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

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My lunchtime habit every day is to take a sandwich into our TV room and catch up with world news, always ending with a protracted view of the Bloomberg channel despite the fact that, I have long come to realize, it tends to create a distorted view of what is actually happening in the world's marketplaces.

This is not to imply that there is anything wrong with the Bloomberg coverage. It is arguably the best daily market analysis channel that is available to ordinary investors. The reason, of course, is that daily events usually have little bearing on the long-term trend which is the thing that really matters. Of course, we dare not ignore the daily events because if the recur enough times they will obviously eventually change the long-term trend. That is why, in the good old days of decent newspapers, we might have been alarmed by the front-page headlines but always found peace of mind in the steadying calm of the editorial pages.

I mention this because for a year I warned readers of two market down-trends coming this year, the February/March one which in my projection graphs looked like a curtain-raiser ahead of the main event that was due in the second half of the year. I was thus as shocked as most of you by the severity of the first market plunge for it ranks with some of the worst of the past century.

The result of that severity is that it might well have taken much of the steam out of the second down trend. But at this stage none of us really know what is coming. As with the February/March crash, it will require something like another Black Swan event to turn a predictable cyclic probability into an either major or minor market event and that, of course, is why people like myself are addicted to daily news events which might (or might not) provide a clue about what is coming.

Just in passing here, I have frequently pointed out that the ShareFinder's artificial intelligence-driven future-projection system long predicted a fairly sharp downturn ahead of the Tuesday, September 11, 2001 coordinated terrorist attacks by the Islamic terrorist group al-Qaeda against the United States. We just did not know what would spark the decline or how shocking the spark would be for the magnitude of the financial reaction is always directly proportional to the shock that is created. In that event trading was immediately suspended on the New York Stock and Nasdaq exchanges and both remained closed until September 17, the longest shutdown since 1933. But on the first day of NYSE trading thereafter the market fell 684 points, a 7.1 percent decline while Gold prices leaped from $215.50 an ounce to $287, reflecting the remaining uncertainty

So, returning to the present, I am now able to point out that both here and on Wall Street as well as in many other global markets, Blue Chip shares are on the cusp of the predicted second wave.

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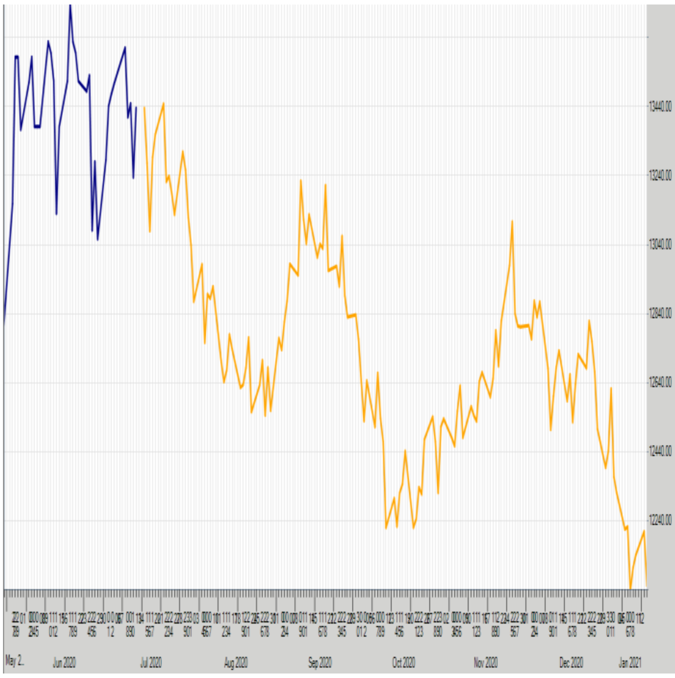
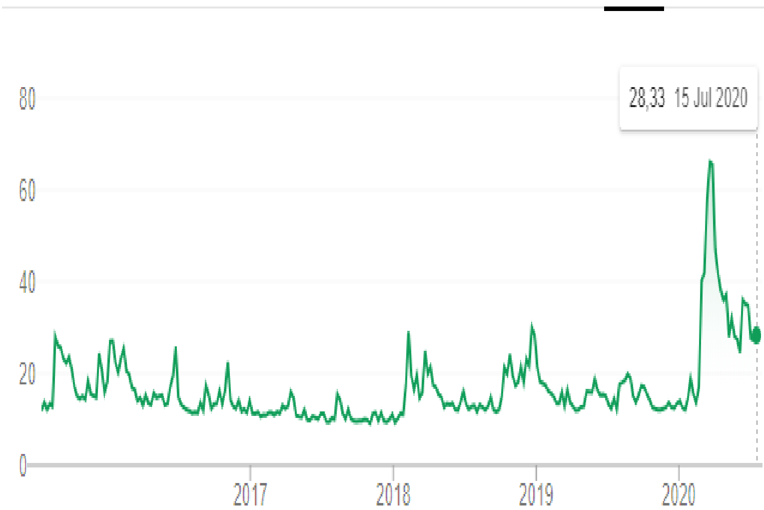
My two graphs below track South African Blue chips on the left which are due to peak around August 28 and their New York equivalents on the right which appear to have already peaked on June 17. In both cases ShareFinder predicts a protracted decline into the new year:



Apart from the timing of the start, both graphs are strikingly similar. But do pay attention to the obvious volatility of New York share prices so evident on the left of the graph. Price volatility is a very effective measure of the degree of uncertainty among investors and so it is useful to consider the current very high levels evident in the VIX graph on the right. The VIX is the popular name for the Chicago Board Options Exchange's CBOE Volatility Index, a well-respected measure of the stock market's expectation of volatility based on S&P 500 index options.



High levels of investor uncertainty inevitably warn that sudden dramatic movements can occur; when anything can happen….and usually does. So, keep on watching Bloomberg!

Do enjoy your weekend!

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The month ahead:

New York's SP500: I correctly predicted that, amid much volatility, it was likely to be down-hill until mid-August followed by a run-up to the end of September before another down-trend begins. Now expect a few more gains until the 24th until the next down-hill phase.

London's Footsie: I correctly predicted the decline which began on June 23 was likely to last until early August with sudden brief volatility in between. So, the next down phase until at least the first week of August has begun. It is likely to be followed by a recovery trend lasting until mid-October and then down again until late January.

Germany's Dax: I correctly predicted a declining trend which began on June 8 with lots of interim volatility giving further gains until the 27th before a decline until mid-August followed by gains until the second week of October and then a final run down until early December.

France's Cac 40: I correctly predicted a volatile gain within an overall declining trend that began on June 9 which I still see lasting until mid-August followed by recovery until mid-September and then a final decline until late November.

Hong Kong's Hangsen: I wrongly predicted the start of a long volatile recovery but I now expect that from today and lasting until the end of December.

Japan's Nikkei: I also correctly saw a brief up-tick that is nearly over. It should be down-hill from mid-week until mid-August followed by gains until mid-September and then down-hill again until mid December.

Australia's All Ordinaries: I correctly predicted an up-surge followed by a down-turn that has now begun and should last until the third week of August before the last up-surge until mid-September before going down- hill again until late November.

JSE Industrial Index: I wrongly predicted a recovery that would last until the end of July. Now I expect it to begin on Monday and last until the 29th ahead of a decline until the end of August when the last up-cycle seems likely to late October followed by a volatile decline until mid-January.

JSE Top 40 Index: I correctly predicted a recovery until late July/early August and then a decline until the end of August before another recovery until late October and another drop until mid-November.

ShareFinder JSE Blue Chip Index: I correctly predicted declines which are nearly over ahead of gains which have now begun and are likely to last until the end of this month ahead of a long volatile decline until late January.

JSE Gold shares: I correctly predicted gains until mid July before the next down-turn which is now likely from Monday until the second week of August when the next month-long recovery is likely.

Gold Bullion: I correctly predicted the continuation of a long recovery likely to continue well into 2021.

The Rand/US Dollar: I correctly predicted gains until late August when the next weakness is likely until mid-September.

The Rand/Euro: I correctly predicted brief weakness until mid-July followed by a volatile recovery trend which is due around Monday following which I see gains until late October.

The Predicts accuracy rate on a running average basis since January 2002 has been 85.88%. For the past 12 months it has been 96.2%.

Richard Cluver

The day the bottom fell out of South Africa – a triple pandemic has hit us

By Ferial Haffajee in The Daily Maverick

Covid-19's devastation has seen three million people lose their incomes. And almost half of all households report going hungry in the past three months, a heart-stopping new survey reveals.

On 27 March, the hard lockdown was declared to try to hold off the spread of the Covid-19 virus – and almost immediately the bottom fell out of South Africa. In less than a month, three million South Africans had lost their incomes and jobs, turning hunger from a problem to a crisis.

A household survey out on 15 July reveals that there was an almost immediate net loss of three million jobs between February and April and women accounted for two million of the people who lost their livelihoods as the economy was shut down.

"Forty-seven percent of respondents reported that their household ran out of money to buy food in April 2020. Prior to the lockdown, 21% of households reported that they ran out of money to buy food in the previous year (according to StatsSA's General Household Survey of 2018).

A survey published on 15 July has for the first time revealed the triple pandemic that has blown South Africa down with viral force. Led by principal investigator Dr Nic Spaull, this National Income Dynamics Study (NIDS) Coronavirus Rapid Mobile Survey is the first authoritative measure of the impact of Covid-19 on jobs, hunger and poverty.

"The impact is colossal and it shocked us," said Spaull in an interview with *Daily Maverick*. Spaull has worked with the country's top-rated researchers and economists including Haroon Bhorat, Reza Daniels, Murray Leibbrandt, and Servaas van der Berg.

"All of us were numbed. It is devastating and upsetting," said Spaull.

The big picture – majority of South Africans out of work

The researchers undertook work of enormous thought leadership to explore the impacts – there are 11 papers out.

"The 11 papers revealed that there is a high degree of agreement between researchers on what the key findings are: that employment has declined substantially and that the effects of this are largest for the most disadvantaged. Inequalities along traditional lines of race, gender, occupation, earnings, location and education have all grown significantly. An already unequal national situation has been made much worse.

"One in three income earners in February did not earn an income in April," which translated into an almost immediate job loss when lockdown was declared.

Professor Reza Daniels and Professor Vimal Ranchhod of UCT School of Economics found that the proportion of adults who earned an income in February declined by 33%, which is made up of a roughly equal share of those who lost their jobs and were furloughed (put on unpaid leave when businesses closed).

This is already a shocker of a number but if you overlay it onto South Africa's already endemic unemployed, what it means is that more South Africans are unemployed and without any income than those who are working.

And Covid-19 has widened the gulf of inequality in South Africa.

"The overarching finding from this analysis is that the job losses were not uniformly distributed amongst the different groups. In particular, groups who have always been more vulnerable, such as women, African/Blacks, youth and less educated groups have been disproportionately negatively affected," write Ranchhod and Daniels.

Women hold up half the sky until it falls down

In South Africa, women keep the country going. The typical household in our country is that of the single working mother with children. Covid-19 cut hard but its scythe sliced women's ability to work and feed their children with an even greater cruelty.

"Women have been more severely affected than men in the early phase of the crisis in South Africa, namely the 'hard' lockdown period. Net job losses were higher for women than men with women accounting for two-thirds of the total net job losses. Among those who remained in employment, there was also a bigger fall in average hours worked per week for women than men," report Daniela Casale and Dorrit Posel of Wits University in the NIDS-CRAM study.

National income studies have long revealed that women across the value chain earn less than men and that the gendered labour market also means that women lost their jobs more quickly as companies shut down in the hard lockdown phase. There are a lot of numbers here, but it's a vital understanding of how women were impacted.

"In February 2020, or pre-crisis, 46% of women and 59% of men aged 18 and older reported being employed. In April 2020, or the month of the 'hard' lockdown, 36% of women and 54% of men reported being employed (or having a job to return to). This amounts to a 22% decline in the share of women employed compared to a 10% decline in the share of men employed between February and April. The gender gap in employment has therefore grown," report Casale and Posel.

Not to be sensationalist, but this is a disaster for women's empowerment as it will push women out of the jobs market and down the ladder after decades of incremental improvement.

"Of the approximately 2.9 million net job losses that occurred between February and April among all adults aged 18 and older, women accounted for two-thirds."

Like most African economies, the informal economy (fruit and vegetable sellers, vetkoek aunties, roadside hot food stalls) is a vital part of the economy. "A larger share of the informal economy relative to formal employment were locked out of employment during April," the survey says.

In studies of how unpaid work grew as the lockdown extended for months and months, researchers also found that women's unpaid labour went up substantially to at least four hours a day.

Because women head most households, the duty of care for children, and of home-schooling, fell to them. If Covid-19's impacts have a face, then it is that of the African women.

I am hungry

Most South African homes stay afloat on a mixture of grant and jobs incomes (through jobs in the informal sector or the bottom rungs of the jobs market).

With that gone – in what economists call "income shocks" – people could not put food on the table, as Maverick Citizen has reported throughout the pandemic's course through South Africa.

Now the survey shows how hard hunger hit. "Forty-seven percent of respondents reported that their household ran out of money to buy food in April 2020… it seems quite clear that the incidence of running out of money to buy food has doubled.

"One in five respondents reported that someone in their household went hungry in the last seven days, and 1-in-7 reported that a child had gone hungry in the last seven days."

The survey was taken before relief measures and community action networks got into gear, but it does show the utter desperation that the Covid-19 outbreak has carried in its wake.

“In households that experienced hunger in the last seven days, 42% managed to shield children from that hunger,” the survey reveals.

What it paints is a Dickensian picture of adults going without food to ensure that the children have some: “Far too many people, and far too many children, are going hungry,” says the NIDS-CRAM survey.

A month into lockdown, the government announced the first tranche of its relief package as the devastation was clear almost immediately. Even though South Africa’s social solidarity relief net through which 19-million grants are paid every month is unusual in the developing world, it did not touch sides as the lockdown deepened.

This is because poor South Africans knit together a crochet of survivalist strategies that include incomes and grants.

“The possibility of job loss or a downturn in business presented a major threat to the livelihoods of a large proportion of grant-receiving households because, pre-lockdown, many rely on sources of income *other* than grants.”

Relief and solidarity

Government stepped in and so did significant social solidarity systems like the Solidarity Fund.

While the survey measured the first month of lockdown, further waves of research will keep track of the impacts.

“The social sector and communities have engaged rigorously in relief efforts. During lockdown, 18% of adults reported accessing support for food or shelter from government (8%), NGO’s, churches or other associations (6%) or neighbours and the community (9%).

The survey has confirmed what many reports have shown: the UIF system is a mangle. “Urgent attention needs to be given to rectifying technical glitches that exist in the UIF system,” says the survey, which found that only 20% of those surveyed who were eligible for the temporary employment relief (TERS) payment received it. The social relief of distress grant (SRD) could be a nifty tactic to get money into homes gnawed by hunger, but at the time of the survey it had not worked smoothly: of about six million applicants, just under one million had received the R350 grant at the time of the survey.

Government is mulling a permanent basic income grant and this is universally confirmed by the researchers as the best method of preventing a fall into extreme poverty by more South Africans.

“Global poverty projections suggest that the international response to the virus will push over 70 million people into extreme poverty, with sub-Saharan Africa being hardest hit,” says the survey.

All 11 research reports will be publicly available here at noon on 15 July.

The project is a telephone survey of 7,000 households that is recognised as nationally representative. It will continue over five “waves”.

