



Richard Cluver Predicts

In our 32nd year of service to the investing public



Volume: 32

Issue: 50

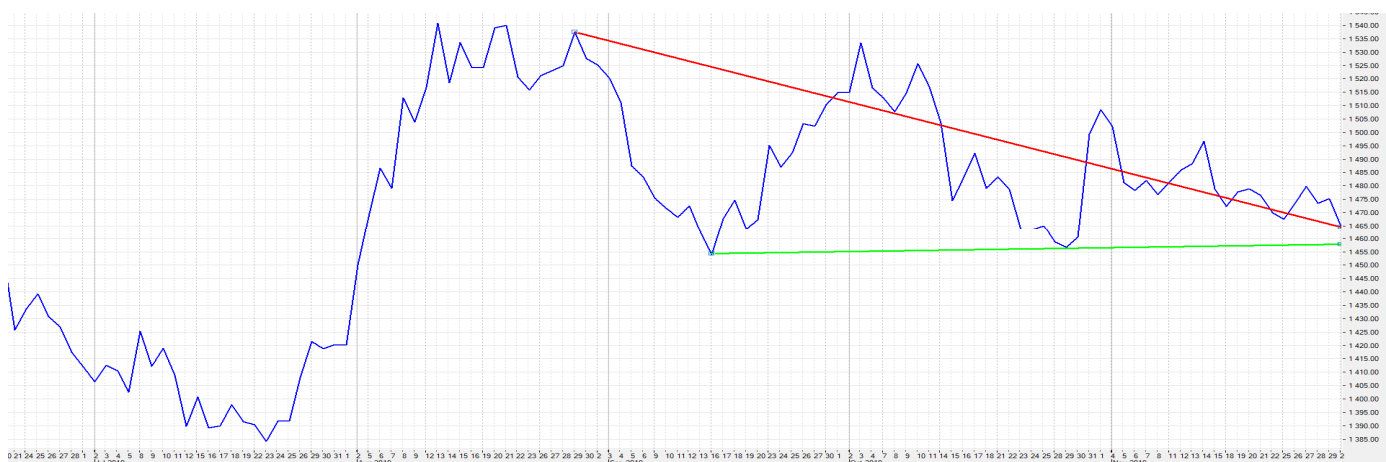
06 December 2019

With effective complete junk status fast approaching us, South African investors must have reacted with deep dismay this week when Minister Pravin Gordhan provided billions in cash support for South African Airways, seemingly back-tracking on his earlier firm position that Government had no more money left for the ailing airline. Worse, last Sunday he issued a quote that it was "... our patriotic duty to fly SAA."

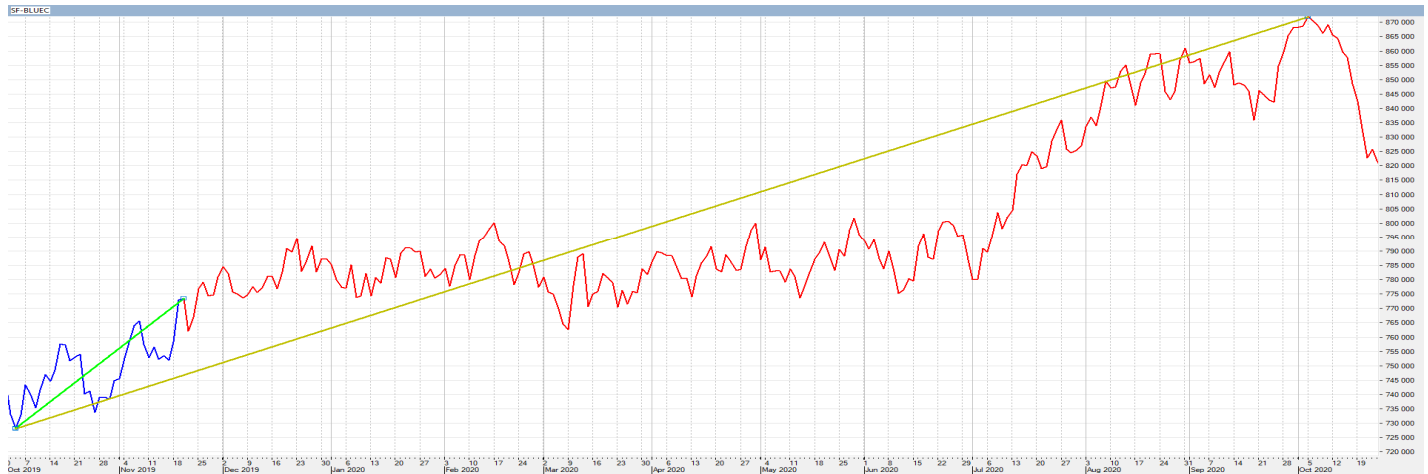
For readers who are still troubled by this decision, I urge you to read an outstanding article in today's Business Maverick by Sasha Planting which explains the process in detail and, more importantly, explains why Gordhan's action was very sensible. It quotes PJ Veldhuizen, a partner with Gillan & Veldhuizen. "Either the company will be restructured to the point that it becomes a going concern, or it will be liquidated. In the latter eventuality, it will happen in an orderly fashion with creditors receiving more on their rand than in the case of a disorderly liquidation."

It is worth, in passing, recalling that government penciled in a commitment during the Medium Term Budget Policy process in October to repay SAA's existing R9.2-billion in debt, and provide it with R2-billion in operating capital, a fact that was reiterated in the late-night government statements on the business rescue process. So, the current undertaking is merely a re-iteration of the previous promise and does not add additional strain to the fiscus. Indeed, since the process of business rescue effectively removes SAA from political interference, it is likely that this has been the best of all possible outcomes which has permanently lanced this boil.

Would that all the rest of our state-owned enterprises were treated in the same manner for we would then be on a very firm road to economic recovery. All of which takes me to the following graph which shows very convincingly that South Africa Pty Ltd is in a healthy state and, far from the world regarding us as a basket case, the Rand is recovering at a dramatic compound 17.4 percent as delineated by the red trend line. The green trend line does, however indicate the probability of a ceiling. Should the Rand strengthen significantly above the level of R14.56 to the US Dollar then we are likely to move onto a new norm. In such circumstances we might expect Blue Chip shares to strengthen in similar fashion.



And precisely that is being predicted by ShareFinder in respect of the Blue Chips which have been rising strongly since October 3 at a compound annual average rate of 58.1 percent as indicated by my green trend line in the next graph and are predicted to climb at compound 20.2 percent (yellow trend line) until early October when, as the graph illustrates, the next share market crash appears likely.



The likely magnitude of the October correction is impossible to predict at this stage but, given the extent of international indebtedness and the rate at which it is now being created both to pay out the interest on old debt and fund the impossible ideal of stimulating moribund economies into unattainable growth, it is likely that it could plummet out of control.

It is for this reason that I have written a new book "The Crash of 2020" which is now available to readers as an E-Book. You can order it now by clicking on this link: <http://www.rcis.co.za/the-crash-of-2020-order-form/>

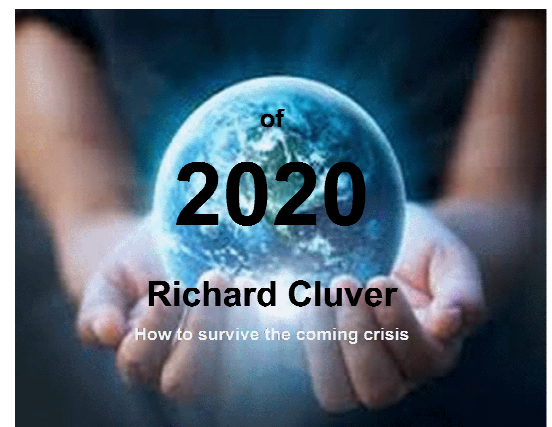
The book centres on the argument that the world's monetary system has reached an unprecedented, era-defining crossroads. At 320 percent, the debt to GDP ratio is the highest it has ever been and under its rapidly-rising burden the world monetary system is racing towards a collapse that is likely to decimate the savings of ordinary folk everywhere.

Having hit more than \$250-trillion, the unprecedented amount of our global debt glut is underscored by the creeping presence of negative interest rates: a situation where the borrower gets paid for borrowing. Although growing debt and the consequent stagnation of more and more global economies is resulting in soaring unemployment across the world with political polarization between the "Haves" and "Have Nots," the inevitable consequence will be the resurgence of inflation which will only serve to heighten the pressure on families struggling to survive.

The US National Debt this year passed the \$22-trillion mark and, based on the latest data, total private and public US debt has hit an astronomical record-high of \$75.3-trillion, or a staggering 365 percent of GDP. And a lot of other countries are in a far worse mess. As far back as 2012 Japan had passed 650 percent of GDP, Britain had passed 550 percent and the Eurozone 450 percent. Meanwhile President Trump continues to thwart all efforts towards a new trade treaty and is set in just nine days time to introduce tariffs on US\$156bn worth of Chinese goods.

In the UK, in the final stages of a general election in which the voting public is being offered the impossible choice between a financially disastrous exit from the European Union and an arguably even more

The Crash



financially disastrous Labour Party dream of nationalising practically everything, both contenders are making spending promises that the nation cannot possibly afford. It can only end badly!

Meanwhile France is in lock down in what promises to be the worst general strike that nation has ever witnessed. And the problems multiply worldwide. Nation by nation, economic stagnation, systemic over-taxation and wasteful government expenditure is the order of the day with the Trump round of trading sanctions threatening what economic viability as still exists.

So, I need to emphasise that it is not only the Chinese that are facing this brinkmanship. All trading nations face similar problems and tit for tat sanctions are beginning to appear. It was precisely such a scenario which ushered in the Great Depression of 1929 and it seems that some statesmen have never taken that lesson to heart.

In our own case, where the ruling party is so riven within itself that it is barely able to govern and, reportedly, corruption continues to flourish on an industrial scale, the impact of a new global economic crisis could impose catastrophic pressure. That is why I have felt it necessary to write this book and, importantly, offer my readers what measures research suggest will see them through such a crisis with the minimum of pain. I doubt that you will much enjoy reading it but at least it should leave you with a clearer understanding of what faces us and some guidance towards developing your own survival strategies.

The month ahead:

New York's SP500: I correctly predicted December would begin with another weak phase. Now I see one more brief up-surge followed by a quite sharp decline until the second week of January from when a long recovery appears likely.

London's Footsie: I correctly predicted that the up-tick would be very temporary and would be followed by a decline until the end of January. The next recovery is unlikely until January 28.

Hong Kong's Hangsen: I correctly predicted extreme volatility which should continue until the market peaks on January 3 followed by declines until the first week of April.

JSE Industrial Index: I correctly anticipated a very short recovery and I continue to see further declines until mid January followed by a month-long recovery and then further declines until June.

Top 40 Index: I correctly predicted a short recovery until early December and I still see another decline until mid-January, a brief 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. Now I foresee a brief decline from mid February until the second week of March before a long recovery until October.

Gold shares: I correctly predicted an upward surge which I now see lasting until late 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 which I still see lasting until early March when a brief recovery will precede a decline from mid-April to mid-June followed by a long recovery thereafter.

The Rand/US Dollar: I correctly predicted a weakening phase which should last until the 10th when a brief gain is likely until year end followed by weakness until the end of January.

The Rand/Euro: I correctly predicted gains until now followed by brief weakness. Now the projections are in opposition leaving uncertainty until the end of December. Thereafter I see weakness until July.

The Predicts accuracy rate on a running average basis over the past 721 weeks has been 85.36%. For the past 12 months it has been 93.15%.

Richard Cluver