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

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There is none so blind as those who cannot see the reality that the socialist concept of command economies has miserably failed humanity in the past and, notwithstanding the abundantly clear evidence that it has failed South Africa, the ANC continues to press ahead with policies that will in a few short weeks see us consigned to the misery of a final ratings agency downgrade.

Nothing better exemplifies this blindness than President Cyril Ramaphosa's increasingly vocal attempts to accelerate the disastrous idea of land expropriation without compensation in the face of worldwide evidence that security of land ownership is possibly the ultimate cornerstone of secure democracies.

The latest criticism of the policy came this week from US President Donald Trump's right-hand man, Mike Pompeo. The US Secretary of State had strong condemnation for the plan to seize land without compensation, warning it would be a disaster for the economy and would definitely deter foreign investment.

"What's more," he said," such a policy will put South Africa in the category of countries that are failed states"

Not deterred, Ramaphosa has issued an angry rebuttal calling on President Donald Trump not to meddle in South Africa's domestic affairs, a challenge that the maverick US president is unlikely to take lying down. Noting that this country enjoys very significant US subsidies, not the least of which is the funding of our AIDS retroviral programme, retribution is inevitable.

With our economy already on its knees and Mining and Energy Minister Gwede Mantashe stalling the necessary steps to stabilize our power grid, economists are warning of another two-million jobs at stake if load shedding continues indefinitely. One would thus have imagined the last thing our leaders should be contemplating is taunting the USA.

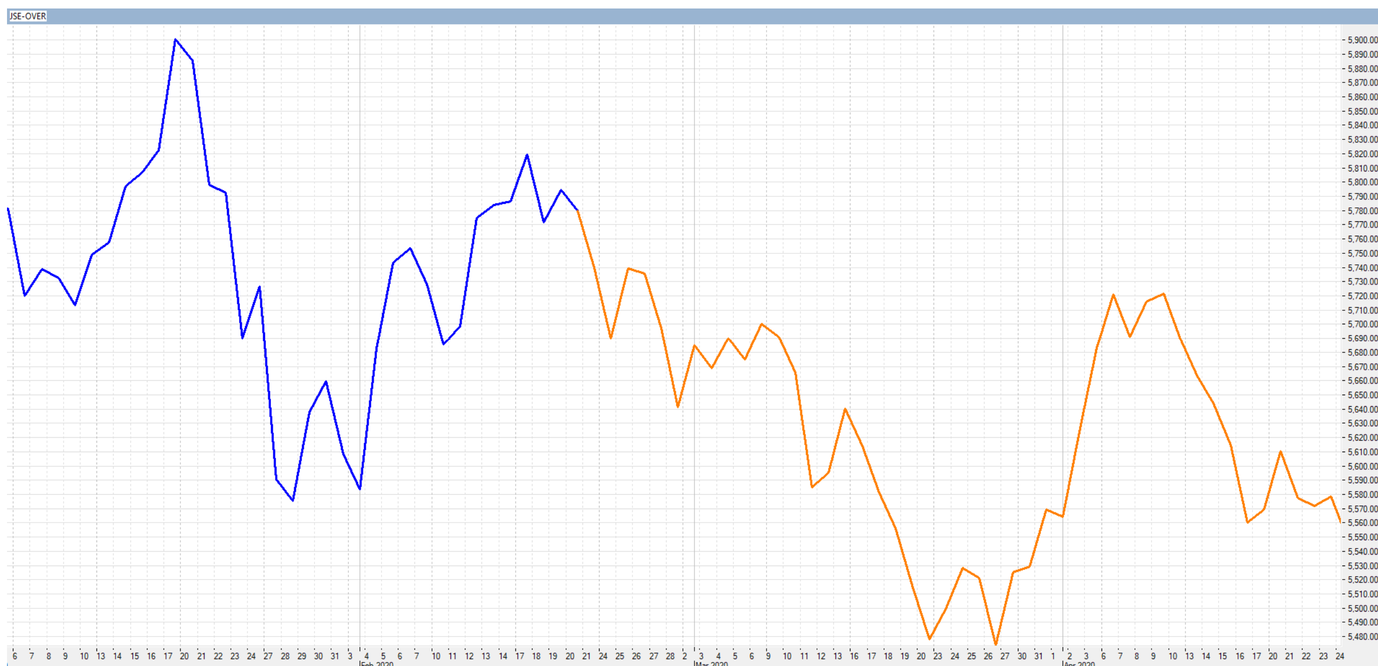
Meanwhile, further evidence of an imperiled world economy emerged in Japan this week where, after raising a controversial sales tax for the third time last October, Japan posted its second-worst quarter in a decade. GDP in Q4 2019 fell 6.3 percent on an annualised basis, driven by an 11.5% drop in consumer spending.

The numbers were bad before the corona virus hit. The outbreak, which has infected over 77,000 people, cost Japan critical tourism revenue from January's Lunar New Year holiday and threw supply chains for a loop. Now, if Japan's GDP shrinks this quarter (as expected), the world's third-largest economy will be in a recession.

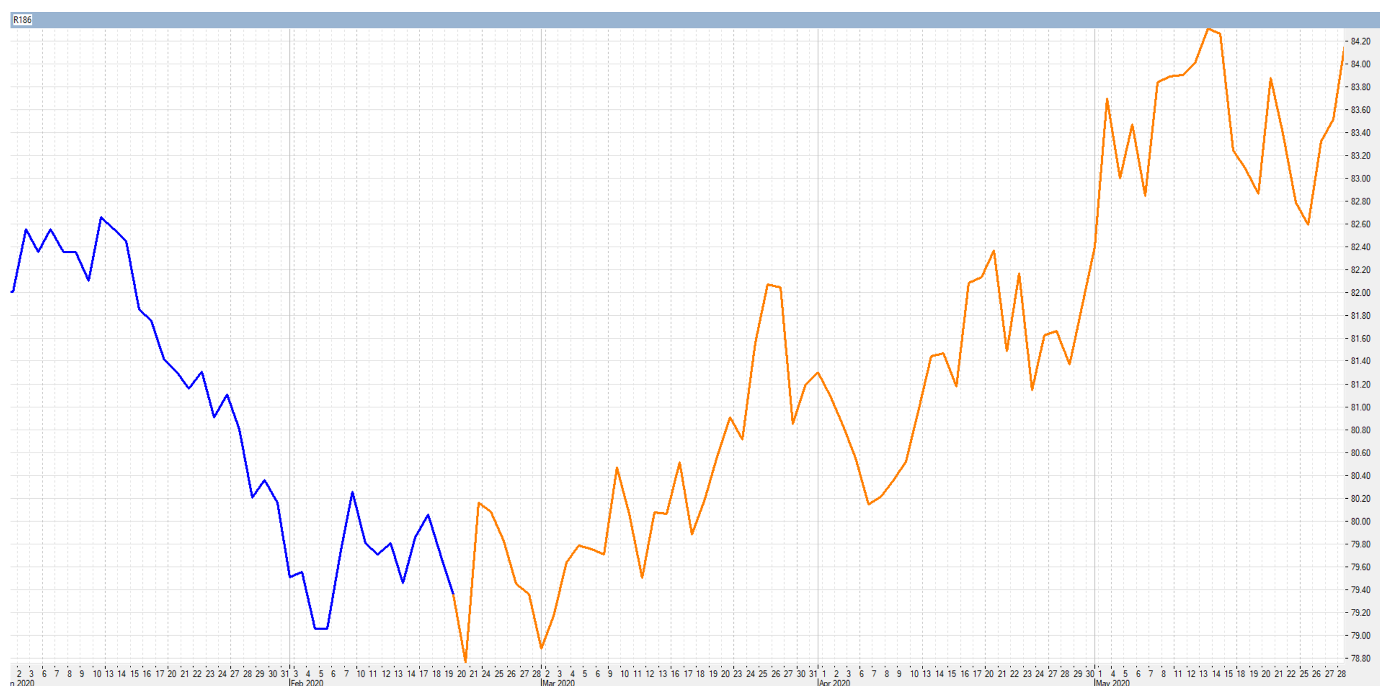
The worry is that the introduction of the tax hike is further pressuring consumers and will slow the economy. Japan first introduced the consumption tax in 1989, bumped it to 5% in 1997 and 8% in 2014.

Prime Minister Shinzo Abe was responsible for that last hike. Arriving in office (for the second time) in 2012, he's improved Japan's deflation, investment, and unemployment levels, but household consumption has remained frustratingly low, growing just 2.6% in real terms over the last 10 years. But Japan's massive debt load (240% of GDP) and social programs won't pay for themselves, so Abe has now bumped up the tax again to 10%.

Overall it is a somber economic outlook and, as the nation waits for further pain from Finance Minister Tito Mboweni next week, the JSE Overall Index continues to register pessimism with ShareFinder's analysis suggesting that the market will continue falling until the end of March:

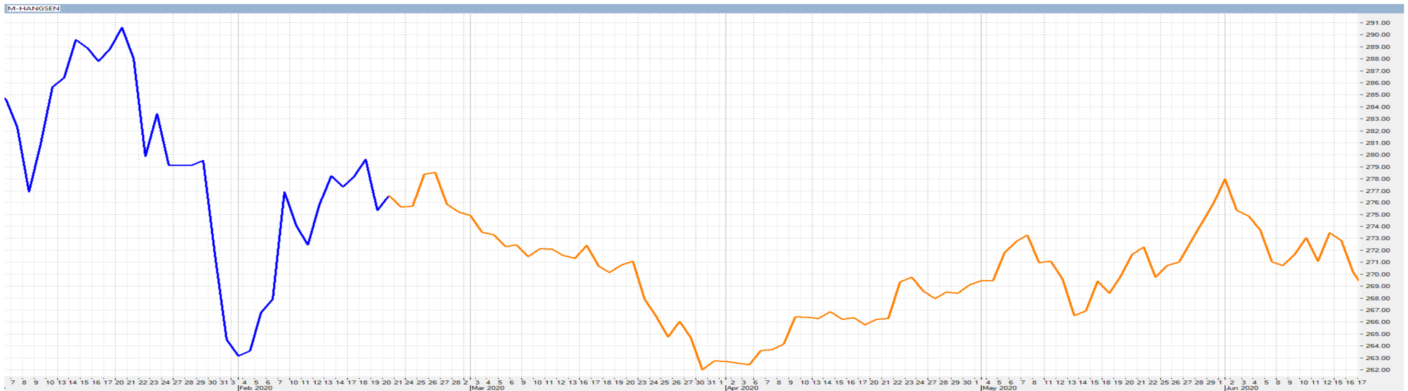


Furthermore, as I highlighted in Prospects this week, the outlook for our sovereign bonds is not very favourable either with the yield projected to rise from a current 7.935% to 8.43% by mid-May:

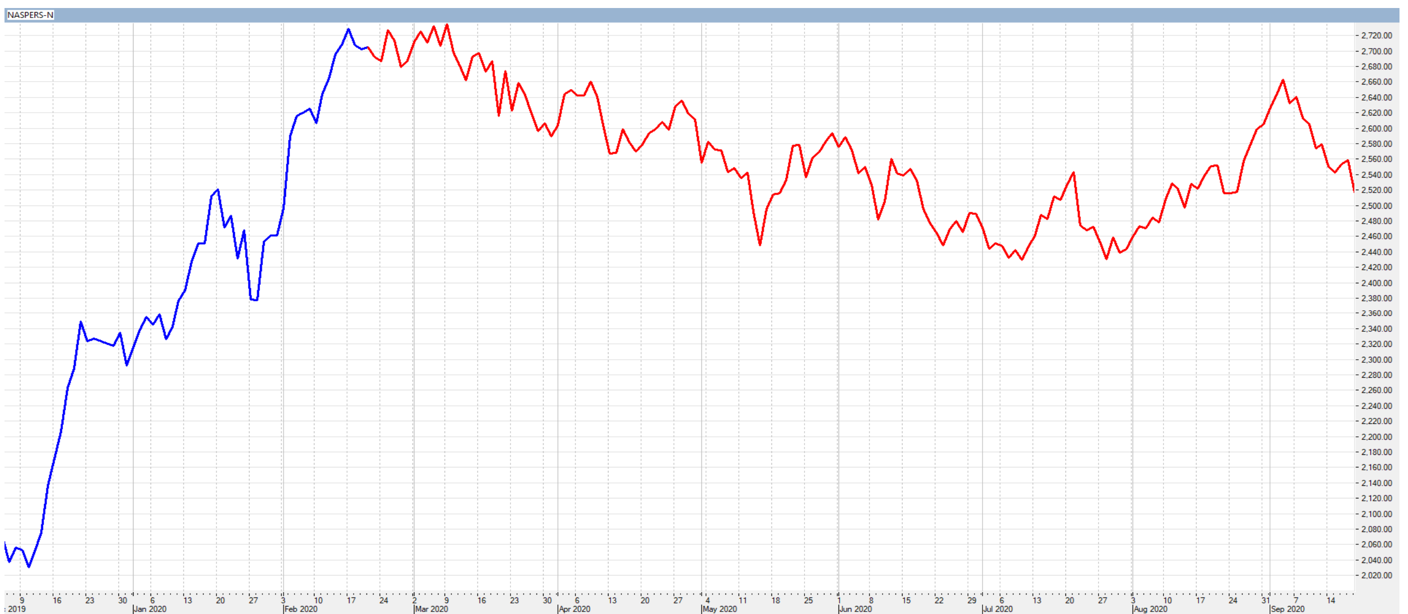


Noting the concerns about the Japanese economy, it is worth considering ShareFinder's outlook for the Tokyo stock exchange which is projected to continue falling until mid-July:

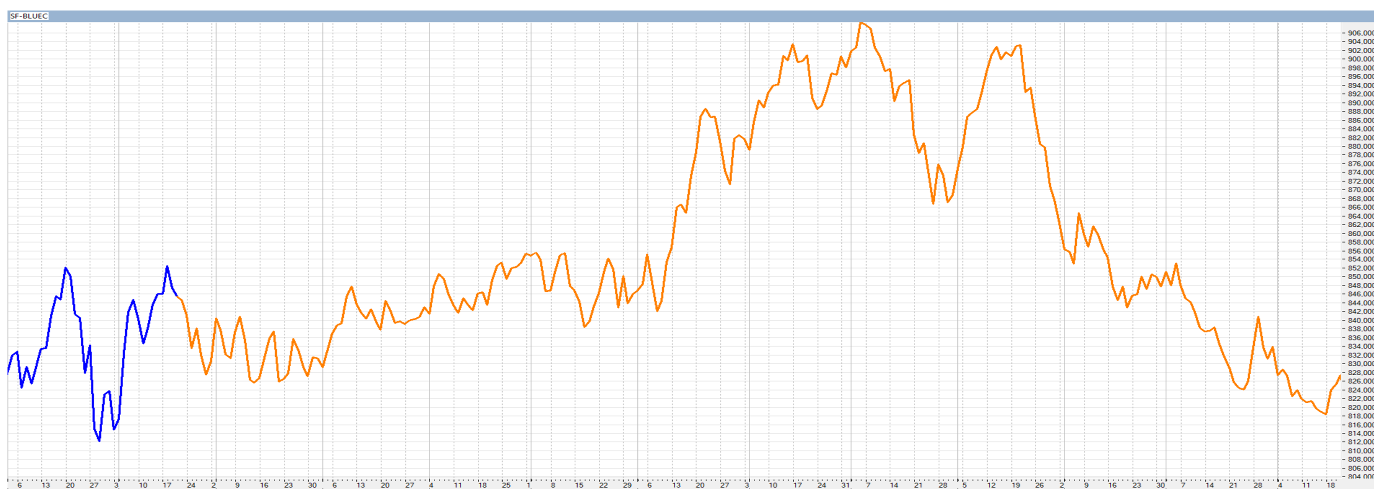
The Hong Kong market reacted predictably to the onset of the corona virus with a steep decline during January but it has equally rapidly recovered so far this month. However, ShareFinder is not optimistic about the consequences for the Chinese economy and predicts declines until the end of March:



So, it is interesting to see ShareFinder's outlook for our own Naspers which is so heavily exposed to the Chinese economy:



Happily, ShareFinder is far more optimistic about the Blue Chips as a whole which it senses will take some strain following the budget speech on February 26. But from March 12 it sees a continued improvement until September 3 when, it senses the first major crack which I predicted in my latest book, The Crash of 2020:



The month ahead:

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

London's Footsie: I correctly predicted declines until + - the 27th before a longer recovery phase begins lasting until mid-April.

Hong Kong's Hangsen: I correctly predicted declines which I see lasting until late March.

Japan's Nikkei: I correctly predicted brief weakness which I now see lasting until mid-March.

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

JSE Industrial Index: I correctly predicted that the recovery should last until late February before the next decline which has now begun and should last until mid-March.

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

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

Gold shares: I correctly predicted a brief up-tick from mid-February to early March followed by declines to early April.

Gold Bullion: I correctly predicted a brief up-tick. Now I see a short decline into March followed by gains until mid-April when further declines are likely.

The Rand/US Dollar: I correctly predicted a phase of weakness. Now I see a volatile recovery until mid-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 728 weeks has been 85.54%. For the past 12 months it has been 95.22%.

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