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

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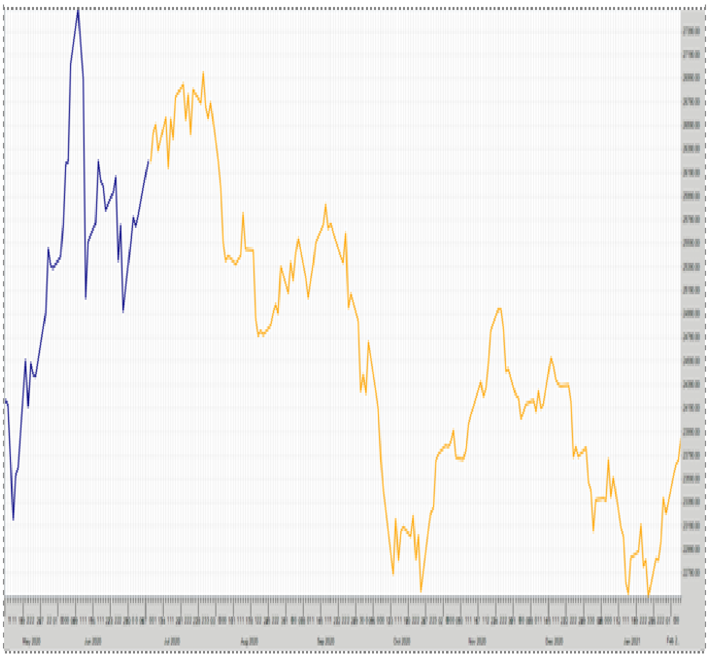
What a difference a week makes! For over a year ShareFinder's nearly invincible future projections system has been visualizing a protracted Wall Street share price decline for the second half of the year.

As is the case with these projections, the latest data always exercises a modifying effect both upon the precise date of the event and its magnitude. Seldom, however, have I seen a projected major market event gradually tail off into practically nothing. But precisely that has been happening for some weeks now. Just a few weeks ago ShareFinder projected that the second steep Wall Street decline of the Dow Jones Industrial Index would begin on or about July 30, a plunge slated to last until the end of October followed by a brief recovery until mid-November followed by a final decline until the end of January. On the left below is what the programme visualized in early July. And, on the right, its latest outlook.



The two scales are of course different but I have displayed each so as to contain the sharp upward spike on the left of the two as a reference point so that you can see what ShareFinder predicted back then. Note that the cycle pattern of ShareFinder's orange projection on the left remained intact in what actually happened, but the scale of the movements differed enormously.

To bring us to this past week's events, back in early July ShareFinder precisely predicted the timing of the gain that began at the start of August and expected it to continue throughout this month. It did not, however, anticipate the magnitude of this month's gain so far. Rather it saw a modest recovery unlikely to rise higher than the July peak.

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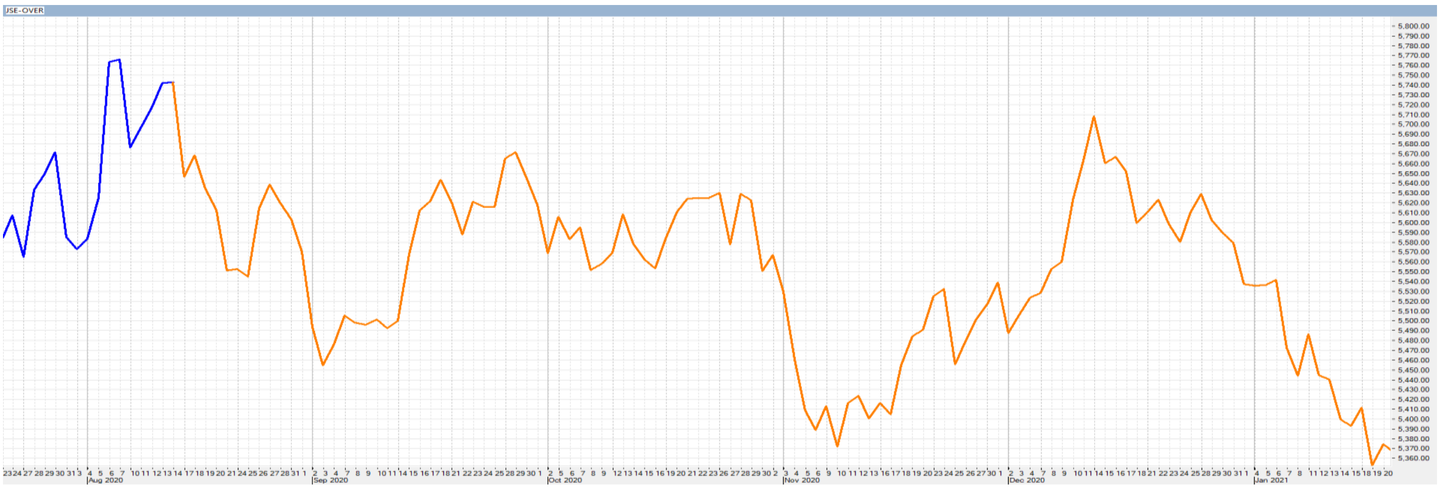
Now I have always observed that ShareFinder's forecast accuracy is outstanding with regard to the graph shape and timing of the turning points but seldom with regard to magnitude and seldom has this been better demonstrated than lately. However, it is important to stress that ShareFinder has not changed its projection that the present up-trend will continue until the end of September before that last decline of this year gets under way and I have therefore blown up the latest graph so that in the following graph you can see what is envisaged for the rest of the year in New York, a decline starting on September 29 and lasting until November 6 followed by a recovery until November 27 and then the last decline of the year until December 15:

And to hammer this point home, which is a bit of research that I have been doing today as much for myself as for readers, I thus quote from the preface of the book I wrote last year, The Crash of 2020 in which I wrote:

Nobody can pick the date of the probable collapse, so I have opted for October 2020…. because the most devastating share markets events in the past have happened in October. But there is no other argument to justify it. Neither can anyone pick the year with any certainty except to note that unless we take drastic steps to correct our towering global debt imbalance, collapse must come sooner or later and sooner seems more likely than later….and my uncannily accurate ShareFinder software has picked October 7 2020 until the following April for the next bear market.

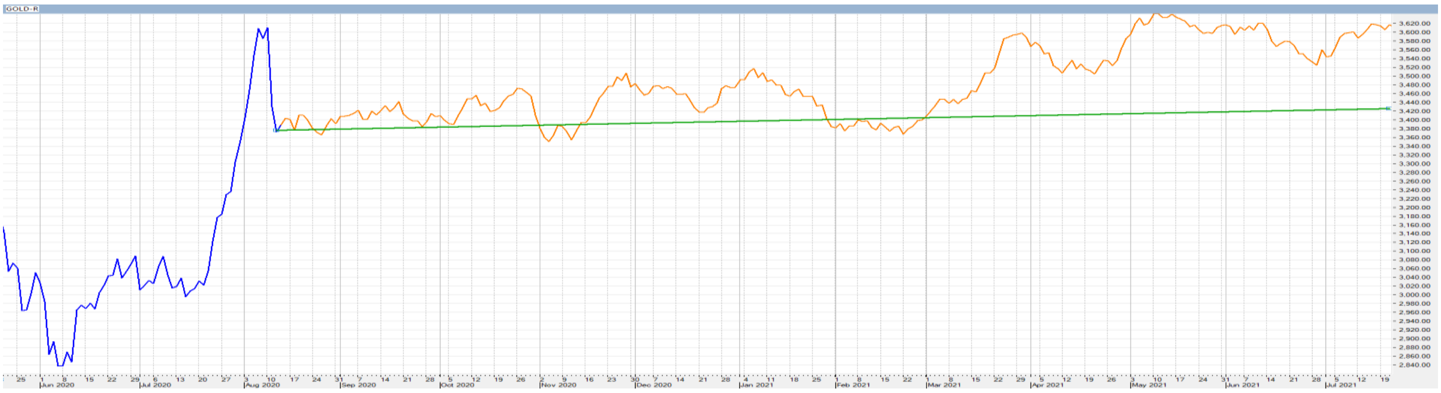
I promise I will be watching very closely when we get to the end of September/early October to see how accurate that forecast actually was! But so far, we clearly have proof of the argument I always make that ShareFinder is very accurate on predicting and timing the future but less so in the magnitude of predicted movements.

So, what is in store for South Africa looking ahead? Let's start with the JSE Overall Index which should trend down for the rest of this month, recover again in September but then fall again from September 28 to November 9:

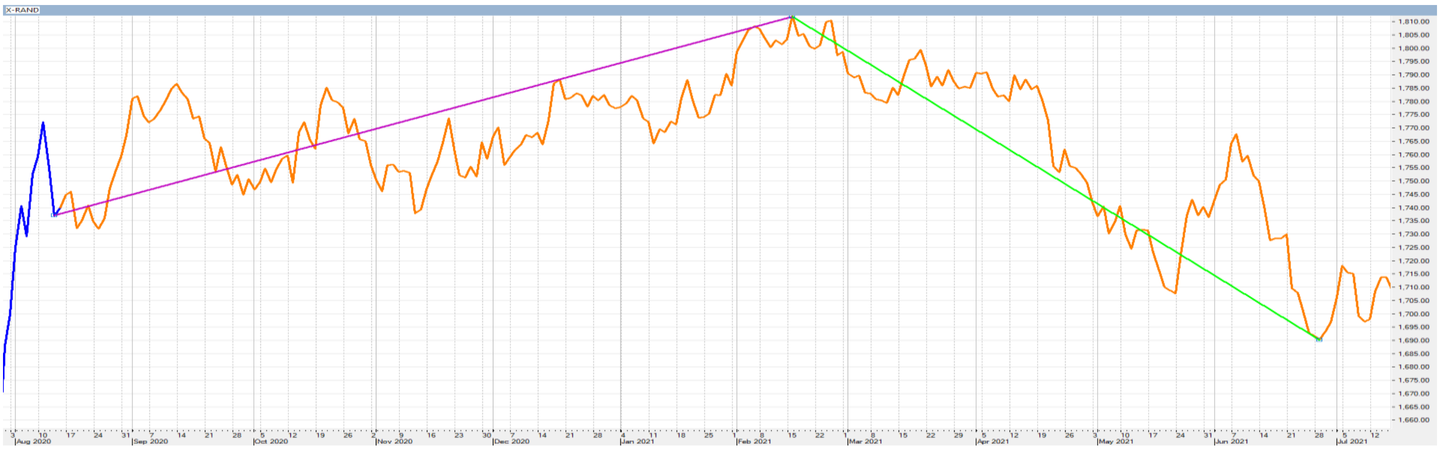


The outlook for JSE Blue Chips is rather less optimistic with declines projected to begin today until the 24th followed by an up-tick until September 21 and then a long volatile decline until January 22. Assuming ShareFinder remains correct in these projections, it sadly promises little for political development in this country:

After the fireworks of the past few weeks, the Gold price in Rands looks like taking a more modest approach to life rising, as the green trend line suggests, at a far more modest annual rate of 1.6 percent.



There is, however, some excellent news for South Africans in ShareFinder's projection for the Rand/Dollar exchange rate. Though it is projected to weaken at an annualized rate of 8.6 percent as highlighted by my mauve trend line in the last graph, it is likely the begin strengthening quite dramatically from mid-February until the end of June!



Do enjoy your weekend!

The months ahead:

New York's SP500: I was again wrong in predicted last Friday would see the start of the next down-hill phase until September followed by a run-up to the end of September before another down-trend to next February. I still believe the decline has, however, merely been delayed for ShareFinder still projects the imminence of a more modest decline.

London's Footsie: I correctly predicted the decline which I still expect will last until the end of August. 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 wrongly predicted it would be down-hill. Now I see gains until early October followed by declines until early December.

France's Cac 40: I wrongly predicted a decline. Now I see gains until late September followed by a decline to the end of November.

Hong Kong's Hangsen: I correctly predicted the start of a volatile recovery which I see lasting until early September followed by a decline until mid-month before a long but quite volatile up-trend until the end of December.

Japan's Nikkei: I correctly predicted gains until the third week of September and then down-hill again until mid December.

Australia's All Ordinaries: I correctly predicted gains until mid-September followed by a volatile decline until the end of November.

JSE Industrial Index: I correctly predicted a decline beginning mid-week and lasting until the end of the month followed by a three-week recovery and then a volatile decline until mid-January.

JSE Top 40 Index: I prematurely predicted a decline until early September followed by a recovery for most of September ahead of the next down-trend.

ShareFinder JSE Blue Chip Index: I correctly predicted a gain followed by a volatile decline until the 24th ahead of gains until the third week of September.

JSE Gold shares: I correctly predicted a volatile down-turn lasting until the first week of September followed by a recovery until late October and then a long decline into the new year.

Gold Bullion: I correctly predicted a brief, possibly month-long, interim decline within a long recovery likely to continue well into 2021.

The Rand/US Dollar: I correctly predicted gains followed by a short period of weakness until the second week of September and then very volatile gains until early November.

The Rand/Euro: I predicted gains until early November followed by weakness until the end of the year.

The Predicts accuracy rate on a running average basis since January 2002 has been 85.87%. For the past 12 months it has been 95.47%.

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Amazing: The JSE is now up for the year 2020

By Ruan Jooste

South African markets have experienced one of the biggest crashes, and quickest recoveries in history, over the span of just eight months. Amazingly, like many other stock markets around the world, the JSE All-Share Index is now higher than it was at the start of the year despite what may be the biggest economic calamity in a generation. What is going on?

As investors remain wary of the sustainability of the recovery, South Africa's money managers are trying to navigate the fine line between controlling ongoing risks and taking advantage of the significant opportunities that the volatility has presented to them.

In an investment note, Lara Dalmeyer, portfolio manager at Abax Investments, says global governments and central banks have provided unprecedented levels of fiscal and monetary support, which has allowed markets to rally despite poor economic fundamentals.

As a fundamental investor, Abax "cannot justify purchasing expensive and non-sustainable assets", but at the same time, cannot ignore macro-dynamics either, Dalmeyer says.

From an asset allocation point of view, Abax's view "is that one should guard against being too bearish, but at the same time look for assets within each asset class that can weather further depressed economic conditions, and are well placed to benefit from growth once there is greater economic recovery".

Investors should also be aware that, in some cases, the coronavirus crisis has led to changes in the relative risk profiles of various asset classes.

The risk profile of local bonds is fundamentally higher than it has ever been, according to Dalmeyer, but local equities aren't, despite the volatility. With local bonds, "for the first time, we are questioning the creditworthiness of our sovereign".

Dalmeyer warns that the impact of coronavirus "will be extremely challenging for the South African economy, and the government has limited fiscal room to help support business and consumers".

She says that emerging markets "should benefit from the search for yield".

While the structural issues South Africa is facing may limit the potential upside, investors should remember that not all JSE-listed companies are affected to the same extent, and good portfolio managers are finding these anomalies.

Abax's perspective is that markets could push higher due to ever-increasing policy stimulus or rerate down again, due to the massive disconnect between market levels and fundamentals.

A lot of this hyperactivity has washed over to the local landscape and has muddied the waters of pure price discovery.

Should the rising stock market amid the chaos raise suspicions?

The S&P 500 index, which represents almost half of the global stock market, is now only 9% away from its all-time high reached at the beginning of the year, and the JSE has now regained all of its 2020 losses.

David Shapiro, deputy chairman at Sasfin Securities, says the spillover from abroad is only half the story, and it is mostly the US tech stocks that got us there.

"For valid reasons, of course, as the tech companies allowed us to survive the lockdown," he says.

If you look at the JSE, most of the gains came from Prosus and Naspers, which make up 35% of the local market, and have logged respective gains of over 35% and 60% for the year. The rest of the muscle was provided by the gold outfits. GoldFields was up 120%, AngloGold 55% and Sibanye-Stillwater 36% for the year-to-date.

“If you take out miners and tech, the local market is an absolute disaster,” says Shapiro. “If you want a view of the real economy have a look at the share performances of the hospitality and property counters and the banks.”

City Lodge, Tsogo and Sun International have all lost stock value in the region of 60% this year. Nedbank is down 50%, Investec 45% and even the market darling, Capitec, has fallen by 40%.

Peter Armitage, CEO of Anchor Capital, says what makes the local market’s moves even more misleading is that the rand has gone from R14 to the dollar at the beginning of the year to around R17.50/$1 so rand-hedge stocks like Prosus look even more valuable.

He says if the rumours around a possible Covid-19 vaccine were the reason for the recent recovery, travel and airline sectors would have jumped on the news, which they have not. Shapiro agrees and says it is just one of the many market theories out there.

Armitage says the reams of rights issues show which companies are most under pressure, like Foschini, City Lodge and Sun International. “They would not have survived without capital injections from their shareholders.”

He says the property sector has also changed forever.

“After years of ridiculous shopping centre growth,” he says, the shift is moving to logistics and warehousing. “Amazon, for example, is looking into leasing more storage space to make up for the boom in e-commerce.”

Office rentals are also bound to take on a different shape, he says, as landlords will no longer be able to rely on fixed rental rates or occupancy and will probably have to move to a model linked to corporate and economic activity.

He says what is bound to happen as we move out of Covid-territory is that the tech stocks will continue their dominance, and the drive into gold as a safe-haven asset will disappear.

“When it unwinds, it does so very fast,” he says. “Iron and copper prices are holding up surprisingly well and the BHPs and Anglos of the world will probably hold the fort.”

Key calls for August, according to Capital Economics, is that South Africa is likely to suffer particularly weak recoveries over the coming quarters, especially as officials have struggled to bring the virus under control.

“In South Africa, we expect that GDP will contract by 11% this year, which puts us at the bottom of the consensus range. If we’re right on the depth of the downturn and that inflation will stay low, the Reserve Bank is likely to cut interest rates further.”

Capital Economics says South Africa won’t face the same kind of immediate financing problems as many of the smaller economies in the region, but public debt ratios are on unsustainable upwards trajectories.

“Governments will probably struggle to push through austerity, prompting a shift towards financial repression in South Africa,” it adds. **DM/BM**

Alec Hogg's Rational Perspective

While South Africa was sleeping, its most famous entrepreneurial export was back in the news after his company's share price surged 13% from already lofty levels. That jump took Tesla Motors to $1 554 a share pushing its founder Elon Musk above Google founders Larry Page and Sergey Brin in the Bloomberg Billionaire's Index.

Musk, who grew up in Pretoria (lest you forgot) is now 8th at the uber rich top table, worth $73bn, over half of which has been added in 2020. Reason for the latest surge is last night's announcement that Tesla's is doing a five-for-one share split. This is on the heels of a four-for-one split by Apple Inc which takes effect at the end of the month.

A word of caution, though. Apple's first share split was in June 1987, shortly before one of the worst stock market Crashes in history. Its second share split came in June 2000, once again, just before another major market meltdown.

Share splits are designed purely to make high priced stocks easier for retail investors to buy. With apps making day trading more accessible than ever, small timers have become a force in US stock markets, now accounting for an estimated 25% of turnover. They were also major "players" ahead of the 1987 and 2000 market crashes. Be warned.

Rank	Name	Total net worth	$ Last change	$ YTD change	Country	Industry
1	Jeff Bezos	$187B	+$4.44B	+$71.9B	United States	Technology
2	Bill Gates	$121B	+$944M	+$8.28B	United States	Technology
3	Mark Zuckerberg	$98.5B	+$1.38B	+$20.1B	United States	Technology
4	Bernard Arnault	$84.5B	+$3.36B	-$20.7B	France	Consumer
5	Warren Buffett	$80.7B	+$153M	-$8.61B	United States	Diversified
6	Mukesh Ambani	$80.2B	-$304M	+$21.5B	India	Energy
7	Steve Ballmer	$75.3B	+$1.91B	+$17.2B	United States	Technology
8	Elon R Musk	$73.0B	+$7.58B	+$45.4B	United States	Technology
9	Larry Page	$72.1B	+$1.06B	+$7.49B	United States	Technology
10	Sergey Brin	$69.9B	+$1.02B	+$7.20B	United States	Technology