RichardCluverPredicts

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British columnist Matt Clifford this week offered the interesting idea that the massive wealth creation which followed the 14th century Black Death plague was likely the cause of the Industrial Revolution; historically the greatest-ever period of wealth-creation. He argued that, since it killed one in five of Europe's population, mankind's accumulated wealth of that time was shared by significantly fewer people who, with accordingly loosened purse strings, increased commodity demand and industrialisation followed.

The ***Black Death***, also known as the Pestilence and the ***Plague***, was the most fatal pandemic recorded in human history, resulting in the deaths of between 75 and 200-million people in Eurasia and North Africa, peaking in Europe from 1347 to 1351. It is estimated to have killed between 30% and 60% of Europe's population.

Recognising that Covid-19 is arguably a lesser issue than global warming...though most of us fail to grasp this point when we are running scared of an unseen enemy....and Heaven help us if Covid-19 should anywhere near approach such shocking statistics as the Black Death! So, the discussion is perhaps somewhat misplaced. Yet I have heard it mentioned many times recently that what Planet Earth and the environment most needs right now is a significant reduction of the human population. Lest I be further crucified and voice the unmentionable, dare I add that a reduction in the numbers of pensioners and dole recipients is exactly what deeply indebted major world governments also desperately need right now though they would never dare publicly voice it!

But, returning to the Black Death, from the perspective of many of the survivors, the effect of the plague was obviously and ultimately favourable as the consequent massive reduction of the workforce meant that there was suddenly a higher demand for the labour of those peasants who survived. The laws of supply and demand thus dictated that their earnings were consequently much improved. For many Europeans, the 15th century was a golden age of prosperity and new opportunities. The land was plentiful, wages high, and serfdom had all but disappeared. The several prior centuries had been a time of explosive expansion of both the population and economy of Europe. But by 1400, the population had bottomed out again at maybe half of its pre-plague peak. With far fewer people living, working, and consuming, economic activity was drastically lower than it had been a century beforehand.

Initially there was thus an inevitable steep recession. But in the aftermath, the ground was laid for the next economic explosion. After 1500 wages rose and huge swathes of society had more money to spend on consumer goods, from beer to clothing to furniture. With fewer people to feed, the largely agricultural economy could focus more on livestock or specialty cash crops like hops or sugarcane instead of grain. Diets improved and, plague aside, so did health. More and more people were drawn into the market economy and trade networks grew wider and deeper.

The Industrial Revolution is, however, variously argued to have happened between 1760 and 1840 so it is difficult to argue Clifford's case since 400 years is obviously rather a long time. But the post-plague economic recovery undoubtedly laid the necessary foundations for the Industrial Revolution, including, most importantly, the development of a banking model and accounting methods not unlike the ones we know today. Credit networks developed even among common people in middling towns. Credit instruments like bills of exchange and book transfers became more common: There was, in other words, more money available for investment at lower interest rates.

So, when rapid industrialization first began in Britain, starting with mechanized spinning in the 1780s, with high rates of growth in steam power and iron production occurring after 1800, credit was available to the entrepreneurs of the time and so, mechanized textile production spread from Great Britain to continental Europe and the United States in the early 19th century, with important centres of textiles, iron and coal emerging in Belgium and the United States and later textiles in France.[

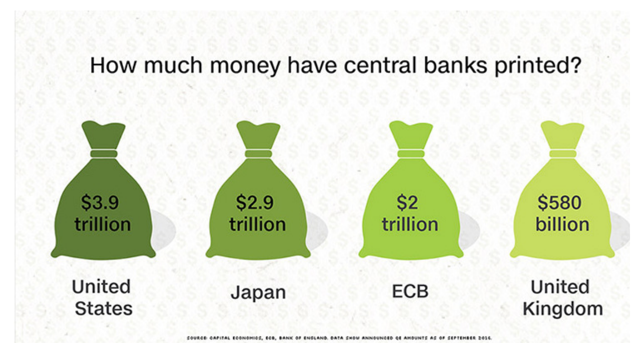
But it is still a stretch to directly link the Industrial Revolution with the Black Plague notwithstanding the similarities some might see between Corid-19 and the 4th Industrial Revolution. I prefer the argument that the development of steam power, which was the initiator of the industrial revolution, occurred at a point in time when taxation was at its lowest ebb in history. Though the British Parliament spent considerable time during that era debating the high levels of taxation which were a consequence of the wars with France, relative to all other times in history there was a minimum of government involvement in the economy with just less than 10 percent of GDP extracted from the private sector to run government. Compare that with current levels of taxation in my table on the right.

France	56.00
Finland	53.10
Belgium	52.40
Denmark	51.40
Sweden	49.90
Norway	48.70
Italy	48.60
Austria	48.50
Faroe Islands	47.70
Euro Area	46.80
Greece	46.70
Hungary	46.50
Croatia	46.40
European Union	45.60
Cyprus	44.70
Portugal	44.00
Germany	43.90
Luxembourg	43.10
Slovenia	42.40
Netherlands	42.20
Iceland	41.70
Poland	41.50

Countless studies which have shown that governments are grossly inefficient users of money. We need only to consider how the ANC government has squandered taxpayers' money on SAA, Eskom and a host of other SOEs to illustrate this point.

Arguably, current excessive levels of taxation are a prime reason why few modern married couples can afford to have children since both partners need to be gainfully employed at all times simply to meet their living costs. However, there is an interesting contradiction here because the consequence of a diminished Developed World birth rate is shrinking population levels in the West with the result that the historically accumulated wealth of nations is now being spread among far fewer numbers of people resulting in an apparently more affluent community: one more able than in any previous time in history to afford higher levels of taxation.

But there is another reality that is swifter-acting. The current global shut-down has caused an unprecedented economic deflation. China's figures are due out today and are thought to indicate a more than 11 percent decline in GDP. At the same time, the government will also release data for retail sales, fixed asset investment and industrial output for March, offering the most complete picture yet of the economic destruction since the virus outbreak. Canada has already declared a nine percent decline and South Africa's are likely to be worse. The consequence is likely to be a global depression resulting in, the United Nations estimates, 195-million job losses.



To counter such disasters, and in addition to government relief measures, central banks have long learned there is only one panacea and that is to flood the world with new money. As a consequence, the world's four most powerful

central banks have pumped more than $9 trillion into the global economy in a bid to boost growth, inflation and employment. That's a huge number, equivalent to the value of all the goods and services the U.S. produces in six months.

Furthermore, having learned the lesson of the 2008 crisis when new money thus created was effectively prevented from flowing directly to ordinary citizens whose consequent spending would have immediately reversed the trend of GDP from negative to positive, governments everywhere have this time around initiated measures to ensure that this time ordinary folk will receive the benefit; it's the humanitarian approach but the benefit is also to the economy; a potential win win!

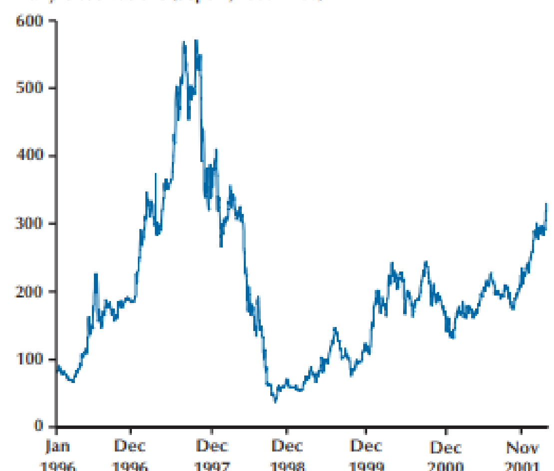
It the 2008 scenario, because of personal debt constraints and misdirected money flows, ordinary folk found themselves jobless and consumed by debt and so spending was slow to happen and global economic recovery very sluggish. Hopefully this time around that won't happen and so the likely consequence will be supply problems which will trigger inflationary pressure which is precisely what indebted nations most desperately need because inflation erodes the value of money which in turn diminishes in real terms what governments will have to pay back to those who bought their sovereign bonds.

To illustrate this view, much is made of the Trevor Manuel era during which South Africa halved our national debt, but the underlying reality is that our then high levels of inflation were the major factor. All the Government had to do was run small fiscal surpluses. If the Ramaphosa administration can manage the same, the President and Finance Minister Mboweni will later be seen as an economic dream team who undid the Zuma era catastrophe.

So, to get back to why the current corona virus pandemic might provide economists with a retrospective argument for why global share markets have gone into hyper drive as they recover from the crash of March 23, it is generally accepted that share market movements anticipate future events and there will accordingly be some who sense that beyond the economic crisis currently gripping the world might lie a new global era of prosperity. It is a long stretch, but it might explain why the Reserve Bank in its current projections sees South Africa facing a 6.1 percent decline this year but a comparatively satisfactory 2.2 percent growth rate in 2021.

Swift recovery is now possible and a new era of prosperity could be closer at hand than most people imagine. So what the world really needs now is some influential people with new ideas because, as I tried to detail in my book, **The Crash of 2020**, the old system in which politicians had too heavy a hand in the control of the money supply, has resulted in massive global debt and, after this virus, those debts are likely to spill over into a real crisis if we persist with the old ideas. If we don't change our ways, a fresh, even worse crisis could be brewing.

I believe that the Corid-19 pandemic, ugly and tragic as it is, is just the beginning. I think far worse is to come if the right decisions are not made now. Thus, my artificial intelligence system continues to predict a further market crash beginning September, arising, probably from a debt default by a major nation...perhaps China.



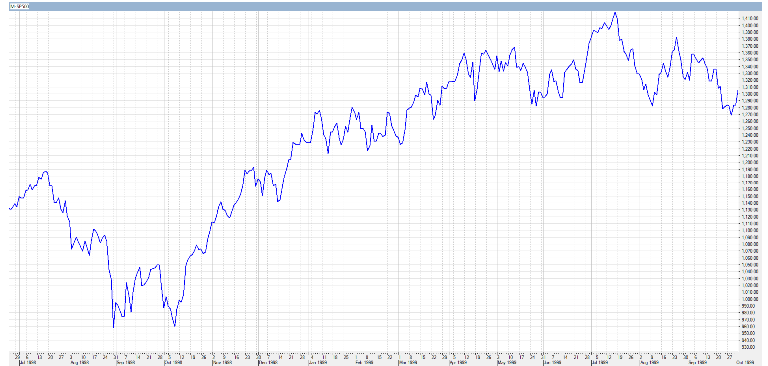
As an example of why I say a MAJOR nation, when Russia defaulted in August 1998, after recording its first year of positive economic growth since the fall of the Soviet Union, it defaulted on its sovereign debt, devalued the Ruble, and declaring a suspension of payments by commercial banks to foreign creditors.

A few months earlier, in the summer of 1997, countries in the Pacific Rim had experienced currency crises similar to the one that eventually affected Russia. In November 1997, after the onset of the East Asian crisis, the Ruble came under speculative attack.

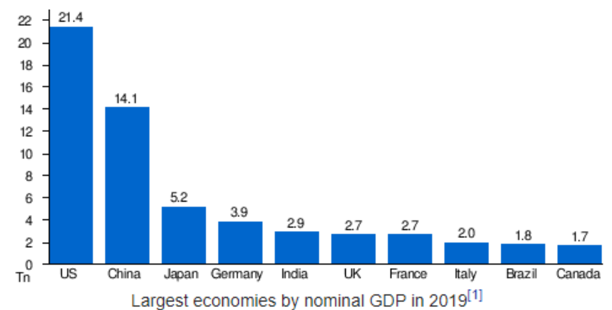
The Central Bank of Russia defended the currency, losing nearly $6-billion (U.S. dollars) in foreign-exchange reserves. As a footnote, South Africa faced a similar attack a few years later and Rand weakness has since persisted on the basis that the Rand is a proxy for the Developing World!

At the same time as the Russian crisis was unfolding, non-resident holders of short-term Russian government bills signed forward contracts with the Central Band of Russia to exchange Rubles for foreign currency, which enabled them to hedge exchange rate risk in the interim period. They did this in anticipation of the Ruble losing value, just as Asian currencies had done. Also, a substantial amount of the liabilities of large Russian commercial banks were off-balance-sheet, consisting mostly of forward contracts signed with foreign investors. Net obligations of Russian banks for such contracts were estimated to be at least $6-billion by the first half of 1998. Then another blow was dealt to the Russian economy: in December 1997, the prices of oil and non-ferrous metals, the producers of up to two-thirds of Russia's hard-currency earnings, began to drop.

It was a crisis for Russia and the Russians still have not fully recovered from it. But it had a largely imperceptible effect upon world economies. Wall Street's most important measure of market behaviour, the S&P500 Index had been in decline from mid-July of that year for other reasons and it did register a significant 12.4 percent fall from August 25 to August 28. But thereafter it started rising strongly and by the following July was up by 47.25 percent. See my graph of the S&P500 at that time.

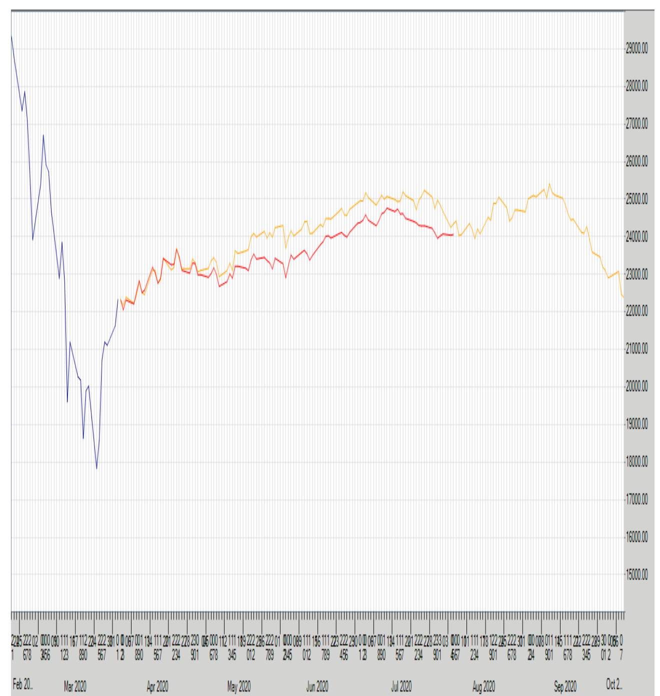


Part of the reason why the Russian crisis so lightly troubled the economic world was that Russia counts for only about four percent of world GDP. So it would have to be a nation of greater import than Russia in the world economy, and that leaves only a few nations such as China, Japan and the US itself. All have record levels of debt but China is by far the largest and the most economically opaque so I continue to pin my thoughts there.



Largest economies by nominal GDP in 2019[1]

Many have asked me this week whether they should be investing at this time? Well I think the opportunity to do so was around March 24 and while you might make further speculative gains between now and September, such trades would be taxable and, if you got caught still invested in September when, if ShareFinder is correct, the markets appear likely to crash again, you are likely to lose far more than you stand to gain. So for now I would stay in cash.

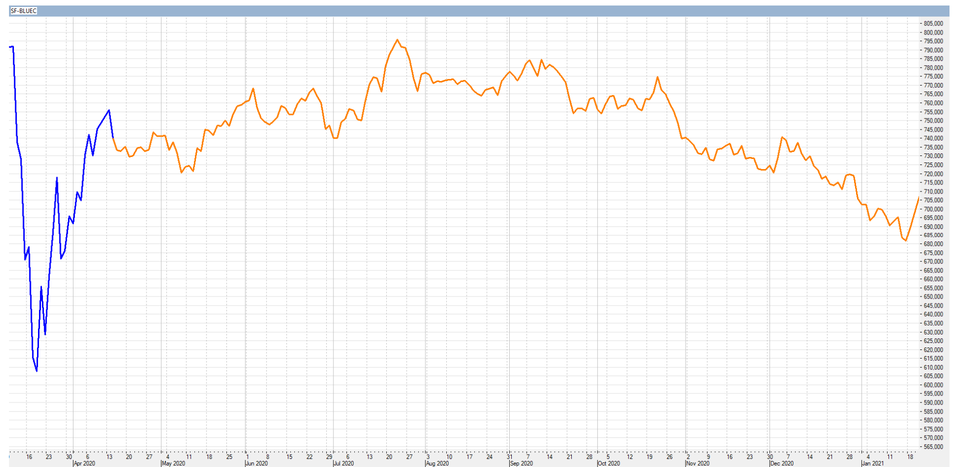


To bring everyone up to speed, the vital tool I have long been waiting for is our SF6 artificial intelligence projections system which, we have worked so long and hard to perfect. We know it is likely to be infinitely more accurate than the already incredibly-accurate SF5 version, both because we have tweaked the algorithm and, most importantly, we have infinitely larger databases to analyse; in the case, for example, of Wall Street's Dow Jones Industrial Index, the world's oldest market index stretching back in the SF6 case to the year 1900. The projection result is depicted on the right and it senses that Wall Street will start declining again on November 24.

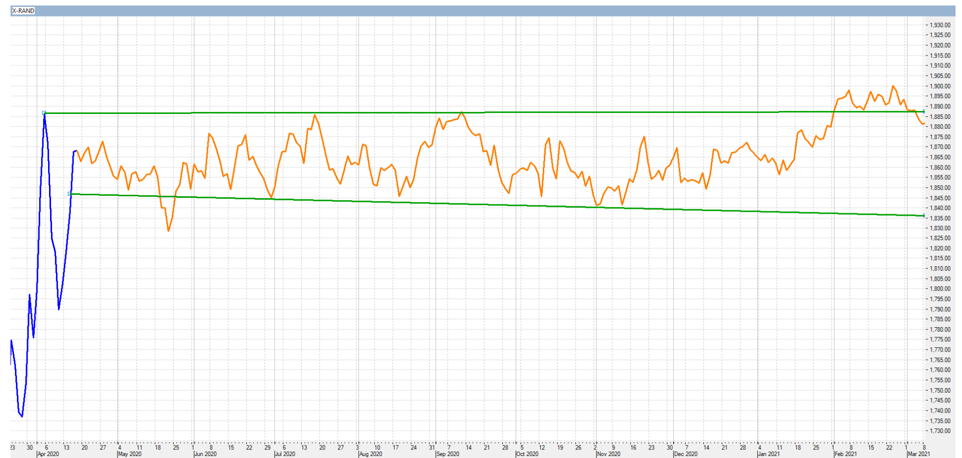
The decline is, however, projected to be far more modest that what is likely is the developing world.

For my many Australian readers, I accordingly show the projection for their All Ordinaries index which is slated to be one of the world's worst affected: While the ASX did recover by 21.45 percent from its March 23 bottom, it is now on its way down again and likely to continue down until the second week of August when, after a brief and sharp recovery, it is likely to crash again from around September 17.

Locally too, market volatility is likely to be more dramatic. Most of our Blue-Chip Index recovery has already taken place, but we are likely to see further gains until late July when the next decline is projected to occur, erasing most of the gains we have so far made since March.



But, moving on, the Rand appears likely to stabilise in the months ahead, settling into a trading band with a mean around R18.6 to the US Dollar.



The month ahead:

New York's SP500: I correctly predicted the recovery which I still see lasting until late this year.

London's Footsie: I correctly predicted the recovery which I still see lasting until the end of May, downhill from then until early July and then another recovery until early October ahead of the next big down-turn.

Hong Kong's Hangsen: I correctly predicted the start of a long recovery until January when the next down-turn is likely.

Japan's Nikkei: I correctly predicted a short-lived recovery which I thought should be over by mid-month. Here the market has topped out and it is likely to be downhill until August before a recovery until late September.

Australia's All Ordinaries: I correctly predicted a worsening situation with the down-trend continuing until mid-August before it briefly recovers.

JSE Industrial Index: I correctly predicted that a modest recovery had begun but did not see it lasting much longer than early April. Now I see a decline until late June when a brief recovery will prepare us for further declines until January next.

Top 40 Index: I correctly predicted the start of a decline until late June and then a brief recovery which I still see lasting until late July followed by a weakening sideways trend until the next sharp decline, likely in December.

ShareFinder Blue Chip Index: I correctly predicted the beginning of a more modest phase of recovery which I now see lasting until late July ahead of the next decline.

Gold shares: I correctly predicted further declines which I still see lasting well into 2021.

Gold Bullion: I correctly predicted declines which I still see lasting until early June before a long recovery begins.

The Rand/US Dollar: I correctly predicted the establishment of a semi-permanent new level at around R18.60 to the dollar.

The Rand/Euro: I correctly predicted a volatile recovery which I now see lasting until mid-June followed by weakness mid-July followed by gains until late October.

The Predicts accuracy rate on a running average basis over the past 742 weeks has been 85.66%. For the past 12 months it has been 96.75%.

Richard Cluver

Published by Richard Cluver Investment Services
http://www.rcis.co.za
richard@rcis.co.za