



For the first time ever, the US recorded over 100 000 new coronavirus cases in a single day on the day of, arguably, the closest-fought election in that country's history. For a time when, surprisingly, it seemed President Trump would defy all the opinion polls and win a second term for himself, investment markets everywhere see-sawed.

It might be, however, if Joe Biden does as seems likely end up carrying the day, that from an investors' point of view this has been the best of all possible outcomes for the American people since he surely presents a better, if slightly senile, face in the White House while an effective log-jam in their two-house parliamentary system implies that no significant legislative changes are likely for the foreseeable future! The prospect of a Democratic president and Republican Senate, and therefore political gridlock, appeals to Wall Street. Investors are betting that higher taxes and regulatory crackdowns on health care and tech companies are unlikely, and that Joe Biden would run a more moderate, predictable administration on other policies.

Here in South Africa, having broken below R16/\$ for the first time since March on Tuesday, the rand slipped to an intraday low of R16.425/\$, before regaining some ground later in the day, along with European stocks, as the momentum again swung towards a Biden victory. By 7.52pm it was 0.96% stronger at R15.8599/\$. It is down 11.52% to the dollar so far in 2020. On Wednesday it gained further, touching R15.9532 and yesterday after further gains, touched R15.7623 while the JSE Top 40 Index has clawed back from a recent low of 469761 last Friday to 507825 overnight.

Given the contested nature of the US election, it is likely to be weeks or even months before the final outcome is known. However, among the anticipated "certainties" which did NOT occur was the "Blue Wave" which was expected to see the Democrats taking control of both US houses of government. It was expected to usher in a massive economic stimulus package whose inflationary consequences would be costly for bond investors but would boost the share market.

In the immediate aftermath of the election numbers indicating that the two candidates' votes were too close to predict a clear victory, bond prices rose significantly. But, surprisingly, so did Wall Street's S&P500 Index. And here in South Africa the release of the latest IHS Markit SA purchasing managers' index (PMI) surprised everyone with proof that business conditions in the private sector moved into positive territory in October - for the first time in more than a year - as an easing of lockdown restrictions supported a recovery in activity. The economy-wide gauge of business conditions rose to 51 index points in October from 49.4 in September, the first time it has edged above the neutral mark since April 2019...and the JSE responded in enthusiastic fashion.

Meanwhile the Business Maverick reported that China's 'offshore yuan' climbed as much as 0.9% in late trading Wednesday to 6.6202 per dollar, its strongest level since July 2018, after earlier falling as much as 1.4%. That was the biggest intraday swing since the day after Beijing devalued the currency in August 2015. The currency's one-week implied volatility — a proxy for market risk — fell from a record high, while traders reduced their hedges against yuan weakness.

And, of course, the US election is not the only major issue investors have to take into account currently. Along with Covid-19 lockdowns, both the European Union and U.K.'s top Brexit negotiators this week warned of big disagreements between the two sides after 14 days of intense, round-the-clock discussions failed to yield a breakthrough. The two groupings will begin their final round of scheduled talks over their future trade and security relationship in London next week after deliberations broke up on Wednesday without an agreement in sight.

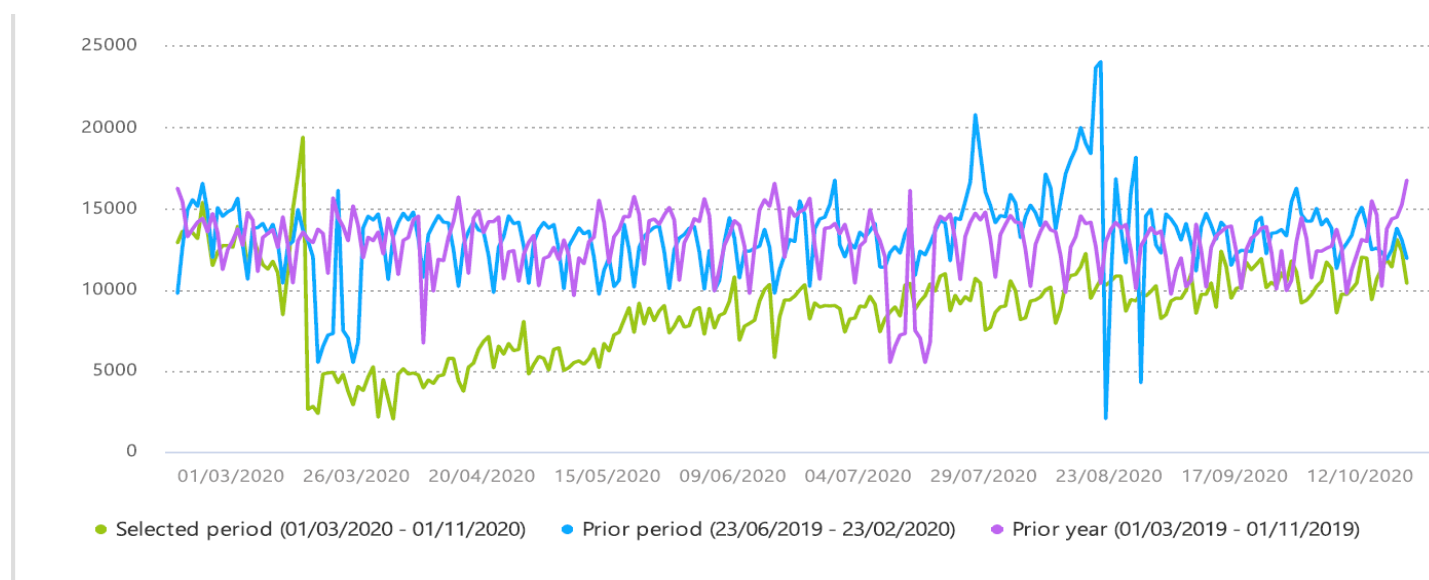
Less than two weeks before their self-imposed deadline to reach a deal, the U.K. and EU are still at loggerheads over three issues that have dogged the negotiations since they began eight months ago: access to British fishing waters, the level playing field for business, and how any accord is enforced.

Against this backdrop, South Africa's issues do not seem very significant. Clearly the public is growing restive again since there have been no more major corruption-linked arrests while the Zuma faction appears to be toying with the Zondo Commission. Troublingly, most commentators have dismissed President Ramaphosa's much-hyped stimulation package as a "at best" wait and see issue but few have yet lost any sleep over a grouping of retired defence force generals seemingly trying to initiate the first steps towards a coup.

On a positive side, however, there is now a sneaking possibility that the first doses of the Oxford Covid vaccine will begin reaching the public next month promising a far more optimistic 2021. I have already mentioned the purchasing managers' index surprise while alert investors will have also noted that Mr Price has temporarily called off its planned R3.6bn rights issue because it has not found potential acquisitions. But far more importantly is its announcement that its balance sheet has **recovered from the store closures in April**.

This latter fact, coupled with statistics showing that our shopping malls are nearly back to normal from a foot-count perspective, deeply underscores my regularly-made comment that our property reits market collapse this year has been an over-exaggeration.

The green trace in the graph below indicates how the lock-down dramatically affected our average suburban shopping mall compared with the month-to-month count of the two previous years, and is now clearly showing a steady return to virtual normality. So, if foot-count is now normal once more, the only remaining question about whether the malls will be able to collect rents as before obviously depends upon shoppers' ability to spend. That is why the rebound of Mr Price trading figures is so important.

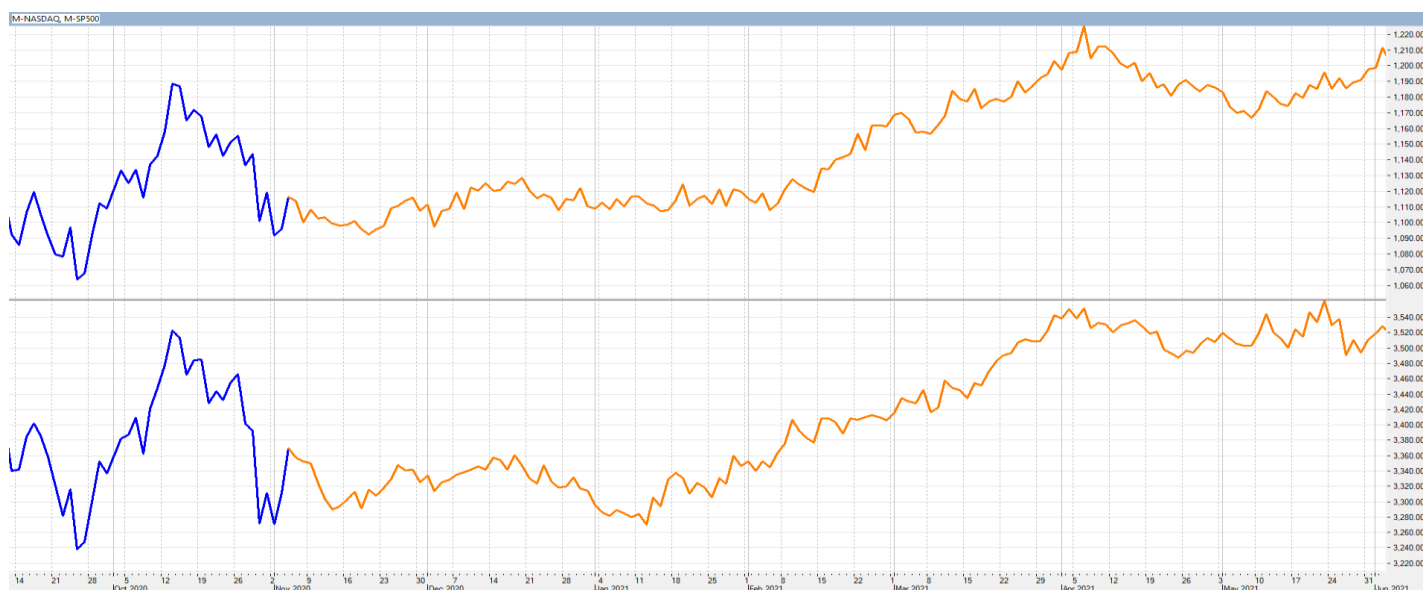


They need, however to be read in association with this week's report from The Foschni Group which noted that, "The outlook for trading conditions remain uncertain as consumer confidence remains under pressure and further lockdowns as a result of the second wave of COVID-19 infections have already been experienced in TFG Australia and are currently being experienced in TFG London."

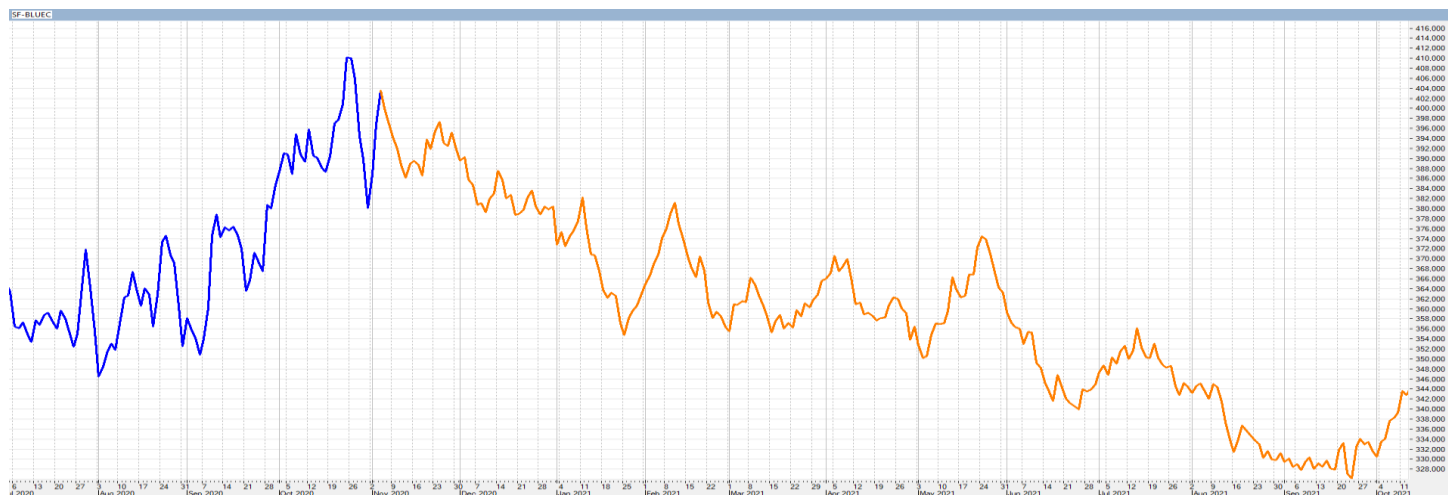
In a nutshell, investors need to decide whether TFG's caution is severe enough to warrant the deep discount at which reits like Growthpoint and Hyprop stand relative to the past as illustrated by the following two graphs. Though both were in decline for a few years in the past in line with the general decline of South African shares owing to foreign investor sell-off, the fact that both of these property blue chips are currently about 50 percent below their long-term trend lines suggest that pessimism has been greatly overdone. That is why I have filled my boots with them!



Meanwhile, ShareFinder's projections for US markets has changed somewhat following the election with the Nasdaq, where most of the FAANGS tech stocks are listed, indicating that a lower turning point is now imminent. If you are thinking of investing in something like the Satrix MSCI World Equity Index Feeder Fund which offers you access to that market without the complication of having to apply for exchange control permission, the time to buy is now. In the graph composite below, the topmost represents the projection for the Nasdaq and, below it, the Standard and Poors 500 Index of the New York Stock Exchange:



Not so optimistic, however, is the outlook for JSE Blue Chips which appear likely to continue their downward path for the foreseeable future:



Do enjoy your weekend!

The months ahead:

New York's SP500: I correctly predicted that a new decline had begun on October 13 and I expect it to continue until early January when a strong three-month recovery is likely. In the interim I see a month-long short-term recovery from November 10 but that should be over by the 27th.

Nasdaq: Having rebounded from its lowest interim point, I see a retreat until the 19th which is likely to be your last opportunity to get on board if you are timing the market.

London's Footsie: I correctly predicted a continuation of the long-term declining trend which I expect it to continue until late January when a three to four-month recovery is likely. This week's recovery is just a blip that will likely be over by the 13th at the latest.

Germany's Dax: I correctly predicted a volatile decline until the end of November when a four-month recovery seems likely. This week's recovery is a very brief short-term response to the US election and will likely be over today.

France's Cac 40: I correctly predicted a down-hill phase which I still expect to last to the end of November when a long recovery trend to mid-April is likely to begin. This week's recovery is a very brief short-term response to the US election and will likely be over today.

Hong Kong's Hangsen: I correctly predicted that Asian markets would stage an interim recovery until the end of this year. I expect it to be followed by a steep January decline and a February to mid-March recovery.

Japan's Nikkei: I correctly predicted the recovery had peaked ahead of a volatile declining trend which I still see lasting until mid-December ahead of gains until mid-March.

Australia's All Ordinaries: I correctly predicted an extremely volatile recovery phase lasting until mid-May within which I saw an interim downward correction which I expect to last until the end of November before the increasing volatile recovery again gets under way with the next major decline likely in mid-December followed by a brief February recovery and then another plunge to mid-March ahead of a longer up-phase until May.

JSE Industrial Index: As I correctly forecast, the index remains in an extremely volatile declining phase until mid-January when a short sharp recovery can be expected within a continuing declining trend. Within that I correctly predicted a brief recovery which is likely over now though another seems likely from November 11 until the mid-December ahead of the next down phase until the third week of January.

JSE Top 40 Index: I correctly predicted a decline which I still see lasting until mid-November with a brief up-tick in between. The next upsurge is likely to begin around the 13th lasting until mid-December ahead of the next down-trend until mid-January and another recovery to mid-February when a volatile sideways to somewhat rising trend is likely until late-May.

ShareFinder JSE Blue Chip Index: I correctly predicted the recovery was over and, with volatility continuing it is likely to be downhill until mid-September.

JSE Gold shares: I correctly predicted a decline continuing until July followed by a volatile sideways trend.

Gold Bullion: I correctly predicted the recovery would continue well into 2021 and continue to hold that view. However, volatility is increasing which suggests there might be many more interim declines.

The Rand/US Dollar: I wrongly predicted see weakness continuing until early February because I did not foresee this week's sharp gain. However, I expect weakness to again set in from approximately November 13 and lasting until early February when another strengthening phase is likely until July.

The Rand/Euro: I correctly predicted gains until mid-November ahead of a weakening phase until early February. Thereafter I continue to foresee strength resuming until next September when a 17.6 Rand is possible.

The Predicts accuracy rate on a running average basis since January 2002 has been 85.86%. For the past 12 months it has been 95.03%.