



# Richard Cluver Predicts

*In our 33rd year of service to the investing public*



Volume: 33

Issue: 6

07 February 2020

**World investment markets are alternately being buoyed up by positive signs that the devastating corona virus outbreak in China is either being brought under control or is not as virulent as first feared, only to be countered by reports that suggest the opposite.**

The truth is that nothing is clear about the virus and the reality is it is fast becoming a global threat. What is often not appreciated, however, is that aside from the fearsome health concerns, there is a likely knock-on economic contagion resulting from the global impact of a resultant economic slow-down in an already critically over-borrowed China.

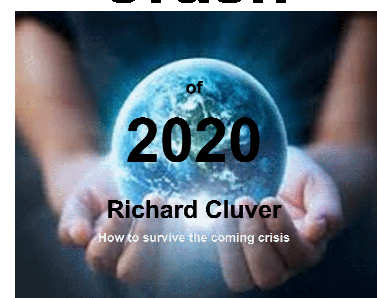
Furthermore, according to a new study by PricewaterhouseCooper, China's massive pile of bad debt is set to get even bigger, further threatening global economic stability. Non-performing loans and stressed assets are likely to keep growing after reaching \$1.5 trillion in 2019. And, according to Oaktree Capital, China's beleaguered banks could take a \$800-billion hit as the sickness threatens large swathes of the economy. So, once again I have to ask last Friday's question whether or not the Coronavirus is the "Black Swan" event that I predicted in my latest book, **The Crash of 2020?**

Last week the death toll stood at close to 200 deaths globally. A week later the death toll in China alone has passed 636 (up 73 on the previous day), one in Hong Kong and one in the Philippines. Infections inside China now stand at 31,161 and global infections have passed 280 in 28 countries.

The best news I can offer readers this morning is that our own Prospects Portfolio is standing up far better than most to the current uncertainty. Initially it fell four percent between January 17 and February 3 as the virus took its toll. Against that, the JSE Blue Chip Index fell 4.7 percent and, whereas the Blue Chip index is projected in the lower of the two-graph composite below to continue falling at least until late March as market uncertainty continues, further roiled by our own impending ratings agency possible downgrade, the Prospects Portfolio has already turned the corner and is rising steadily:

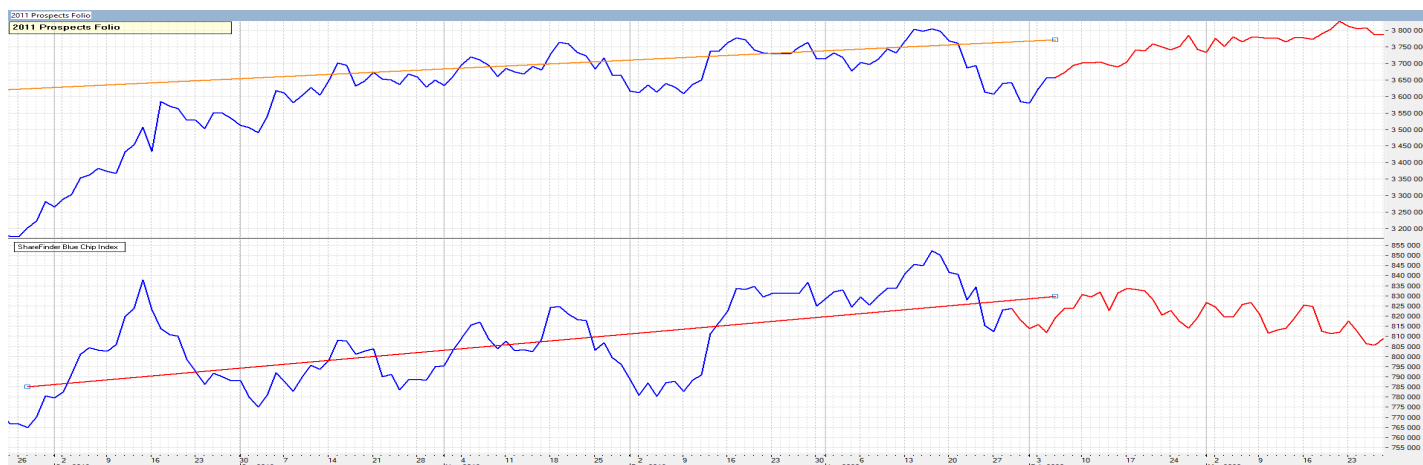
The

## Crash

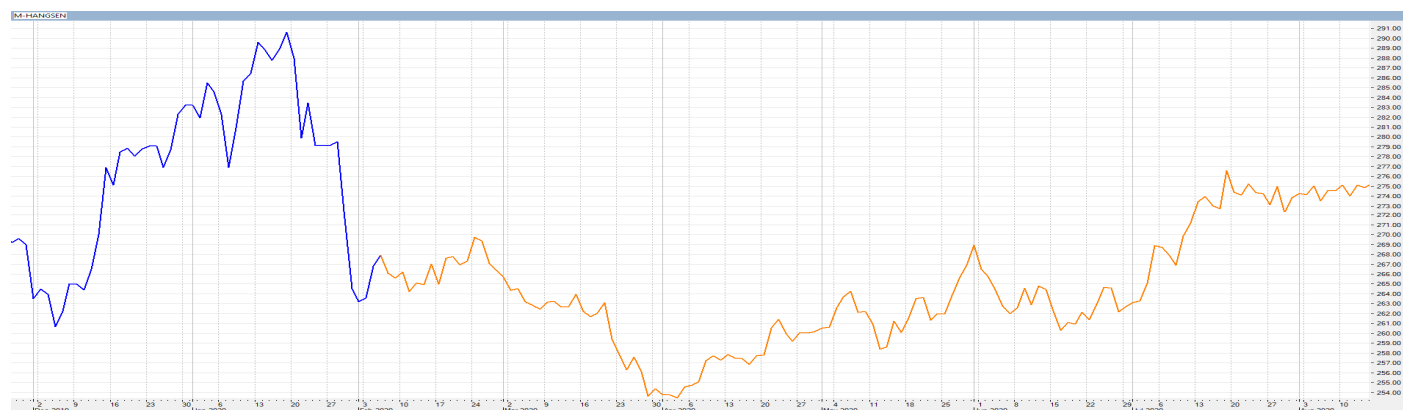


You can order The Crash on line by clicking on the following reference:

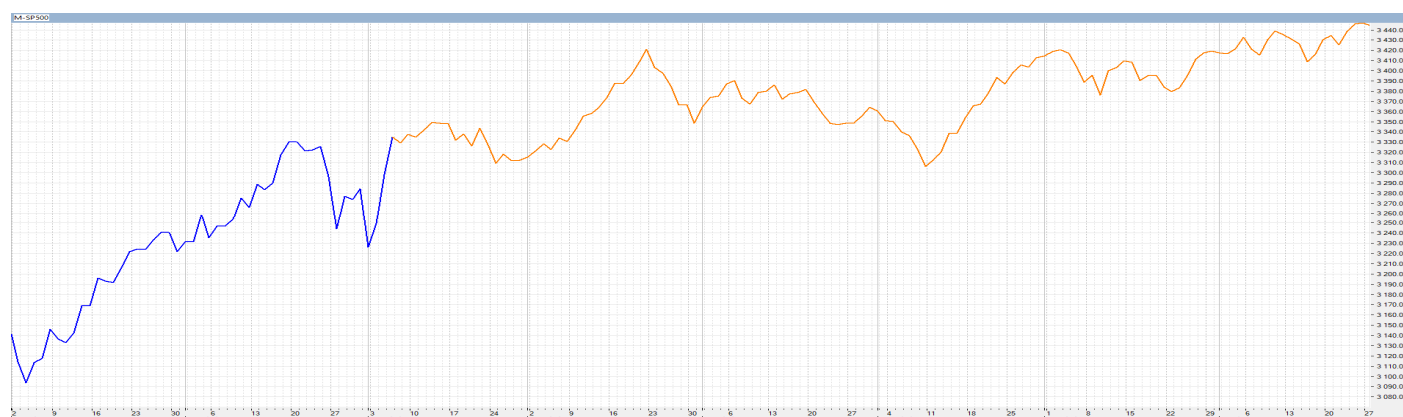
<http://www.rcis.co.za/the-crash-of-2020-order-form/>



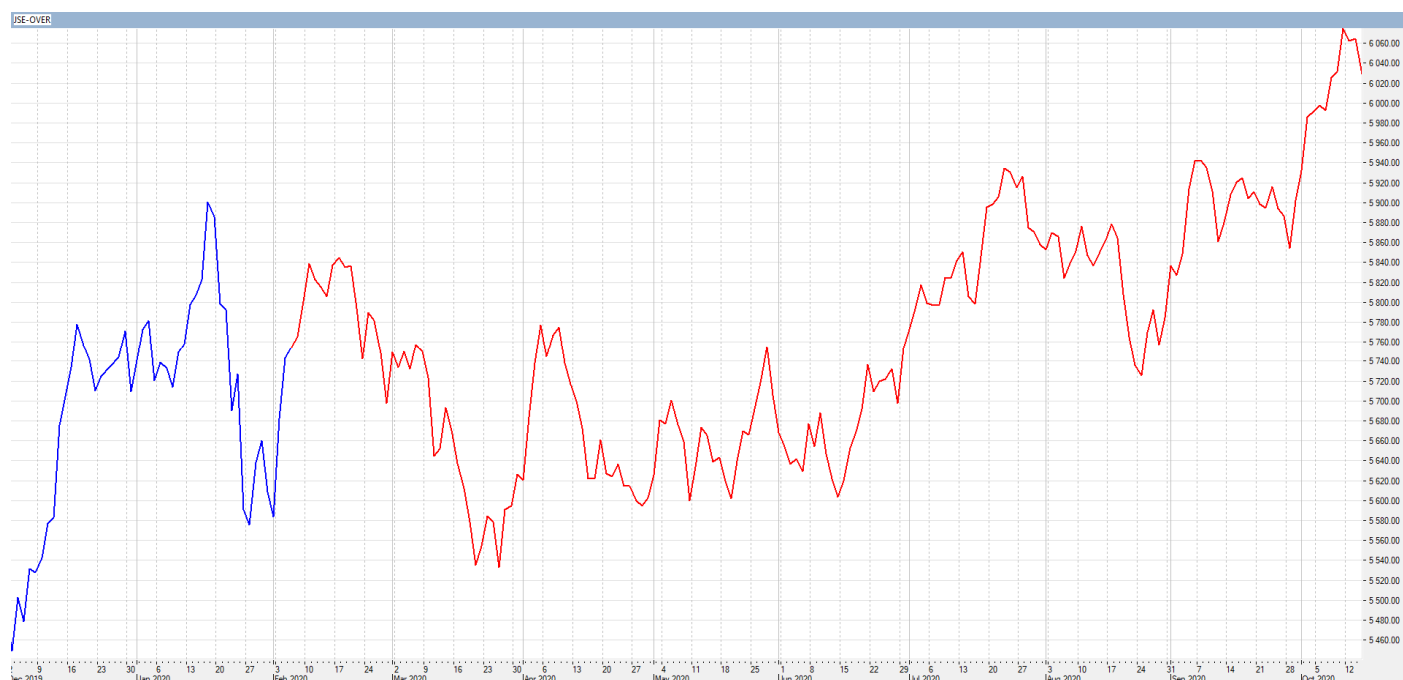
Principal market closest to China is Hong Kong's Hangsen Index which continues to take great strain and is likely to continue falling at least until early April:



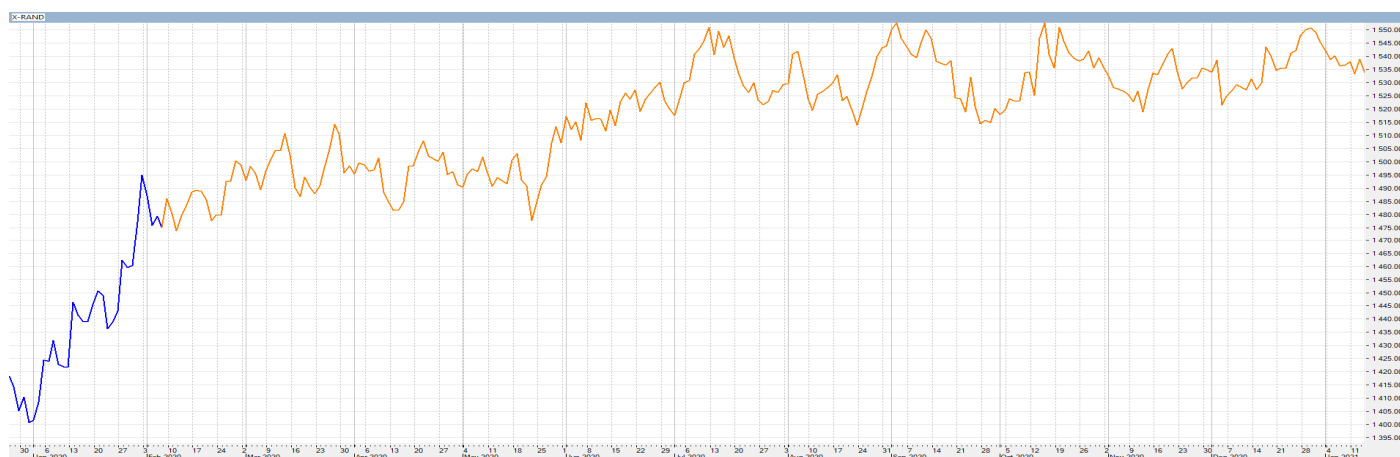
Meanwhile New York's S&P500 Index was only briefly affected and is already in strong recovery:



Our own JSE Overall Index took quite a tumble initially, but it has been in recovery mode since Monday. However, a fresh bout of weakness is imminent which will see the market peak on February 18 ahead of the Budget and State of the Nation addresses. But that weakness is likely to be over as soon as the budget is behind us on March 26 and, with some volatility, it is likely to surge upwards until October:



The outlook for the Rand is, however, not as sanguine. It has been losing value since the beginning of January and ShareFinder predicts that it will continue doing so for most of this year with September/October likely to be the weakest point:



## The month ahead:

**New York's SP500:** I correctly predicted an up-phase which should last until late March followed by down-hill until mid-May and then a long recovery.

**London's Footsie:** I correctly predicted a recovery beginning now but of shorter duration until the middle of the month before the next down phase to the end of the month and then another recovery until mid-April.

**Hong Kong's Hangsen:** I correctly predicted declines which I still see lasting until the first week of April.

**Japan's Nikkei:** I correctly predicted a decline which I saw lasting until the end of February with a brief up-tick until the first week of February and just that has just been completed.

**Australia's All Ordinaries:** I correctly predicted a short recovery until mid-February followed by declines until late April.

**JSE Industrial Index:** I correctly predicted that the expected recovery was under way and should last until mid to late February before the next decline begins lasting until mid-March.

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

**ShareFinder Blue Chip Index:** I correctly predicted a volatile declining trend which I now see lasting until early late March followed by a long recovery until mid-October.

**Gold shares:** I correctly predicted declines which I see lasting until the end of July with a brief up-tick from mid-February to early March.

**Gold Bullion:** I correctly predicted a volatile decline which I still see lasting until the first week of March followed by a brief recovery until mid-April and then further declines until mid-June.

**The Rand/US Dollar:** I correctly predicted a sustained phase of weakness which I still see lasting until late March followed by a brief recovery until late-May.

**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 726 weeks has been 85.51%. For the past 12 months it has been 94.82%.*

**Richard Cluver**