



Our Finance Minister Tito Mboweni is clearly a very brave man who is prepared to speak the truth to power, clearly understanding the ideological obstacles that are inhibiting South Africa's ability to achieving economic greatness.

Simply stated, the socialist ideal of a welfare state is a morally admirable concept but world experience has shown that it is only achievable using other people's money. So, if you need to tax the rich to ensure that cash flow, you had better look after your capitalists and your entrepreneurs lest they take their money and move on to another more appreciative destination where they are encouraged to employ their innovative brains in the interests of enriching all around them. Sadly, in South Africa they are labeled as "White monopoly capitalists" – as "the enemy of the people."

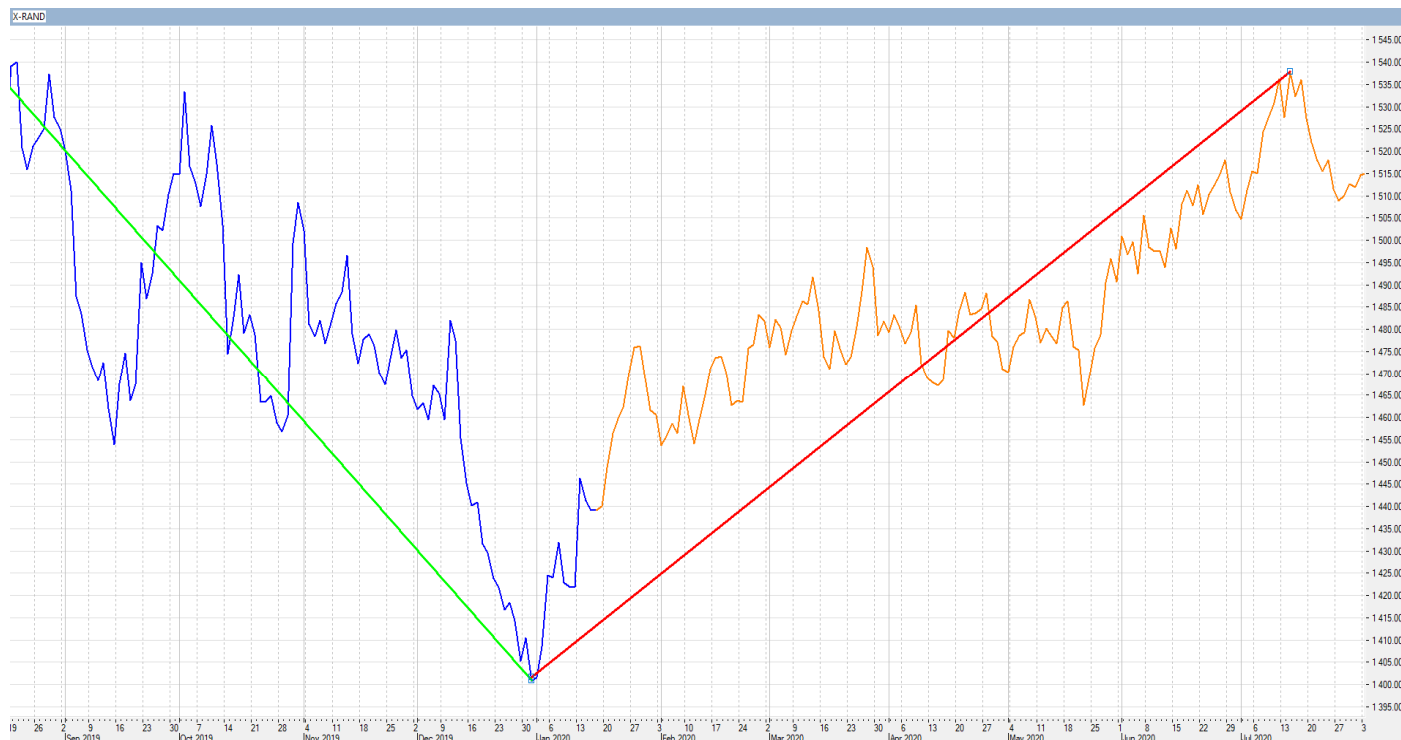
The result: according to The Economist the Rand is undervalued by 62 percent!

Sadly, Mr Mboweni's party is saddled with trade union alliance partners whose 3.1-million members are clearly at odds with the needs of the country's 56.7-million citizens. Case in point is a numerically bloated Eskom whose staff has increased from 32 000 in 2003 to over 48 000 currently and whose average salary has nearly quadrupled from R220 000 a year to R780 000. That is more than three times the South African median salary of R257 184. Eskom argues that to sustain itself it requires another greater than 16 percent tariff increase – so those 48 000 workers jobs will be safe – at the expense of private sector workers whose jobs are on the line because of load shedding and unaffordable electricity costs.

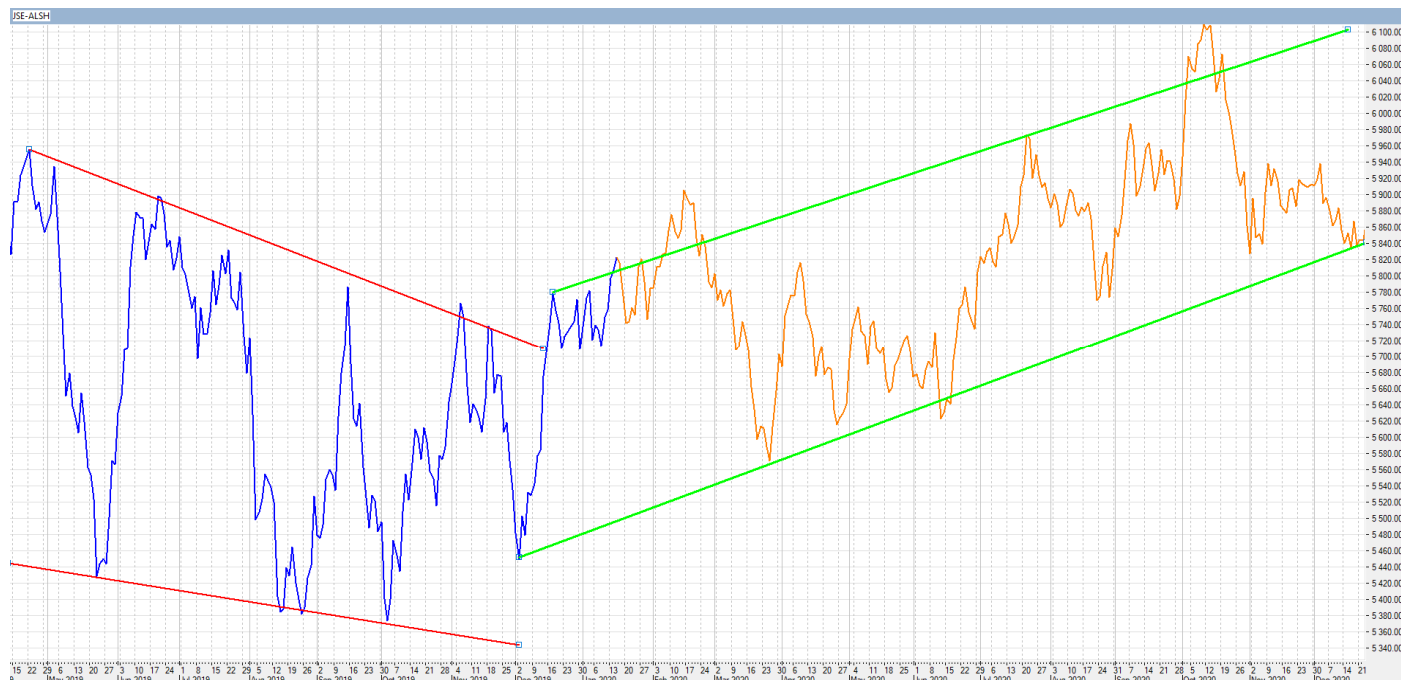
Mboweni says that ceaseless government handouts to state owned enterprises, the mounting public sector wage bill, the R500-billion government wage bill that ensures over 29 000 public servants' annual salaries of more than R1-million and the mismanagement of taxpayer's funds are a serious threat to the country's economic stability. Eyeing the impending probability of a final ratings agency downgrade to "junk" status if the agencies cannot be convinced that the government is serious about tackling these problems, Mr Mboweni made it clear this week ahead of his departure for Davos that he was in trouble with his party for voicing these truths.

That he and former finance minister Pravin Gordhan are the prime targets of the "fight back" grouping who hope to weaken President Cyril Ramaphosa in the interests of protecting their steadily-unravelling gravy train, is another threat to the country's future sustainability. We need people like Tito Mboweni and we should be grateful they are prepared to fight for the best interests of all South Africans, rather than for just a few politically connected fat cats.

That said, the currency traders are not optimistic about Mboweni achieving his goal. The Rand was strengthening at an annualized rate of 22 percent until the end of December. However, as I have repeatedly warned it would, the reverse is now happening with my red trend line indicating that the Rand will probably lose value at a compound annual average rate of 19 percent until mid-July.



Happily, investors in JSE shares as denoted by the JSE All Share Index, are taking a different tack. While the Rand was strengthening the JSE was weakening as denoted by my descending red trend lines. But now it has reversed itself and, as denoted by my rising green trend lines, it is likely to be in a positive trend at least until next October when, as I have explained in my latest book, *The Crash of 2020* – a global downward correction appears likely.



The month ahead:

New York's SP500: I correctly predicted the short-term up trend would end this week followed by a decline until the end of February before the next up-phase begins. The signing of the China US trade agreement might now add a more positive spin but I still see at least a sideways trend until the end of February.

London's Footsie: I correctly predicted a temporary up-tick followed by declines until the end of January which are now under way to be followed by a long very erratic recovery trend.

Hong Kong's Hangsen: I correctly predicted declines until the first week of Apriland I continue to hold that view.

Japan's Nikkei: I correctly predicted a decline which I saw lasting until the end of February and I still hold that view.

JSE Industrial Index: I wrongly predicted that the market had peaked but the signs are that it now has and I continue to expect that it will be down-hill until late May.

Top 40 Index: I correctly predicted declines. Now I see a volatile rising trend until mid-February followed by declines until late March.

ShareFinder Blue Chip Index: I correctly predicted declines which I continue to expect will last until the end of March.

Gold shares: I correctly predicted that the uptrend was over and continue to see declines until the end of July.

Gold Bullion: I correctly predicted a volatile decline which I still see lasting until the first week of March.

The Rand/US Dollar: I correctly predicted the recovery trend would continue until the second week of January followed by a sustained phase of weakness and the next weakest point around March 26.

The Rand/Euro: I correctly predicted weakness which I still expect to last until July.

The Predicts accuracy rate on a running average basis over the past 725 weeks has been 85.45%. For the past 12 months it has been 94.2%.

Richard Cluver