



As spring gives a lift to our souls, a wave of arrests of people most South Africans had come to believe were a protected species has brought us all hope that a better future lies ahead. And for local investors it is very clear that Covid-battered share prices offer us mouth-watering potential if our economy can be seen to begin recovering.

The only caveat to the latter is the need for a return to confidence which, long experience of the South African marketplace has convinced me is the most important single ingredient of guaranteeing future prosperity. Thus, while there is no gainsaying the wisdom of those who of late have headlined their arguments for investing abroad, the critical question for the average investor whose capital needs to work very hard in order to provide either a secure future or a reasonable retirement income, the truth is that few can afford the luxury of committing large percentages of their capital to the vagaries of often misunderstood foreign investments.

Setting aside for a moment the argument about foreign spread offering a modicum of insurance against our local political risk versus the risk of investing into unfamiliar securities, at this stage of play it comes down to the question of which investment destination offers the greatest opportunity for medium-term recovery?

It would be foolish to assume that the arrest of a few minor political players truly spells the end of an era of grand corruption. I for one will only believe that when I see a significant number of high-profile politicians actually behind bars starting with our former President. Nevertheless, it is very clear to the simplest citizen that 27 years of ANC government has done nothing to sustainably uplift the impoverished masses they inherited at the dawn of democracy. Indeed, it is abundantly clear that the economic policies learned during their exile years in Soviet Russia and other Eastern Bloc countries have only served to drastically worsen the lot of the average South African.

And then came the pandemic to graphically demonstrate ANC economic failure. It's hard to imagine anyone suffering real hunger and hardship right now still feeling charitable about ANC promises of a better life which it has consistently failed to provide. After 27 years public patience is surely at an end!

In other words, the country is ripe for change and the ANC must surely be critically aware that if it cannot deliver in the few months remaining before the next General Election, their only future lies in coalition politics. That outcome is probably inevitable since there is insufficient time to completely turn around the consequences of grand neglect of cadre deployment and incompetence as is exemplified by the financial disasters of Eskom, SAA, Transnet and a host of other tax-draining SOEs. Thus for reformers like Cyril Ramaphosa their best bet is to achieve enough to be able to demonstrate that they are on the right path. Even that might not be enough to ensure that they are not swept away into oblivion. But in truth they have no other option!

Even more critical for those who have already been caught with their fingers in the till, they must be acutely aware by now that any alternative incoming administration, in its need to emphasise that it is delivering on reform, is likely to deal far more harshly with them than are their current colleagues. Their best hope for their future welfare must therefore be to negotiate now for the most modest punishment they can hope for.

It is for these reasons that I believe South Africa offers a better hope for economic recovery than many of the leading nations whose economic systems have in any event been hamstrung by 'Welfare Statism' which has long had them enmeshed in a crippling debt trap from which it is politically impossible to escape but which must inevitably end badly. Already the death knell of such systems is being manifest in the kind of extremist politics which gave the USA Donald Trump, Britain Boris Johnson and Russia Vladimir Putin.



However, even in the comparatively short-term, South Africa has the wind behind its sails inasmuch as the combination of a grossly depreciated Rand and the onset of a new wave of commodity demand has been providing us with positive trade balances and swelling profits for the mining and agricultural industries. Furthermore, Government has clearly recognized that the current mining charter entirely cost this country the economic benefits of the last minerals boom and it has therefore committed itself to eradicating those imposts. They cannot fail a second time...not now when hunger is stalking the land and two out of three young people have no possible current expectation of finding gainful employment.

Obviously the ANC needs to do a lot more and while it might be too optimistic to expect a wholesale dismantling of policies like BEE, bargaining councils and a bloated civil service which only benefit the few and have entirely failed the masses, potential foreign investors will be eagerly watching for proof that such concepts are being sufficiently readdressed so as to be more broadly beneficial.

There is no debating that the greatest single priority of Government is job-creation and there is little doubt that immensely profitable opportunities are available to would-be investors in South Africa provided existing legislative imposts are swept away. There is also ample evidence that President Ramaphosa is aware of the changes that are needed in order to reap the employment-creating benefits of attracting new business development. And here the evidence that business observers are seeking is a Cabinet reshuffle that removes old-order politicians who remain committed to the outmoded ideas of central command economics.

Change is in the wind and there is palpable excitement in the waiting wings. But opportunity offered and not grasped has so often been opportunity lost and Ramaphosa is already running out of time. That is why I view unconnected things like the arrest of the Free State housing scam people as an important sign of the new urgency. It is only a tiny start and it needs to be followed by much more before public optimism returns.

However, as astute investors well know, the greatest rewards come to those who are first to recognize profitable opportunities. That is why I remain fully invested in South African securities and why I am currently intent upon capitalizing further as funds permit. Furthermore, I sense that such opportunities are fast approaching as ShareFinder's projection graph of the JSE All Share Index suggests. Note, the index is seen as likely to bottom in early November and then move into recovery at, as the green trend line suggests, a compound annual average rate of 15.3 percent:



That view is, moreover, supported by ShareFinder's projection for Wall Street's broadest measure of share market activity, the Standard & Poors 500 Index which, pictured on the next page, is likely in ShareFinder's view to similarly bottom in the second week of November and then go into an amazing 24.7 percent compound rate of recovery:



Britain's Financial Times 100 Index is rather less optimistic in ShareFinder's view which is hardly surprising given the deep uncertainties surrounding the growing probability of a "Hard Brexit". However, Germany's Dax presents a similar graph to those of South Africa and the US, suggesting a market bottoming at the end of November before going into sustained recovery at compound 41.6 percent:



Japan's Nikkei is projected to start a little later, likely bottoming in mid-December but ShareFinder expects it to more than make up for its lateness by growing, as the green trend line suggests, at an amazing compound 59.7 percent.



Collectively then, if ShareFinder is as correct in this set of projections as it usually is, the world is likely quite soon to enter a synchronized growth pattern which will do a lot to make up for the losses of 2020.

Beyond these gains there is likely to be some retractions which arguably might be related to second Covid spikes but, since a number of vaccines are imminent, ShareFinder's predictions imply that by 2021 we will be firmly into a post-pandemic phase where the next issue to deal with is likely to put climate change onto the urgent list. But there will always be something. The art of investment is, after all, to expect the unexpected and to be prepared for it!

Hyprop

Followers of this column will know that when the market crashed in April, I took a flyer on a number of shares and it paid off handsomely in every case with the exception of Hyprop which I continue to believe is a sitting duck for significant recovery. Noting that the last director to take a punt paid R104.81 in June 2018, I have to assume that this must be close to fair value when footfalls in South Africa's premier malls were normal. But there was a gathering concern that malls had been overdeveloped in South Africa in an era when customers were beginning to move 'on-line.' But, as nearly always in such cases that prejudice was overdone.

From R122.49 in early 2018 the share fell to R52.60 at the end of last year, rose to R56.89 ahead of Covid and then crashed to R14.75 on Wednesday.

Then the turnaround came and by mid-morning today when the vast majority of the JSE was in the red, the shares began rising strongly. After some tentative bites yesterday, the share has leaped an impressive 24 percent which took it to R18.30 mid-morning today. It has a long way to go I believe! But whether this is just a spurt of opportunist buying or the beginning of a run is now the question!

Do enjoy your weekend!

The months ahead:

New York's SP500: I correctly predicted that last week's shock decline was likely to be reversed in the short-term by brief gains until the 29th following which it would likely be down once more until mid-November and I continue to hold that view.

London's Footsie: I noted last Friday that the signs were in opposition to one another making it impossible to predict market direction in the short-term. However, I was correct in my prediction that the longer-term trend remains negative until late January.

Germany's Dax: September's sharp decline pitched that market determinedly downwards until late November when a strong recovery now seems probable.

France's Cac 40: I correctly predicted a down-hill phase to the end of November when a long recovery trend is likely to begin.

Hong Kong's Hangsen: I correctly predicted the beginning of a recovery until the end of December followed by a very volatile first half of 2021 marked by an overall declining trend.... the cost of its currently declining status as a financial capital.

Japan's Nikkei: I correctly predicted the recovery would end this week ahead of a volatile declining trend until mid-December ahead of gains until mid-March. I failed, however, to anticipate the brief week-long recovery that is now over.

Australia's All Ordinaries: I correctly predicted that it was downhill from there until mid-October before an extremely volatile recovery phase sets in likely lasting until May.

JSE Industrial Index: I correctly predicted the index would peak this week ahead of an extremely volatile declining phase until mid January and I still hold to that view.

JSE Top 40 Index: I correctly predicted a brief recovery ending mid-week followed by volatile declines until mid-November when another upsurge is likely until mid-December ahead of the next down-trend until early-January and another recovery to mid-February all within a rising long-term trend.

ShareFinder JSE Blue Chip Index: I correctly predicted a continuation of the volatile decline which is likely to last until late January.

JSE Gold shares: I correctly predicted the decline that is now under way and I see no bottom in the 12 months ahead.

Gold Bullion: I predicted the recovery would continue well into 2021.

The Rand/US Dollar: The gains I predicted last week came through a little later than I expected but now it is likely we have now entered a weakening phase which should last until early February.

The Rand/Euro: I did not expect this week's brief gains but I now see a volatile strengthening trend into the second week of November when, after several weeks of weakness a new protracted strengthening trend can be expected for the first half of 2021.

The Predicts accuracy rate on a running average basis since January 2002 has been 85.94%. For the past 12 months it has been 94.89%.
