



More and more I am hearing wise people declaring mankind's response to the Covid-19 pandemic the greatest over-reaction in recorded history. Meanwhile the credibility of the Ramaphosa administration now depends upon rapid action if it is to survive... and investors face a similar decision time.

Both here and abroad it is increasingly being shown that inept statistical models scared governments into instituting lock-downs which initially made sense but then rapidly deteriorated into insanity as power-hungry politicians found excuses to indulge their own illogical whims.

Here in South Africa, Cyril Ramaphosa's "Command Council" has as a result become a laughing stock among many which could well cost the ANC its dominance at the next election... if it lasts that long!

Overseas too, wherever governments have resorted to dictatorially denying their citizenry their basic freedoms a backlash has begun that is calling into question the future of their administrations. And now the courts have confirmed that many of the measures instituted in this country were constitutionally illegal, plunging the entire issue into a vacuum of national indecision.

With hunger staring into the face of a large proportion of the population, it is surely inconceivable that the electorate can continue to tolerate the wide-scale ineptitude of a broken administration which, even the simplest souls now surely understand, was demonstrably built upon patronage and graft with the sole purpose of enriching a politically-connected elite at the expense of everyone else.

Worse, the militarily-enforced continued extension of the lock-down has materially punished EVERY citizen and has disturbingly demonstrated that too many with executive power in government relish the power that a quasi police state has temporarily handed them.

Thomé & Heloise

Richard Vane



This week ShareFinder International launched a new venture aimed at offering some light reading to counter all the doom and gloom of the Covid-19 era, the first issue of Richard Vane's sensitive examination of teenage romance in all its wonder and tenderness. If you have not yet done so, why not try the free download of the first 50 pages.

Click here to download the opening chapters:
<http://www.rcis.co.za/updates/TheStoryOfThome50page.pdf>

If you then wish to read on at a cost of \$5 click this:
<http://www.rcis.co.za/thome-heloise/>

Ordinary folk are growing increasingly concerned that, having tasted that power, it is unlikely that they will easily give it up.

Meanwhile, Ramaphosa's administration now faces the worst possible outcome. Given that there simply are not enough police and military to enforce rules that the electorate now understand are illegal and which the majority probably believe are irrational, ordinary people in their masses are simply ignoring the top-down commands.

Worse, everyone now understands that the ANC-inspired ineptitude has cost us all, rich and mostly poor, very dearly indeed. At the top end investors are mostly no longer receiving dividend income and, for the overwhelming majority of our poor, promised temporary income grants are in many cases not reaching them while the likelihood of their being able to resume meaningful employment after the lock-down is increasingly being held in question as small and medium-sized enterprises, which traditionally provide the bulk of employment in this country, are falling by the score into bankruptcy.

The situation is dire. Heaven help us that it does not deteriorate further, as it has in the USA where the anger and frustration of a swelling mass of ordinary folk has been forcefully demonstrated by mob violence, looting and burning.

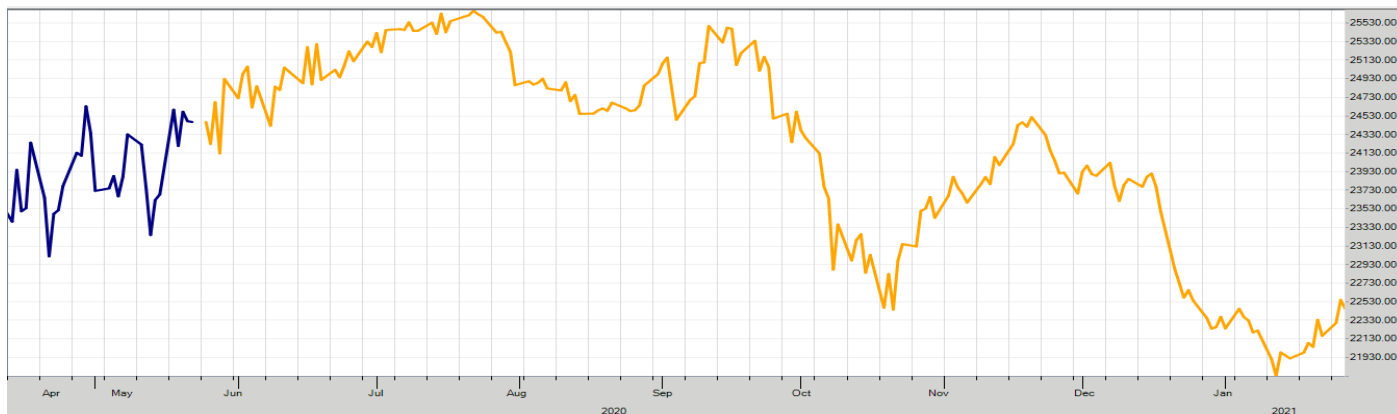
This is not to say that there are no good people in our government. Like many others, I believe President Ramaphosa is an inherently good person who has as his closest advisors some really sensible people who clearly understand that there is only one way to end our globally-worst unemployment rate and offer a meaningful future to our youth. To do that he needs to create a business-friendly administration committed to sweeping away everything that stands in the way of growth. That list is too long to document here but, simply stated, if South Africa is to boom again Ramaphosa has to do a Maggie Thatcher and stare down the trades unions who for too long have been intent upon the protection of their 3.1-million members at the expense of 60-million South Africans. Disturbingly, however, there are growing signs that the "New" economic dispensation currently being considered consists in the main of previously tried and failed BIG Government ideas with a continuation of the Command Council in control of the economy. Heaven help us!

So, decision time is surely upon us. If President Ramaphosa is to retain any credibility he needs to act promptly and decisively to end the logjam of division within his party by excising those who would drag us back into the kind of nightmare that was the Zuma years. Most political commentators believe that a split within the ANC ranks is inevitable and so Ramaphosa could do worse than force the hand of those who are blocking progress towards a prosperity that could rival that of many far-Eastern nations by sending them into an alliance with leftists like Julius Malema's extremists while simultaneously forming a centre-right government of national unity that could perhaps even embrace progressive-minded members of the opposition.

The economic crisis in South Africa demands bold statesmanship. The quickest way to earn the support of every citizen of this country is to provide them with a future that everyone can believe in. The sooner everyone in this country has a real job, the sooner Government will have the tax income it needs to catch up on its woefully-lagging social infrastructure promises.

I stress that time is of the essence for my ShareFinder system continues to offer an urgent message that another global economic crisis is approaching.

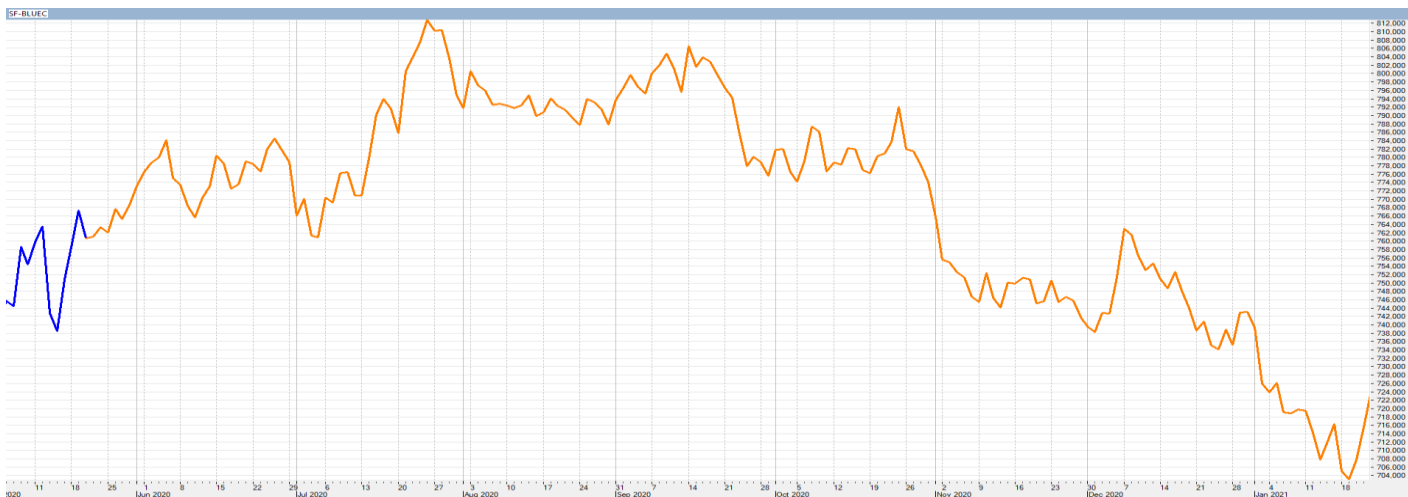
From July 23 another share market crash is expected and it is likely to fall until mid-January as my graph of New York's Dow Jones Industrial Index makes clear:



Since global markets are currently trumpeting that a new era of growth is under way, triggered by the widespread ending of lock-downs, rising oil prices and a growing belief that the worst of the pandemic is now behind us, something radical will be needed to trigger another market crash.

Any number of a half dozen Black Swan events are already taking shape; noting that Ebola has again broken out in the Congo, a second wave of Covid-19 could also be on the horizon. China meanwhile has taken off the kid gloves in respect of both Hong Kong and Taiwan. Then there is the resumption of the war of words between the Trump administration and China and the growing wave of protests in the US.

And of course, it might be none of these for Black Swans are unexpected events the trigger panic. The market event is, furthermore, not confined just to US markets. The following graph shows what ShareFinder expects in respect of our own Blue Chips: a downward plunge from July 28 until January 20 is similarly imminent.



Something bad is coming soon and Mr Ramaphosa needs to have made his moves before then since whatever event triggers such negative share market sentiment is likely to severely impact on his ability to move after those dates.

I cannot predict the magnitude of the coming share market decline but I fear it could be bad! So, for investors too, it is time for urgent action. You should seriously consider creating cash in your portfolios by selling your weakest performers. In the Prospects 2011 portfolio this implies shares like Advtech, Discovery and Multichoice.

Meanwhile, my advice last Friday about bottom-fishers aggressively buying Hyprop has seen growing interest in this share with a price advance of 77 percent since it bottomed at R14.47 on April 28 to yesterday's R25.60 putting it on an amazing compound annual average price growth rate of 10 682 percent. Even more remarkable has been Sasol's 656 percent climb from R20.77 on March 23 to R136.40 this week; that's a compound annualized average rate of 606 008 percent.

The final word: Yesterday I tuned into a webinar hosted by the Daily Insider's Alex Hogg featuring OUTA CEO Wayne Duvenage. It's available on U Tube and I urge all concerned South Africans to download it and listen to someone passionate about correcting the wrongs in our society. As a result I clicked on the OUTA website www.oua.co.za and became a donating member. Its easy to do, go to their web page and at the bottom click on "Join Now." Donors contributing R120 a month on average are what keeps this amazing organization afloat and I commend it to you!

Have a good weekend!

The month ahead:

New York's SP500: The brief down-turn I expected to begin this week appears to have been delayed until today but, as I suggested, it is unlikely to last more than a day or two before recovery in the new week takes it to the next peak around June 12 ahead of a decline until the first week of August.

London's Footsie: I correctly predicted the recovery would end this week. The decline is likely to last until the end of this month ahead of a recovery trend lasting until mid-October.

Germany's Dax: The period of recovery is almost over and I see declines beginning between June 9 and 15 ahead of a volatile decline until mid-August followed by gains until the second week of October.

France's Cac 40: The recovery is likely over for now with a down-trend probable until the second week of August ahead of a volatile recovery until mid-September when a volatile two-month slide is likely.

Hong Kong's Hangsen: I correctly predicted the start of a long but volatile recovery until the end of December when the next down-turn is likely with some interim weakness likely to begin about now until the end of June.

Japan's Nikkei: I correctly predicted the gains would last until the first week of June after which it would be downhill until August before the next short up-surge until mid-September and then down-hill again until December. Now I see brief weakness in the new week with a brief up-tick from the 10th until the 18th and then a fresh down-turn until early August.

Australia's All Ordinaries: I prematurely called the end of the recovery which is now likely to continue until the 8th followed by declines until the end of June followed by a brief two week up-surge until mid-July and then downhill again until the second week of August before the last up-surge until mid-September.

JSE Industrial Index: I correctly predicted a decline which I expect to last until mid-June followed by a recovery until late July and then declining until the end of August followed by another gain until late October when a down-hill phase is likely.

JSE Top 40 Index: I correctly predicted a decline which I see lasting until the first week of July followed by a recovery until the first week of August when a decline is due until the end of August followed by volatile gains until late October.

ShareFinder JSE Blue Chip Index: I correctly predicted that the volatile recovery would end between June 2 and 5 and I still see declines until the first week of July followed by gains until nearly the end of July following which it is likely to be down-hill until mid-January.

JSE Gold shares: I correctly predicted declines followed by an attempt to consolidate which could lead to temporary gains until the first week of July before the down-turn resumes continuing into the new year.

Gold Bullion: I correctly predicted volatile weakness which I still see lasting until mid-June before a long recovery begins and is likely to continue well into 2021.

The Rand/US Dollar: I correctly predicted gains until the end of June followed by a volatile weakening trend until late February.

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

The Predicts accuracy rate on a running average basis since January 2002 has been 85.77%. For the past 12 months it has been 96.34%.

Richard Cluver

THULI MADONSELA: An open letter to Cyril Ramaphosa

Reprinted from The Financial Mail

We need to remember that rules have to be reasonable – in the court of public opinion too

Dear President Ramaphosa, I hope this letter finds you well, as you help SA navigate Covid-19 and the unintended social impact of the policies you and your colleagues designed to contain the virus. We appreciate your efforts and the goodwill underpinning them.

In Antoine de Saint-Exupéry's classic *The Little Prince*, the prince narrates the story of a king he met on a tiny planet far away. Speaking of authority and public obedience, the king opined: "Authority rests first of all on reason. If you command your subjects to go and throw themselves into the sea, there will be a revolution. I have a right to demand obedience because my orders are reasonable."

Can our government demand obedience in respect of Covid-19 regulations on these grounds?

There wasn't a murmur of dissent as you announced a 21-day lockdown. Even though we knew some businesses, particularly informal businesses, might not survive, we knew the sacrifice had to be made.

The idea was to achieve physical distancing that would limit transmission, thus avoiding unmanageable demand for our limited health facilities, including hospital beds and ventilators. Our medical services needed time to prepare, and obtain adequate personnel protective equipment.

At the time, nobody asked questions about reasonableness or legality; the need was self-evident. The trouble started, Mr President, when you announced an indefinite extension of the lockdown, with the promised sweetener of a gradual relaxation of the restrictions on movement and commerce. This led to questions about whether the draconian restrictions, which devastated the economy and social wellbeing, were the best options the government had.

It seems to me that the two key challenges to the lockdown are social justice and reasonableness — which are both protected in the constitution.

In our previous communication with you, Mr President, we reminded you that all policies, including the Covid-19 regulations, must comply with the constitution's equality clause and, by implication, the dictates of social justice. The constitution requires that no section of society should be unjustly and unfairly excluded from opportunities, resources, benefits and privileges. No group should bear a disproportionate burden under the Covid-19 rules.

But you need to know, Mr President, that there are increasing concerns about the reasonableness of some of the Covid-19 rules. Like equality, reasonableness is also a legal requirement for policies. Section 33 of the constitution says: "Everyone has the right to just administrative action that is lawful, reasonable and procedurally fair." Now, you have conceded that some of the rules are contradictory. And I'm sure you'd agree with me that contradictory regulation cannot be said to be reasonable.

Indeed, some of the loudest voices against unreasonable regulation are your supporters, who are so concerned about the social impact that they're prepared to speak publicly, rather than whisper the truth.

Expect more people to push back against the perceived excesses, since parliament, which is an essential check and balance, has been missing in action. Your newsletter of May 18 shows that you're aware of this, saying: "We will continue to welcome different — even dissenting — viewpoints around our national coronavirus response."

We must remember, Mr President, that public policies and conduct must not only pass the reasonableness test in a court of law, they should also pass that test in the court of public opinion. The king in *The Little Prince* learnt that to derive legitimacy, laws must also be just, fair and reasonable in the court of public opinion.

Resistance to apartheid has taught me that when the law is unjust, violating it is not only justified as legitimate, it is exalted as heroic

However, most of those bearing the brunt of the draconian rules, who feel they're being asked to throw themselves in the sea, don't have the means to engage with you.

If I am correct in my observation, how long will our edifice hold?

How long will the cry of the young people in villages and townships — whose self-employment has ground to a halt, their unregistered businesses ineligible for loans and salary relief — go unheard? While the R350 basic income grant for the unemployed is fantastic, how long will it take to reach the poverty hotspots?

Instead, we read of food parcels being delivered randomly in a process tainted by corruption.

And if that R350 does arrive, it is cold comfort for Moses the parking attendant and Meko the part-time gardener or others doing casualised labour who still make twice the amount the Unemployment Insurance Fund would pay out — even if they were registered as employees.

You need to hear them, Mr President. You need to hear Gogo Dlamini, who has been stopped from making the R350 a week she got selling hot *amagwinya* or meals at taxi ranks.

People's resistance to colonial and apartheid laws has taught me that when the law is unjust, violating it is not only justified as legitimate, it is exalted as heroic.

Perhaps you can take a page out of De Saint-Exupéry's book, Mr President, and not only save the people from avoidable pain, but also preserve democracy.

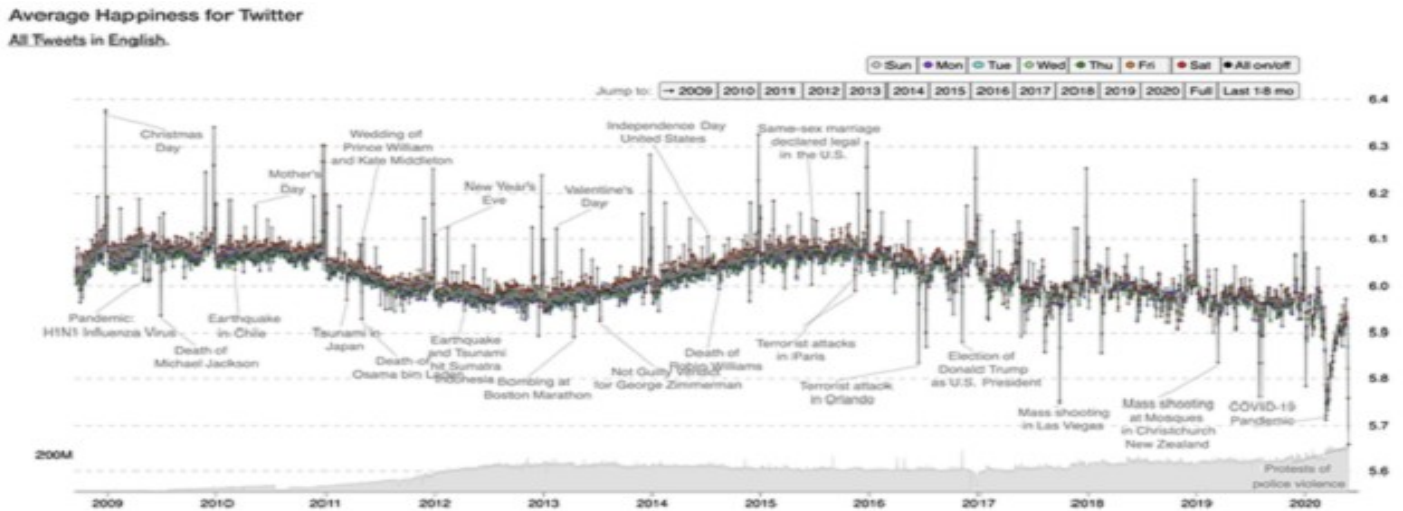
- *Madonsela is the Law Trust Chair in Social Justice at Stellenbosch University*

View from across the Pond

The Saddest Day Ever by Jared Dillian

There is a Twitter account called **hedonometer** that measures the average happiness of everyone's tweets. On Sunday, it calculated that the civil unrest produced the saddest day ever on Twitter—the day with the most negative sentiment.

You can see the hedonometer chart below:



Source: [@hedonometer](#)

Sentiment has been trending lower, in fits and starts for the last 10 years. It's much lower today than it was during the financial crisis, and it's been headed lower since 2015 or so. Interestingly, 2015 is when stocks really started to take off.

I study sentiment in the markets, and I know that extremes in sentiment usually mark big turning points for stocks. I think back to the early '90s, coming out of the recession, when sentiment was bottoming. That is where we were, psychologically speaking. And that's where we are heading again.

If I looked at sentiment to the exclusion of all else, I would say that we are ripe for a big stock market rally in the coming years. Of course, there are a lot of other factors, including the Fed, which is doing just about everything but buying stocks.

Of course, given the civil unrest, there are a lot of discussions about inequality these days, and the Fed buying stocks would only make inequality worse... but that is the Fed for you.

Of course, it is likely, even probable, that social mood will get worse. We do have an election coming up, after all. I guarantee that social mood will be darker in a few months' time, with the potential for *even worse* civil unrest. The stock market will likely be unaffected.

One thing is for sure about COVID-19 and the civil unrest—it has dramatically reduced the attractiveness of *cities*. Since the 1990s, professionals have poured into cities and gentrified them, reversing a long process of decay and neglect made worse by things like rent control. By the way, rent control is probably coming back.

Cities have been vibrant, diverse, affluent places to live. Now that process will run in reverse, and people will move back out to the suburbs—or further than that. "Exurbs" have been growing in popularity as cities lose their appeal and more companies tell their employees to stay home for good. I believe that cities will be a bad place to live for the foreseeable future.

I lived on Governors Island in New York City from 1979 to 1981. I went to elementary school in Manhattan. I went into the city every day and sat on subways where the graffiti paint was still wet. One clear memory I have from that time period: lots of spitting. People spitting everywhere, all the time.

At risk of saying something obvious, one thing we learned from the lockdowns is that it's a lot more fun to work from home. And people are more productive, not less. For many jobs, there is no reason to commute into a city for work. Cities haven't been well-governed, as a rule. New York is the most glaring example, where Bill de Blasio has reversed two decades of effective governance under former mayors Mike Bloomberg and Rudy Giuliani. Decades of mismanagement are coming home to roost.

Small Business Has Ceased to Exist

Things could not be worse for small business. Three months of lockdown, followed by riots and property destruction. Meanwhile, **Amazon** is stealing even more market share.

Amazon has been busy buying ad space for feel-good PSAs, mostly in response to allegations that it has unsafe work environments. But a recent advertorial said that "the country needs Amazon more than ever." That's true—because small business has ceased to exist.

If I wanted to think of how to destroy a country, I could not have done a better job if I'd tried. Years of zero interest-rate policy (ZIRP) and quantitative easing (QE) created the most inequality we have ever experienced. Then everyone is locked up for a few months, and all it takes is a spark.

I try to under-react to things and not interpret historical events too broadly. But this isn't bullish.

What's especially not bullish is our treatment of small-business owners. These are people who might not have the academic pedigrees to work at a large company. Some have minor criminal records. But they worked hard and built something of their own, and were able to join the middle class.

Now, we're hollowing out the middle class further and creating even more inequality. As we're finding out, this isn't sustainable.

This makes the optics of what the Fed is doing even worse. The next tool it will deploy is yield-curve control, but it's an open secret that it has considered buying stocks—which does nothing to benefit the people on the street. It's a bit like a bad dream.

I don't spend much time criticizing the Fed. (There are enough people who have made entire careers out of that.) And it may seem like a bit of a stretch to blame the riots on the QE of 2008, but I disagree.

Monetary policy indirectly bears responsibility here. If you wanted to fix all of this overnight, it is actually very easy: Raise interest rates to 5%.

Of course, that is not going to happen anytime in the foreseeable future. So you are going to have to look a little harder to find profitable opportunities.

But they are out there like energy stocks and our precious metals positions, which are up an average of 60% plus, and still have a lot more room to run.

Dear Minister Mboweni,

I write to you regarding the reckless and ridiculous rebranding of the notion of Radical Economic Transformation into the notion of 'Collapsing the White Economy' that is being espoused by senior members of the ANC, the organisation of which you serve as a member of the NEC.

When this kind of self-destructive utterance is being peddled by the EFF, it is one thing given that there is no prospect of the EFF coming into government.

When it is being pushed by the Mayor of Ekurhuleni, a major metro in a province that produces 34% of our national GDP, it becomes more concerning.

When the Minister of COGTA starts quoting socialist revolutionaries about class suicide, that concern rises to the level of alarm.

When the President of our country starts pandering to these forces by talking of an "opportunity to recreate our economy" in the wake of COVID-19, that sense of alarm grows deeper still. Especially so when this is linked to a move to plunder the pensions of ordinary South Africans to finance a government which has allowed billions upon billions to be plundered.

And when there are calls to 'change the mandate of the reserve bank' to pursue a populist and misguided agenda, then I live in deep fear.

You may wonder why I am telling you all of this. It is because, within the ANC, you have often become the lone voice of sanity and reason on matters relating to our economy. It must be a very lonely position, one I can actually relate to, where you are left to fend for yourself in doing what is right.

I write to you in the hope that you will bring some sense amidst all the socialist craziness. To this end, allow me to deal with a few facts that need to be put on the table:

1. An economy does not have a race, or a gender or a sexual orientation.

The fact that our country is horribly unequal, and this inequality often mirrors racial lines, is a function of two things. Firstly, it is a function of 300 years of colonial and Apartheid history. Secondly it is a function of 26 years of ANC government

This last point is important because you and I both know, deep down, constructs like White Monopoly Capital, Radical Economic Transformation and 'the white economy' are designed to achieve one thing – distraction from a very dangerous truth about the ANC.

This truth? That the ANC has taken one of the most unequal societies in the world and made it the most unequal society 26 years later. Rather than recognising this, and realigning efforts to self-correct, the strategy now appears to be to give our economy a race and demonise it.

2. Economic collapse should not be taken lightly

Perhaps it is necessary to paint a picture of what an economic collapse would look like in South Africa before we allow our fellow South Africans to speak so flippantly of it.

Unemployment would rise to more than 60% (broad definition), leaving millions of people who currently have a job, unable to provide for their families. Businesses would collapse, white- and black-owned, and their employees would be without any form of income.

In all likelihood, close to 40 million people would face starvation and would be dependent on whatever food aid is provided by the world because our government would be unable to finance any support itself. People would die of starvation and disease in numbers that would make COVID-19 seem insignificant.

Hyper-inflation would render our Rand useless and people would be wheeling wheelbarrows of cash to buy basic household products like oil and flour. There would be fights in the supermarkets as people fight over the last loaves of bread that are available.

Our government too would collapse, a fact that may resonate most within the ANC because the perks of government would disappear along with tenders. Collection of tax revenue would basically cease to the point that government could no longer build or maintain infrastructure, provide healthcare, social grants would disappear and building homes and electrifying informal settlements would be a thing of the past.

I suppose this would in fact be Radical Economic Transformation.

3. Economies are not simply recreated after a collapse

I think we must agree that the economic policy thinking in the ANC is straight out of the former Soviet Union. This fact is concerning in itself given the failure of that system and the disdain felt for it by the Russian people in particular.

Yet ANC Ministers maintain a misguided belief in a centrally controlled economy, flippantly speaking about allowing the Rand to fall, believing that we will simply “pick it up again.”

The economy is not a set of car keys that you can drop, pick up and put back in your pocket. When an economy crashes, the level of suffering that arises is awful and it will last for decades. Please look to countries like Zimbabwe and Venezuela. Are we really suggesting that what we now aspire to is starving people, who used to have jobs, in long queues for a loaf of bread?

When you analyse history, what are the fastest reconstructions of collapsed economies? The recoveries of Germany after the 2nd World War and the United States of America after the Great Depression. In both of these instances it took a decade of suffering before there was a recovery, and this recovery was the product of massive international support.

Looking towards the African continent, countries like the DRC, Zimbabwe and Ethiopia cannot even point to a recovery of their economies after decades of collapse.

Socialists talk about collapsing an economy the way some young people talk of war. They speak easily of it, because they have absolutely no idea of the kind of suffering it comes with.

All of this is to make a personal appeal to you, not to give up in the face of madness within your party. The few sane-minded people left need to stop this crazy way of thinking.

If we are to stand any chance of making our economy more inclusive, less structurally unfair and capable of lifting millions of people out of race-based poverty, we need an economic platform from which to do it.

With this platform, we need to redesign an education system that is preparing our children for the modern world in which we live. We need to stop planning for industrial revolutions that have come and gone and look to the future. We need a new curriculum, educators dedicated to their learners, performance management systems and SADTU to get out of the way.

We need a relaxing of our labour laws, which were specifically cited by ratings agencies as a primary reason for our downgrade. With the job losses that are to come, we cannot protect the minority of people who will have jobs at the expense of the majority that will not. When we make it easier for companies to employ people, more people will have work.

We must invest in creating business owners. In a society where companies will be reducing their employee numbers it is counter-productive to be producing a nation of employees. We need to be building a nation of employers through massive investment in small businesses, artisans and vocational work. We must prepare our children to start their businesses, and let them enter a world where it is easy to setup and run a small business.

We have to restore a rule of law, because no country has ever turned around its economy successfully without establishing a rule of law. Our police need to investigate, our prosecutors need to try cases and jails need to keep the corrupt and those who commit violent crimes locked up for long periods of time. We need a new budget on the 24th of June, that will change everything about our government. Our wage bill needs to be slashed, we need to part ways with the financial black hole of failing SOEs and we need to see efforts to cut back on luxurious expenditure. Let's get people in the ANC to see this as the kind of radical economic transformation we really need.

We must emerge from COVID-19 with a massive programme of infrastructure rollout. Every economic recovery in the world has followed this approach. We need to see the funds of our government being invested in improving our infrastructure and putting South Africans to work.

I hope that you will be able to rally those with enough sense in the ANC to stop pandering to the socialists within. The world needs to see South Africa emerging from COVID-19 with an unwavering focus on growing our economy.

There can be no room for the confusion, and no forgiveness for the double-speak which has placed our economy in this mess before COVID-19. I think you will find much support amongst people in this country, and hopefully from within your party as well.

Yours sincerely, Herman Mashaba