-month term life insurance; what will the world look like if gold is at \$4,000,” Tai Wong, the head of metals derivatives trading at BMO Capital Markets, said in an email. “They are hoping for a quick violent move,” he said.

The last New York gold futures record was set at \$1,923.70 an ounce in 2011 when the US Federal Reserve bought over \$2 trillion of debt to stimulate the U.S. economy. While bullion has rallied 14 percent this year as you can see in my graph below, the precious metal is still 24 percent below the current all-time high. Trading overnight at \$1 455.88 a fine ounce, it will need to almost triple to make the call options profitable for their holders.



Though ShareFinder’s projections tend to be infinitely more accurate in terms of timing rather than magnitude, it is clear that while ShareFinder senses strong gains in the second half of the new year with a major up-surge next October to coincide with a projected serious retraction of share markets around that time, nothing like a price tripling is foreseen. However, the trend tends to emphasize the theme of my latest book “The Crash of 2020” which should be available for sale ahead of Christmas. It is currently undergoing peer review before I release it.

Meanwhile, the Prospects portfolio continues to outperform all markets, currently rising at compound 42.8 percent as underscored by my green trend line in the graph composite below. In so doing it is significantly outperforming the Blue Chip Index which forms the second part of the composite. Though some weakness is sensed from mid-December to mid-January, the likely trend continues upward.



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 end of January before a long growth period, and I continue to hold that view.

London's Footsie: I correctly predicted that the Footsie would decline until the end of January but failed to foresee this week's sharp but very temporary up-tick. It is, however, already over and there are unlikely to be any more positives until mid-January.

Hong Kong's Hangsen: I correctly predicted gains which I see lasting amid extreme volatility until the middle of this month. Thereafter I still see declines all the way until March before the next bull phase sets in.

JSE Industrial Index: I correctly anticipated a brief decline. Now I see a very short recovery and then further declines mid January, a month-long recovery and then further declines until June.

Top 40 Index: I correctly predicted a brief decline but the short recovery until early December has been delayed by a week. I see another decline from mid-December to mid-January and then a recovery until mid-February and then a decline until mid-March.

ShareFinder Blue Chip Index: I correctly predicted gains would become volatile although the overall upward trend would continue until mid-December when a brief correction into mid-January will be followed by short gains until mid-February.

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

Gold Bullion: I correctly predicted brief gains until early December followed by weakness until early March.

The Rand/US Dollar: I correctly predicted a volatile weakening phase until mid-December when a brief gain is likely but then weakness is likely from December 17 until late March.

The Rand/Euro: I correctly predicted gains until now followed by brief weakness until December 9 followed by gains until Christmas and continuing weakness well into the new year.

The Predicts accuracy rate on a running average basis over the past 720 weeks has been 85.36%. For the past 12 months it has been 93.15%.

Richard Cluver