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

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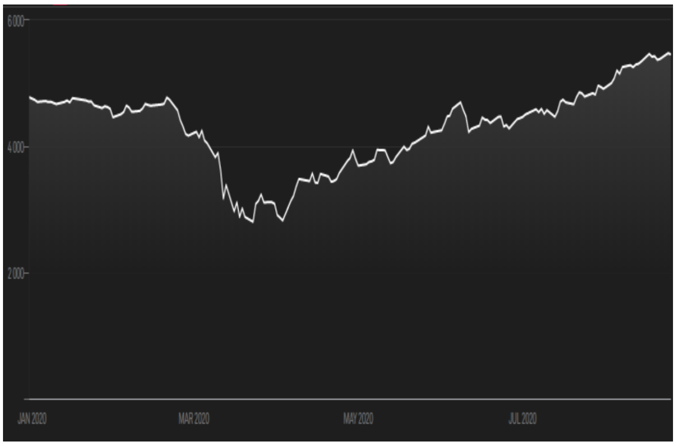
Perhaps it's time to shed all the misinformation you have been hearing lately because, to quote a song from my youth, it ain't necessarily so!

I was prompted this week by a graph that really surprised me, Wall Street's S&P500 Retail index which I have reproduced on the right.



We have been for some time fed a story about the Covid 19 lockdown converting everyone to online shopping and the consequent demise of high street shopping. Here at home, many pundits have consequentially argued that our shopping malls are thus doomed.

It has resulted in the property Reits being decimated and historic dividend yields soaring to unprecedented levels. Property Blue Chips like Hyprop, Growthpoint and Redefine have never been as cheap, promising huge income increases for retired folk seeking to improve their comfort zone…that is if they have the faith that the Reits will recover. **And someone clearly thinks they will!**

The topmost graph on the right suggests a rather different story! From a low point value of 280293 on March 23 Wall Street listed retail shares have almost doubled in value to a current level of 547688.

It seems that the 'adapt or die' principle is hard at work. While some of the most famous US retail names have been going belly up lately…because they failed to adapt to changes that were dramatically accelerated by the pandemic…. others have seen their profits go through the roof and the Retail Index has reflected just that.

So, what is the implication of this development for South African shopping malls? For a clue to the future I have turned to the property share I most like to follow – and upon which I took a huge punt when its price crashed in April - Hyprop which owns some of the country's premier shopping centres and which is due to report at the end of September.

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The share price has just broken below the rising green trend line that has been in place since late April when Hyprop bottomed at R14.47, the date when I could no longer resist the temptation and spent a considerable proportion of my war chest making this, together with Sasol, one of my two biggest punts at that time.

The Sasol recovery was, of course, truly dramatic. But Hyprop has also rewarded me handsomely. If you measure that green trend line you might be surprised to note that it has been rising at a truly remarkable compound annual average rate of 134.5 percent. That implies that someone has been buying steadily into a mouth-watering historic dividend yield which went as high as 19.5 percent. Yesterday the shares peaked at R19.96 implying a gain so far of 38 percent which, when compared with the US retail index and with the recovery of most local blue chips, implies that the share price recovery has only just begun.

Furthermore the intra-day figures tell another story with a leap from R18.27 on August 17 to yesterday's R19.96 representing a 10 percent positive swing within a short-term declining trend which tells one that buyers are treading carefully and buying in sufficiently small volumes so as to not disturb the trend as long as the price is in its low ranges. The last thing this group would logically want to do would be to spark a dramatic upward price push before they have achieved the holdings they require. Thus, if you consider a graph of the daily closing prices you still see a downward trend. But it is very delicately poised. So don't be surprised if the share price suddenly reverses upwards if the company releases a better than expected report during the next few weeks.

But what does that downward penetration of the green trend line imply? In the short term the market has turned pessimistic and so, hopefully, it is not a sign of some insider knowledge of an impending worse than expected report.

Here, a brief diversion to discuss pennant formations on charts which, in my opinion, are among the most useful bits of technical analysis you can ever find. The rising (green) line represents the aspirations of the optimists (Bulls) who are obviously prepared to pay ever-increasing prices to obtain the shares they desire. Meanwhile the falling red line represents the pessimists (Bears) who are anxious to sell and so are prepared to accept ever declining price peaks. Inevitably these two lines must intersect and before that happens an explosive break-out is usually expected. Thus, the pennant represents the epitome of an efficiently-working market place; the classic struggle between hopes and fears which is the heart and soul of capitalism that in turn most efficiently portrays so much of the human condition.

What the pennant also most importantly tells us is who is winning this tug-o-war for, if the tip of the pennant is pointing up the optimists are in control of the market while, when it points downwards the pessimists are winning. So, if you consider the Hyprop graph, there is currently something like an equilibrium for the pennant is neither pointing up nor down. However, the reality of the downward break-out of prices below the green trend line is proof that the pessimists are beginning to take short-term control. If they continue driving down prices for a few more days then the apex of the triangle will begin pointing down and the longer-term outlook will deteriorate. If I did not personally have so much riding on this tussle, it would be a really interesting intellectual puzzle. As it is, this is like a good day at the races!

But one share does not a Bull Market make. So let us next consider Redefine, South Africa's second largest listed property company which this week came out with the news that it had offloaded ten percent of its property portfolio, disposing of underperforming assets in Europe, Britain and Australia to create an R8-billion war chest. And in the aftermath the shares leaped, just like Hyprop did, by 10.9 percent from a low of R2.56 to R2.84 as the penny maybe dropped for local investors that the property Reit story might not be that dire after all. Here too, the green line of optimism has been rising at an even more dramatic 513 percent but once again the apex of the pennant is in a relatively neutral position suggesting that here again a wait and see position has developed.

To confirm what I think I am seeing, I next turned to Growthpoint which, together with my two earlier choices represents the royalty of the property sector. Always the more stolid performer, Growthpoint has been recovering at a far lesser compound annual rate of 58.2 percent as traced out by my green trend line in my last graph.

Furthermore, readers will note that in this case there has been no downward break-out below the green trend line even though the apex of the pennant is nearly upon us; so, something should be expected very soon. And, finally, my somewhat optimistic viewing suggests that the pennant is pointing ever so slightly upwards.

This week, Redefine was standing on a dividend yield of 17.96 percent, Growthpoint on 16.2 percent and Hyprop on 18.7 percent. So, if you are looking to significantly enhance your portfolio income it is clear there has never been a better time to buy these shares and, if I am correct in my reading of the signs, you might even be able to get on board a significant capital gain express train.

Noting that this morning the buyers switched their attention to Growthpoint which was up over one percent at the opening, I need to offer readers a word of caution. ShareFinder's usually very accurate price projection system suggests that in the near term the prices of these property Reits are likely to continue on downwards so this is a clear gamble!

Do enjoy your weekend!

The months ahead:

New York's SP500: As I correctly predicted the market is likely to continue rising until around September 29 and then slide down until the second week of November.

London's Footsie: I correctly predicted a recovery until mid-October ahead of a run-down until January.

Germany's Dax: I correctly predicted the Dax would continue recovering until the second week of October ahead of a slide down to December.

France's Cac 40: I correctly predicted a recovery that should last until late September followed by a decline to the end of November.

Hong Kong's Hangsen: I correctly predicted a volatile recovery which I see lasting until early September followed by a decline until approximately September 25 before a long but quite volatile up-trend until the end of December.

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

Australia's All Ordinaries: I correctly predicted gains which I still see lasting until mid-September followed by a volatile decline until the end of October when a brief up-tick is likely quickly followed by another decline until the end of November.

JSE Industrial Index: I correctly predicted a decline which I expected to last until the end of August ahead of a recovery. Now another brief decline is likely before the recovery continues until the end of September followed by a volatile decline until mid-January.

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

ShareFinder JSE Blue Chip Index: I correctly predicted a volatile decline which lasted until today. It is likely to be followed by of gains until the third week of September and then a volatile decline until mid-January.

JSE Gold shares: I correctly predicted a volatile down-turn lasting until the first week of September followed by a recovery which has now begun and is likely to last until late October before a long decline well into the new year.

Gold Bullion: I correctly predicted a brief, possibly month-long, interim decline followed by a recovery into September which has now begun and is likely to continue well into 2021.

The Rand/US Dollar: I correctly predicted gains followed by a short period of weakness which has just begun and should last until the second week of September ahead of very volatile gains until the end of the month.

The Rand/Euro: I correctly predicted gains which I continue to see lasting until early November followed by weakness until mid-December.

The Predicts accuracy rate on a running average basis since January 2002 has been 85.89%. For the past 12 months it has been 95.47%.

Richard Cluver

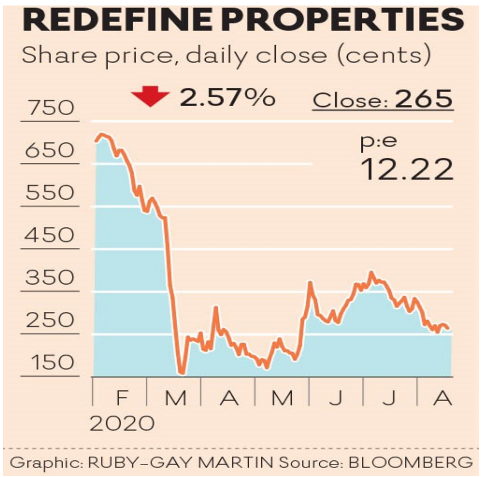
Redefine Properties' quick action has put it in a good position

BY ALISTAIR ANDERSON

Reprinted from Business Day

Good deal-making abroad means Redefine can now focus on SA and high-growth economy Poland.

SA's second-largest real-estate company, Redefine Properties, which owns more than R80bn in assets, has impressed with how quickly it has been able to offload more than R8bn worth of secondary assets so that it could raise a war chest of cash to help it through the pandemic. It has also decreased its debt levels markedly.



Redefine and other landlords have been operating in the most challenging economic conditions in decades. That helped prompt the company to announce in November 2019 that it needed to offload assets and quickly. Originally the fund wanted to sell about R4bn in local assets and R4bn in offshore assets. It was looking likely to only be able to sell parts of its UK and Australian properties.

But good deal-making abroad means it has completely exited both markets and can now focus on SA and high-growth economy Poland.

CEO Andrew Konig said in a pre-close meeting with the media this week that the company now has access to R3.8bn in cash, while having enough liquidity headroom to absorb as much as a 50% rental decline and 100% dividend withholding from foreign investments.

His team has managed to get rid of its stake in perennial underperformer, RDI Reit, previously known as Redefine International, for R2.3bn. It also let go of its Australian student housing interests for close to R5bn, as well as its residual interest in Cromwell Property Group for about R700m.

Rental relief in the second half has amounted to about R270m, with an increase in rental arrears of about R400m over the five months of the various levels of lockdown.

Average cash collections over this period have amounted to an impressive 82% of monthly gross billings.

Investors should commend Redefine's management for acting swiftly and they may be right to punt the company's share price for a recovery in 2021, with it having lost close to 65% so far in 2020.

Business Day EDITORIAL:

Ramaphosa misses a trick with Mboweni reprimand over Zambian central bank

The president could have used the episode to reaffirm the value of independent central banks

It was just more than a month ago that Zambia met with IMF representatives over the country's application for financial support to deal with the impact of Covid-19.

It was similar to the rapid credit facility by which SA was granted a $4.3bn (R72bn) loan, the largest of any country under the programme. So far, Zambia isn't one of the recipients.

While the IMF loans to help countries deal with crises don't come with the structural conditionality of traditional programmes, there is one requirement — that recipients demonstrate an ability to pay the money back. As of the middle of May, Zambia wasn't seen to be fitting the bill.

"In cases where the debt is unsustainable, the member must take steps to restore debt sustainability to access fund financing," the IMF was quoted on Bloomberg as saying in response to questions about Zambia's potential eligibility for assistance.

The IMF statement on July 15 was noncommittal, saying discussions "will continue as the authorities determine their policies and priorities in the formulation of the revised 2020 budget, as well as the medium-term fiscal stance needed to restore debt sustainability, revive growth and lower poverty".

For a country that is seeking outside help and whose policy credibility is under question, suddenly firing a well-respected central bank governor was a misguided step. The markets responded accordingly, with the kwacha reaching a record low.

The effects on the people of Zambia should have been of the greatest concern to President Cyril Ramaphosa — not finance minister Tito Mboweni's tweets questioning the firing.

In its report, the IMF noted that the social and economic impact of the pandemic will be “heavy” on Zambia; that the economy could shrink 5% in 2020; and that the number of people living in extreme poverty will increase. It is those people who will suffer as a result of President Edgar Lungu’s shock decision to dismiss Denny Kalyalya.

With annual inflation already running at about 16%, at the very least the currency depreciation will mean more hardship for the country’s poor, who will struggle even more to afford basics.

It’s not hard to work out why Kalyalya, who was part of the Zambian delegation that met the IMF in July, was fired. He had repeatedly urged the government to cut spending, according to Bloomberg, which also quoted Grieve Chelwa, an economics lecturer at the University of Cape Town’s Graduate School of Business, as saying it may also have been a response to the government’s failure to amend the constitution and grab the power to decide policy on money printing.

One would think that Zambia is close enough to Zimbabwe for its leaders to know where printing money to fund government spending leads. And as for SA, we should, by now, have learned that sitting aside and worrying about diplomatic niceties while economies implode around us is not sound strategy.

While Mboweni could have avoided emotive words such as threatening to mobilise against Lungu, it would take a creative mind to think he was advocating anything like regime change. For Ramaphosa, this should have been an opportunity to reiterate that this is no time to be meddling with the independence of the central bank.

Further away, Turkish President Tayyip Erdoğan fired his central bank governor just more than a year ago, replacing him with a candidate who would be more likely to do his bidding. Today Turkey has the highest inflation rate among similar economies. Its currency is down 7% in the past month, despite an improvement in sentiment towards emerging markets.

Last week, Fitch Ratings revised the country’s credit rating to negative, citing, among other things, “weak monetary policy credibility”. That’s in contrast to SA, where an independent, inflation-targeting central bank has been seen by credit ratings agencies as one of its strengths during an otherwise dismal period for the economy.

Ramaphosa gets a lot of credit for defending the SA Reserve Bank against political attacks. And rightly so. It’s a pity that this week he chose to use his pulpit to appease Lungu instead of defending a principle that has served this country well.

The Wall Street Journal take on US elections

By
CharlieWarzel
Opinion writer at large

One of the biggest lessons I've learned covering the daily information wars of the Trump era is that a meaningful percentage of Americans live in an alternate reality powered by a completely separate universe of news and information.

Some are armed with their own completely fabricated facts about the world while others, as the journalist Joshua Green wrote in this section in 2017, rearrange our shared facts "to compose an entirely different narrative." There is little consensus on the top story of the day or the major threats facing the country. You will have noticed this if you've ever watched a congressional hearing and flipped between CNN or MSNBC and Fox News. The video feed is the same but the interpretation of events is radically different.

Personally, I've never seen a clearer demonstration of the Two Universes phenomenon than this week's Republican National Convention.

For three nights, in an shameless display of loyalty to President Trump, the party has conjured up what my colleague Frank Bruni described as an "upside-down vision" of the world. Theirs is a universe in which the coronavirus pandemic is largely in the rear view (on Aug. 25, 1,136 Americans died from the virus) and where, according to Representative Matt Gaetz, radical Democrats threaten to "disarm you, empty the prisons, lock you in your home and invite MS-13 to live next door." A universe where the existential dangers of climate change pale in comparison to those of cancel culture — even as the West is ravaged by blackouts and wildfires and the Gulf Coast is slammed by a devastating hurricane.

This week, my colleague Jamelle Bouie described some of what we're seeing as the "Fox Newsification of the Republicans" by "a president who rose to political power via the cable news channel and who exists in a codependent relationship with the network."

The comparison is apt, as Fox News has been extremely successful in crafting and selling an alternate reality to its viewers each night for well over a decade. The trick is to evoke two dueling emotions — fear and devotion — one conspiracy theory at a time. Fox News has mastered this and so has the R.N.C.

It's why the convention paraded out Patricia McCloskey — one half of the St. Louis couple who went viral for wielding guns at Black Lives Matter protesters. Her message was designed to provoke feelings of victimhood and racial fear.

“What you saw happen to us could just as easily happen to any of you who are watching from quiet neighborhoods around our country,” she said. “Make no mistake: No matter where you live, your family will not be safe in the radical Democrats’ America.”

That threat is far more potent when it’s paired with a second alternate reality: that Donald Trump is the one and only competent protector, the “bodyguard of Western civilization,” as the R.N.C. speaker Charlie Kirk put it on Monday evening.

The power of a conspiracy theory is to offer an easy explanation for something uncomfortable, which is why conspiracy theories thrive during times of alienation or social change. But while one conspiracy theory can be dangerous on its own, it is not a worldview. It’s when you stitch enough of them together that an alternate reality form.

This same convergence phenomenon is also behind the alarming growth of the QAnon movement, which now acts as a big tent for conspiracies — actively courting and absorbing other fringe theories into its sprawling narrative. Adrian Hon, a developer who designs alternate reality games, told me recently that QAnon’s dynamics remind him of the worlds he’s helped create, calling it “a collaborative fiction built on wild speculation that hardens into reality.”

My colleague Paul Krugman recently pointed out similarities between the conspiracy movement and Mr. Trump’s campaign effort, though he doesn’t think the “desperate strategy” will work.

Having reported on the pull of these alternate realities up close, I don’t feel certain about any outcome anymore. It’s hard to see things clearly or make predictions in such a fractured information ecosystem. And as The Times contributor Thomas Edsall notes, we’ll be stuck here for a while — Mr. Trump’s rhetorical strategy “will have long term consequences for the Republican Party.”

If you’d like more analysis on how that strategy played out in Night 3 of the R.N.C., my colleagues offer their views on the highs and lows here. My only prediction is that, no matter the outcome in November, I doubt we’ll be returning to shared reality anytime soon.
