Richard Cluver Predicts

In our 32nd year of service to the investing public

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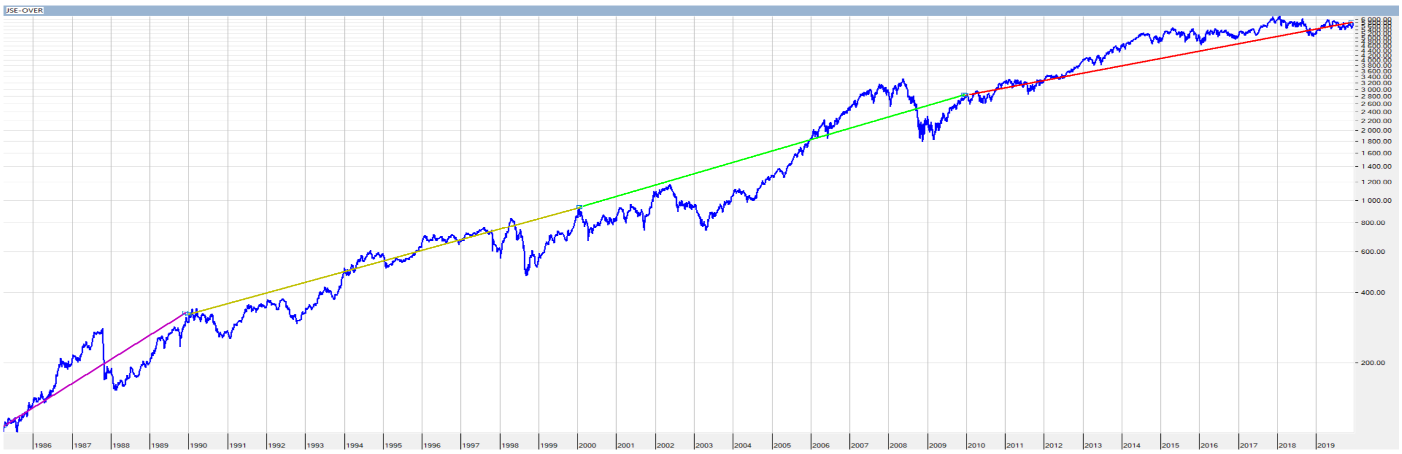
May we wish all our readers everything they would wish themselves over the festive season. Our offices will be closed from today until 2cnd January 2020.

This is the last column I will write in this decade, one that has not served South Africans particularly well politically and has seen a rapid widening of the gap between rich and poor. It has also been the poorest performing JSE decade since the 1980s. So many will be glad to see the back of it; particularly since the next one promises such profound change.

My graph below traces the performance of the JSE Overall Index since the early 1980s with the mauve trend line signaling that the 80s gave us compound 26.9 percent a year, the yellow 90s gave us compound 11 percent annually, the green 2000s gave us 11.9 percent compound while the red latest decade has given us compound 7.5 percent annually:



Happily, I launched the Prospects Blue Chip portfolio in January 2011 and it has delivered compound 19.3 percent with dividends re-invested for those readers who have chosen to emulate it. We launched it with an initial R1-million and it is today worth R3.638-million, confirming that South African investments can still perform amid the gloom of a captured economy, and is currently delivering an annual dividend of R65 198. Note the graph below:

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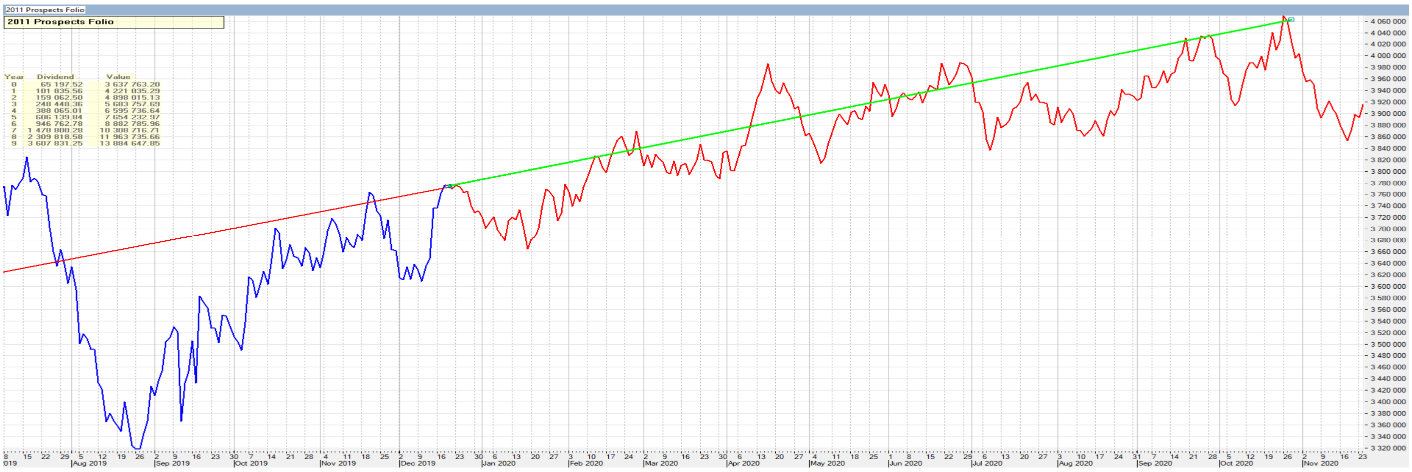
The big question that every investor should now be contemplating is whether that growth rate can continue. Accordingly, in the following graph I have used ShareFinder's artificial intelligence system to project the likely trajectory in the New Year which suggests that the portfolio will peak in value next October at around R4.07-million following which a major market decline is likely which I have written extensively about in my latest book, **The Crash of 2020** which postulates that quite soon now the world's monetary system will experience what economists are labeling **The Great Reset.** You can order the e-book at a cost of $10 by clicking on the following link: http://www.rcis.co.za/the-crash-of-2020-order-form/

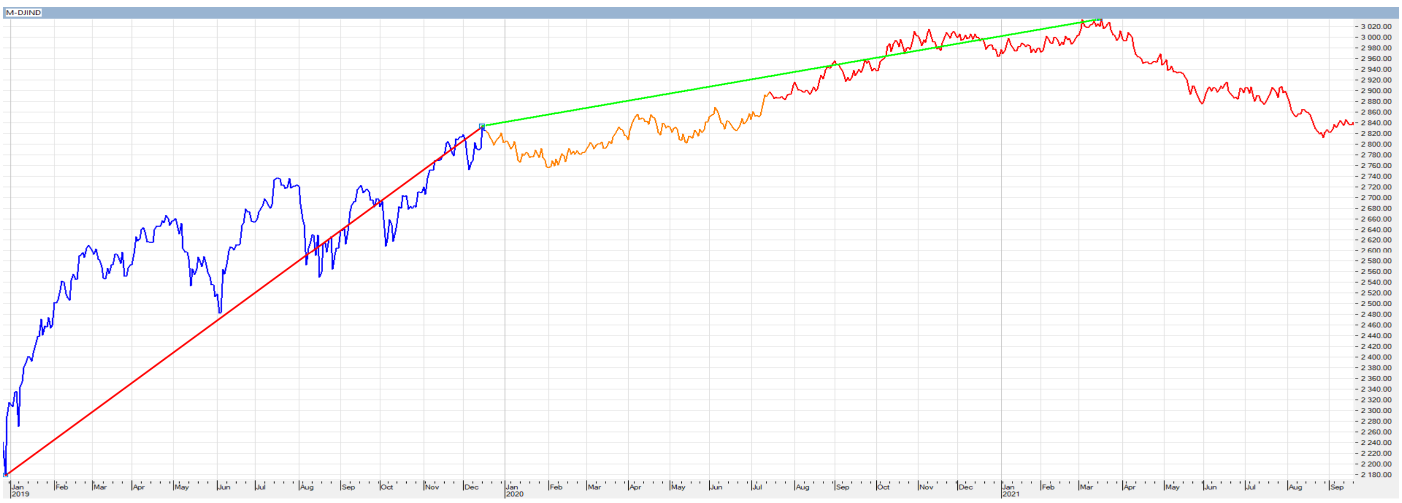
The green trend line in the graph suggests that from now until October 26 the portfolio will climb at compound 8.9 percent:



What lies ahead after October one can only guess at, but with International Monetary Fund figures suggesting that the world debt to GDP ratio is now touching 320 percent, so much money is going into paying interest on all those borrowings that nobody has anything left to spend on anything but necessities. That is why world growth has ground to a halt and why China is now throwing unimaginable sums at trying to re-stimulate their deeply faltering economy.

The world's major central banks are also engaged in similar fruitless stimulation but nothing is reaching ordinary folk. The sole consequence has thus been share market stimulation everywhere. My following graph shows how New York's S&P500 Index has climbed in the past year. The red trend line indicates a compound annual average growth rate of Wall Street stocks of 31 percent which is unprecedented. The irony is, of course, that it is all an illusion because while on paper investors are growing significantly wealthier, their living standards are not improving at all.

ShareFinder projects in green that the S&P500 will continue climbing at compound 5.6 percent in the New Year right through to March 2021 when New York will follow the rest of the world into a steep decline:



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What lies beyond the Great Reset is everyone's guess but there are several pointers to a technological future that will leave most of us speechless. By far the greatest of these is the advent of quantum computing. Long the subject of science fiction, quantum computers are now reality. The UC Santa Barbara/Google group, one of a number of groups worldwide developing these amazing machines, claim that their Sycamore computer has taken on -- and solved -- a problem considered intractable for classical computers. "A computation that would take 10,000 years on a classical supercomputer took 200 seconds on our quantum computer," said a group spokesman. "It is likely that the classical simulation time, currently estimated at 10,000 years, will be reduced by improved classical hardware and algorithms, but we are currently 1.5 trillion times faster.

Though the current crop of quantum machines still has to attain the stability of comparable super computers, what lies immediately ahead is an infinite ability to re-engineer the world as we know it. Picture a world where dread diseases are no more. It is imminent. Since CRISPR gene splicing techniques are almost old hat and HIV-resistant children have already been cloned, there can be little doubt that current restraints on the genetic engineering of human beings are already being breeched and that the present generation of Homo Sapiens could very likely be the last of our species; that a new super species of hyper-intelligent near immortal beings might become commonplace within the 2020s.

Consider too that human contentment has been shown to be a genetic phenomenon opening the way to re-modelling society such that we can envisage the end of redemption philosophies, language, race, religious and geographic rivalry.

Meanwhile block chain data storage is already spelling the probable end of global currencies and the ability of governments to trace the wealth of individuals. It is accordingly not unreasonable to expect to see a single world currency, the end of the current plethora of government taxation models in favour of the only one that could still feasibly be taxed, namely retail sales taxes.

If just these two new technologies have the ability to so radically re-shape the world that it could within a decade or two be entirely unrecognisable to present day humanity, what more can lie ahead in the coming decade?

When I write my next column on January 3 the world will have likely entered the fastest-moving decade in history and all of us will have to look very lively if we are to prosper... Just saying!

Meanwhile US economist John Mauldin who regularly contributes to our ***Investor*** monthly magazine has a comment to make about why the world he lives in needs radical change: "Capitalism' he writes, "at least the free market version, can't work without competition. It motivates producers to offer the best products at the lowest prices, and lets consumers choose whatever best fits their needs. Yet instead of encouraging and protecting competition, the US government increasingly suppresses it.

"Last February I wrote about a then-new book, The Myth of Capitalism, by old friend Jonathan Tepper and Denise Hearn. They aren't leftists at all. They respect classical capitalism and want it to work better than it currently does. "Free to Choose" sounds great. Yet Americans are not free to choose.

"In industry after industry, they can only purchase from local monopolies or oligopolies that can tacitly collude. The US now has many industries with only three or four competitors controlling entire markets. Since the early 1980s, market concentration has increased severely. We've already described the airline industry. Here are other examples:

- Two corporations control 90 percent of the beer Americans drink.
- Five banks control about half of the nation's banking assets.

- Many states have health insurance markets where the top two insurers have an 80 percent to 90 percent market share. For example, in Alabama one company, Blue Cross Blue Shield, has an 84 percent market share and in Hawaii it has 65 percent market share.

- When it comes to high-speed internet access, almost all markets are local monopolies; over 75 percent of households have no choice with only one provider.

- Four players control the entire US beef market and have carved up the country.

- After two mergers this year, three companies will control 70 percent of the world's pesticide market and 80 percent of the US corn-seed market. The list of industries with dominant players is endless. It gets even worse when you look at the world of technology. Laws are outdated to deal with the extreme winner-takes-all dynamics online. Google completely dominates internet searches with an almost 90 percent market share. Facebook has an almost 80 percent share of social networks. Both have a duopoly in advertising with no credible competition or regulation.
- Amazon is crushing retailers and faces conflicts of interest as both the dominant e-commerce seller and the leading online platform for third-party sellers. It can determine what products can and cannot sell on its platform, and it competes with any customer that encounters success.
- Apple's iPhone and Google's Android completely control the mobile app market in a duopoly, and they determine whether businesses can reach their customers and on what terms. Existing laws were not even written with digital platforms in mind.

"The federal government has done little to prevent this concentration, and in fact has done much to encourage it. Broken markets create broken politics. Economic and political power is becoming concentrated in the hands of distant monopolists.

"The stronger companies become, the greater their stranglehold on regulators and legislators becomes via the political process. This is not the essence of capitalism.

"True, nothing stops investors from creating competition for Facebook, Google, and Amazon. Well, nothing except that it would take tens of billions of dollars in a very high-risk venture.

"Many of today's large corporations would collapse if we had actually free markets—for instance, insurance companies protected from out-of-state competition. So, in one sense, it's true that we need government out of the way. But we need to remove not just regulations, but also the various subsidies and favors as well."

Welcome to our next decade!

The month ahead:

New York's SP500: I correctly predicted one more brief up-surge followed by a quite sharp decline until approximately January 9 before a long up-trend sets in and I continue to hold that view.

London's Footsie: I correctly predicted a temporary up-tick. Now I see declines until the end of January followed by a long very erratic recovery trend.

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

JSE Industrial Index: I correctly anticipated a very short recovery which should peak today followed by declines until May.

Top 40 Index: I correctly predicted a short recovery until today. Now I see a decline until January 16 followed by a recovery until mid-February.

ShareFinder Blue Chip Index: I correctly predicted gains would become volatile although the overall upward trend would continue. Now I foresee a decline until mid-January and then gains until mid-February.

Gold shares: I correctly predicted a brief upward surge. Now I see declines until late July.

Gold Bullion: I correctly predicted weakness until mid-Janary followed by a brief recovery and then further declines until March.

The Rand/US Dollar: I correctly predicted the recovery trend would continue until the second week of January when a long phase of weakness is likely to commence.

The Rand/Euro: I correctly predicted gains which I see continuing until the end of the year followed by weakness until July.

The Predicts accuracy rate on a running average basis over the past 723 weeks has been 85.4%. For the past 12 months it has been 93.7%.

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