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

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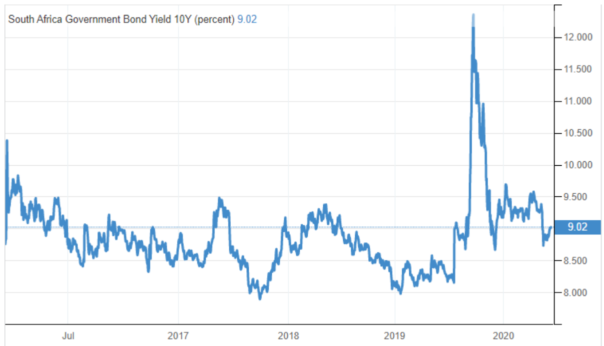
As South Africa slips ever deeper into Junk status and the ratings agencies telegraph that they have little hope of the ANC Government turning the SA economy around, it is worth taking the time to consider how investors view this country, a tale that can always be judged by the behaviour of our leading financial indicators.



So let us start by looking at how investors view our sovereign bonds as testified by the yield on our 10-year series which, as you can see from the graph on the right, that the investing public has not been too deterred about the latest pronouncements. Indeed, from a peak yield of 11.69 percent in March 26 when the Covid-19 lockdown was at its height it fell steadily until it reached a low of 7.83 percent on November 9 before beginning to track up once more to a current 9.02 percent. Mind you, back in the halcyon days of May 2013 our 10-year sovereign bonds stood at half that yield, at 5.68 percent before beginning to climb to a December 2015 peak of 6.85 percent and then retreating once more to an April 2 2018 low of 7.02 percent.

Major 10Y	Yield
Germany	-0.53
Switzerland	-0.52
Netherlands	-0.44
France	-0.29
Japan	0.03
Portugal	0.06
Spain	0.09
UK	0.35
Italy	0.58
Greece	0.68
Canada	0.76
New Zealand	0.93
US	0.94
Australia	1.03

However, to put our bond rate into proper perspective, only Zambia at 38 percent, Turkey at 12.45 percent, Kenya at 11.75 percent, Venezuela at 10.43 percent and Pakistan at 9.91 percent are in a worse place than ourselves. To get a real handle on the costs of borrowing out in the world marketplace if you are a major borrower, the table on the right courtesy of Trading Economics makes it clear that if you lend money to Germany, Switzerland, the Netherlands and France you have to pay them for the privilege. And if you buy the bonds of the world's most indebted nations like Japan you will earn a yield of only 0.03 percent while a US bond will pay you 0.94 percent. The world's third biggest borrower, China, furthermore, currently yields only 3.31 percent!

Rank	Country	Debt to GDP	Gross Debt ($B)	% of World Total
#1	United States	104.3%	$21,465	31.0%
#2	Japan	237.1%	$11,788	17.0%
#3	China, People's Republic of	50.6%	$6,764	9.8%
#4	Italy	132.2%	$2,744	4.0%
#5	France	98.4%	$2,736	3.9%
#6	United Kingdom	86.8%	$2,455	3.5%
#7	Germany	61.7%	$2,438	3.5%
#8	India	68.1%	$1,851	2.7%
#9	Brazil	87.9%	$1,642	2.4%
#10	Canada	89.9%	$1,540	2.2%
#11	Spain	97.1%	$1,386	2.0%
#12	Mexico	53.6%	$655	0.9%
#13	Korea, Republic of	37.9%	$652	0.9%
#14	Australia	41.4%	$588	0.8%
#15	Belgium	102.0%	$543	0.8%

In fact, the extent of a nation's debt makes little comparison with its global indebtedness when you consider IMF figures for government debt in the table on the left. So, while South Africa's total indebtedness represents only 0.3 percent of global borrowings, Japan with 17 percent of global debt and a debt to GDP ratio three times higher than our 80 percent only offers a bond yield of 0.03 percent or only one 300th of our 9.02 percent yield.

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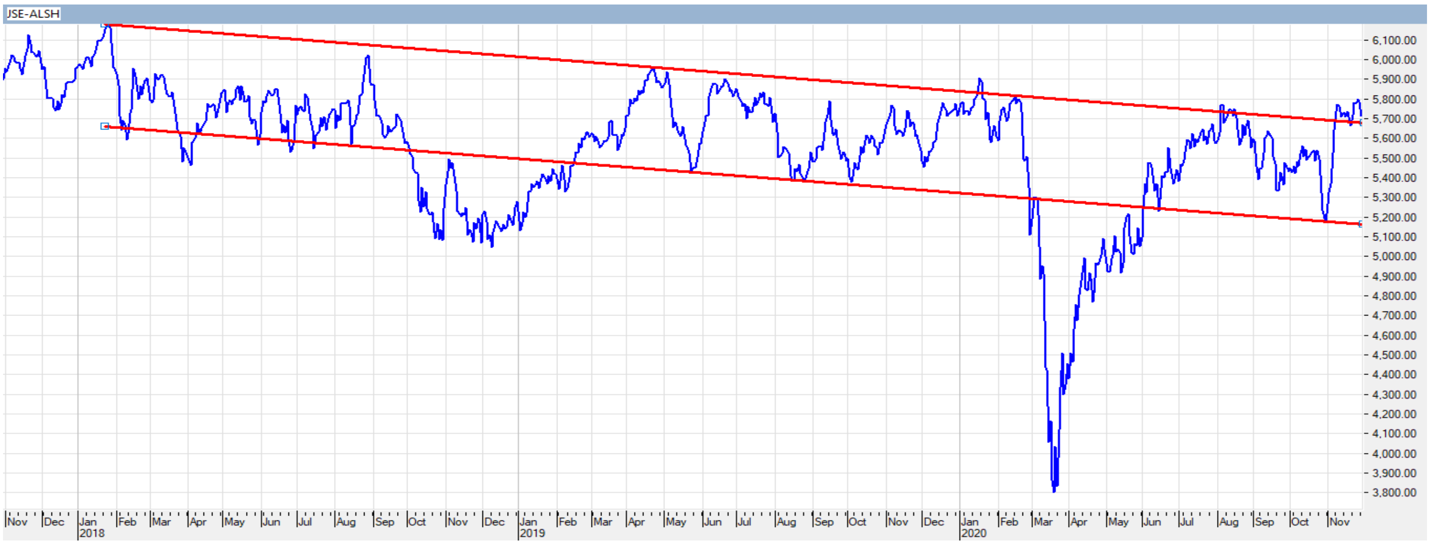
It all comes down to a global perception of a real risk that South Africa will NEVER be able to repay what we owe. And until the ANC government is able to convince ordinary South Africans that it understands it cannot forever keep on borrowing, the world is unlikely to believe Cyril Ramaphosa's promises that we will grow our economy out of debt! And local investors are rapidly running out of optimism!

Ironically, most of the South African Government's debt is held within this country by private investors and financial institutions. Our total external debt is, in fact only 48 percent of GDP which is only one seventh of the British equivalent ratio of 313 percent, France's 277 percent, Switzerland's 269 percent, Germany's 153 percent, Canada's 115 percent and compares very favorably with the US ratio of 42 percent.

Most telling of all, of course is my following graph which tracks the JSE All Share Index which has been in steady decline since January 2018 with those parallel trend lines neatly encapsulating the average range of the index and falling at a compound annual average of -3.2 percent compound:



Worse, the following graph tracks the steady decline of the Rand at compound 5.7 percent annually since the ANC came to power in 1994:

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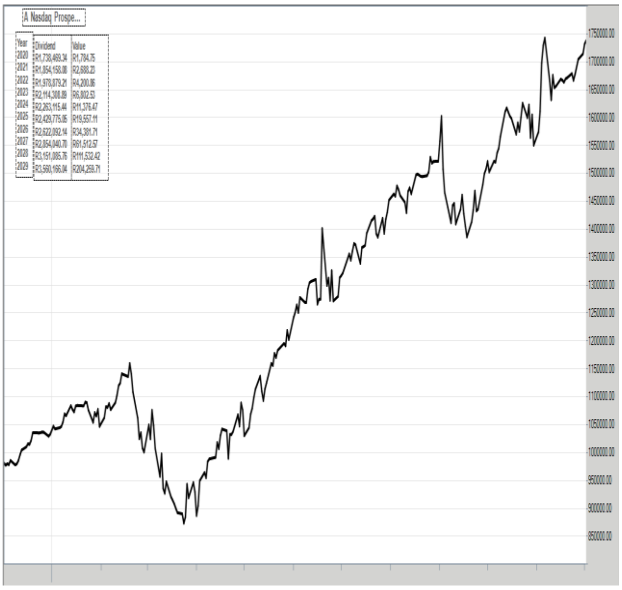
All of this is a compelling argument for externalizing as big a portion of your South African capital as you can afford, which is why so many of my readers have lately taken advantage of ShareFinder International's special Christmas offer to sign up for the new SF6 module which offers users detailed analyses of four principal overseas markets: the New York, Nasdaq, British and Australian markets.

When I last wrote about the new ShareFinder 6 module I told readers that in view of current investor craze for buying high-price-momentum shares, ShareFinder International had included within its Portfolio Builder facility an option to create a portfolio of such shares. I accordingly decided that in the light of that, it would be interesting to see how that portfolio would have performed had we bought it exactly a year ago. Here I need to emphasize that I made no attempt to find the lowest price of a year ago, simply choosing the lows of the first week of last December. The result can be seen below:

Code	Full Name	Price	Quantity	Cost	Per Share	Value	% Gain	% Portfo...	PriceGro5	Risk (%)	DivGro5
A Nas...	**A Nasdaq Prospects 2020**					**1738469.34**	**74.0 %**		**39.99**	**29.57**	**20.81**
*C...	*CASH					984.90		0.1 %	0.00	0.00	
AA...	AAON, INC.	63.73	2050.0	99158.50	48.37	130646.50	+31.8 %	7.5 %	21.15	-15.88	25.27
ADBE	ADOBE SYSTEMS INCO...	481.26	300.0	90753.00	302.51	144378.00	+59.1 %	8.3 %	38.82	2.76	0.00
ALGN	ALIGN TECHNOLOGY, I...	505.48	400.0	104752.00	261.88	202192.00	+93.0 %	11.6 %	49.15	80.34	0.00
CDNS	CADENCE DESIGN SYST...	116.43	1500.0	98895.00	65.93	174645.00	+76.6 %	10.0 %	38.92	6.79	0.00
IDXX	IDEXX LABORATORIES, ...	462.59	670.0	198397.50	296.12	309935.30	+56.2 %	17.8 %	45.22	18.30	0.00
LRCX	LAM RESEARCH CORPO...	479.22	390.0	102546.60	262.94	186895.80	+82.3 %	10.8 %	42.97	51.87	89.41
LULU	LULULEMON ATHLETIC...	372.60	450.0	100363.50	223.03	167670.00	+67.1 %	9.6 %	50.33	37.07	0.00
MK...	MARKETAXESS HOLDIN...	540.78	278.0	99524.00	358.00	150336.84	+51.1 %	8.6 %	38.30	4.03	26.45
NV...	NVIDIA CORPORATION	541.57	500.0	104625.00	209.25	270785.00	+158.8 %	15.6 %	75.00	110.38	66.99

It is quite the best-performing portfolio I have ever constructed but, as I cautioned in my previous article, do note that very few of these companies recorded earnings growth which implies that this portfolio is barely underpinned by fundamental performance which is likely to make it particularly vulnerable in the event of a market downturn. Nevertheless, the reality of it is that the pandemic market crash affected this portfolio far less that it did the major indices like the S&P500 for example. The portfolio lost 25 percent of its value in the Crash against the S&P500 Index loss of 34 percent and had fully recovered by May 19 while the S&P500 took until August 20 to recover. More to the point, the S&P500 has gained 17.9 percent in value since last December as evidenced by the graph below left while the Nasdaq portfolio on the right has gained 74 percent:



Christmas Special

For those who have so far missed reading about it, the Christmas special is on until December 25. On offer at a monthly subscription of US$14 is full access to the new SF6 in perpetuity if you order now. Within it we have bundled together both the new ***ShareFinder 6*** *with its full access analysis of the world's top five share markets: the* ***New York*** *and* ***Nasdaq*** *in North America, The* ***Australian*** *and* ***London*** *exchanges as well as the full* ***JSE*** *analysis. In addition subscribers receive FREE daily data updates in respect of all five markets as well as a FREE subscription to the* ***Prospects*** *and* ***Predicts*** *newsletter services. This subscription rate represents a massive discount on the standard commercial rate which our largely overseas users are paying.*

To take advantage of this offer you can click on the **Sharefinder Client Portal, phone 031 940 0012, or email at support@rcis.co.za.**

Do enjoy your weekend!

The months ahead:

New York's SP500: I wrongly predicted that the gains were over and expected the market to run down until January 12 before a long recovery was probable. Now I expect weakness to start between December 8 and 21 and weakness to continue until January 13.

Nasdaq: I correctly predicted a continuation of the upward trend which I now see peaking on December 10 ahead of a retreat until January 7 followed by gains until June.

London's Footsie: I correctly warned that the market was signalling the onset of weakness until late January when a three-month recovery is likely until the end of April.

Germany's Dax: I correctly predicted the start of some gains which are becoming protracted, and likely lasting at least to the end of March. Now, however, I see weakness, possibly until the end of the month before gains resume.

France's Cac 40: I correctly predicted a sideways to weakening phase. Now the signs are in opposition to one another but the longer-term outlook is for weakness well into February.

Hong Kong's Hangsen: I correctly predicted a very brief correction ahead of gains to a final peak around January 4 ahead of a down-phase until the end of January.

Japan's Nikkei: I have twice wrongly warned that slight weakness was likely only to see continued gains which now seem probable until mid-March.

Australia's All Ordinaries: I correctly predicted another month of gains until early January when extended weakness is likely.

JSE Industrial Index: I correctly forecast fresh gains that would start.This was the last prediction I made for this index since we have been rather expanding our overseas predictions in line with reader requests.

JSE Top 40 Index: I correctly predicted an up-tick which I still see lasting until the 14th ahead of a decline until mid-January when a month-long recovery is likely.

ShareFinder JSE Blue Chip Index: I correctly predicted a down trend until August.

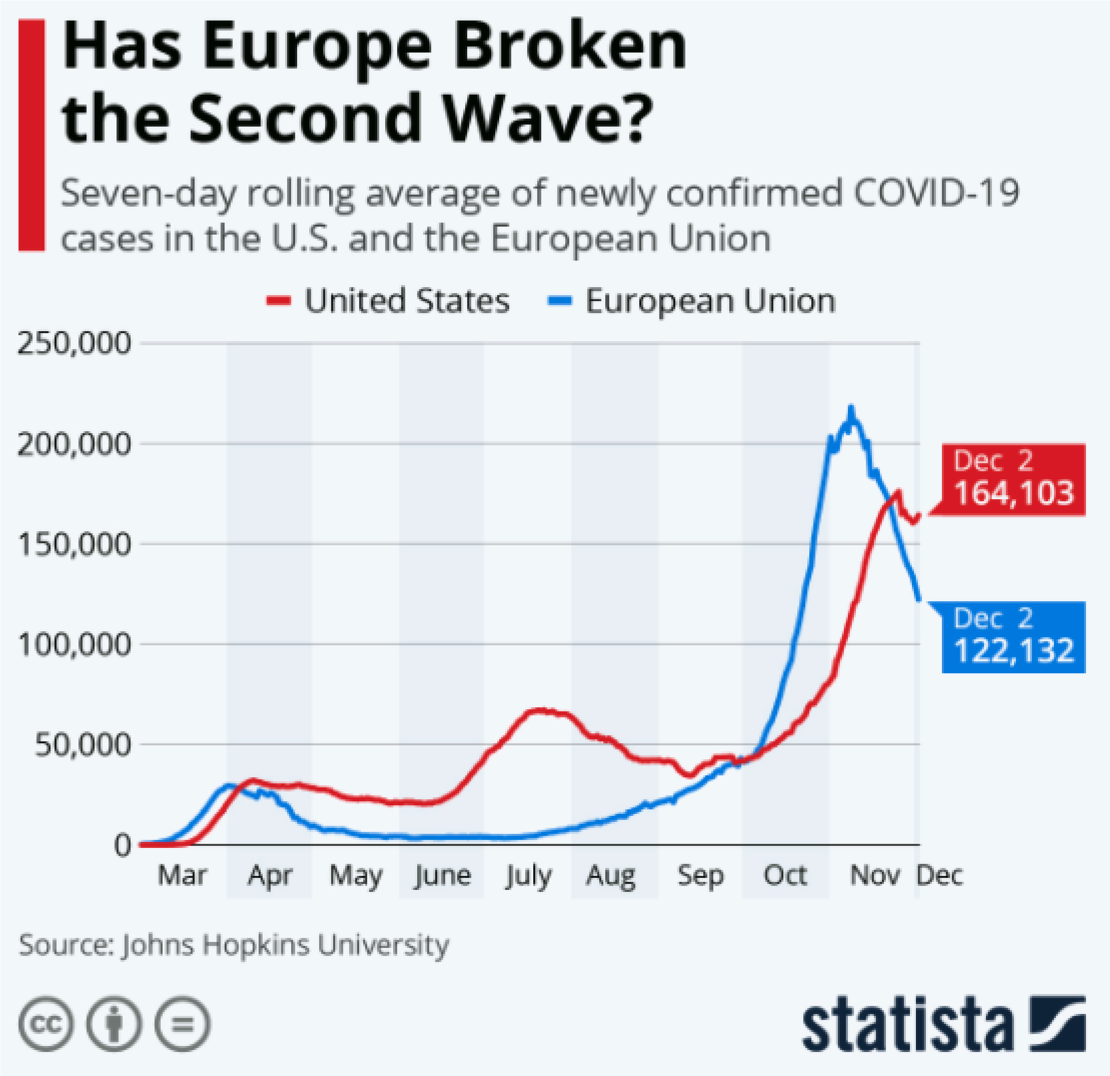
JSE Gold shares: I correctly predicted a decline continuing until mid February followed by a sideways trend for the rest of the New Year. This is the last prediction I made for this index since we have been rather expanding our overseas predictions in line with reader requests.

Gold Bullion: I correctly predicted continued gains for most of 2021.

The Rand/US Dollar: I wrongly correctly predicted the end of the latest recovery phase but the index showed clear signs this week of bottoming ahead of my predicted weakness until mid-February.

The Rand/Euro: I correctly predicted modest weakness which I now see continuing until Christmas followed by gains until late January when further weakness is likely. Overall, however, I see gains until late in the year.

The Predicts accuracy rate on a running average basis since January 2002 has been 85.99%. For the past 12 months it has been 94.62%.



Nuclear by sleight

Brace yourselves for a full-frontal, paid-for nuclear PR charm offensive as 'a big Russian state-run energy corporation' turns to private spin companies seeking African and South African partners to sweeten the deal.

By now it is no secret that the government plans to add 2,500MW of nuclear power to the country’s energy mix in 2030. Just the other day, the National Energy Regulator of South Africa (Nersa) invited comment on the plan.

Writing in the Daily Maverick in July 2020, Dirk Knoesen, Emeritus Professor in Physics, and Director of the Nanoscience Platform at the University of the Western Cape (UWC) and Senior Professor Leslie Petrik, of the

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Department of Chemistry, warned that "the feasibility of new generation nuclear reactions providing energy safely in the near future is slim".

The month before, in June, Gwede Mantashe, Minister of Mineral Resources and Energy, justified the issuing of a renewed request for information (RFI) on the nuclear build and that it would follow "robust funding options".

Now a Russia-based communications outfit, Creative Project Agency, has put out a call to South African partners to mount a media roadshow including print, online and TV and crafted around a mysterious "independent speaker" who will be punting nuclear energy, and Rosatom of course.

Project manager Natalia Ghittori, in a mailer to potential South African partners, wrote coyly that "one of our clients – a big Russian state-run energy corporation (the name of the company we can't reveal for the moment under NDA) – is interested in running a PR campaign in South Africa and we are looking for a local partner to assist us in this task".

Following a Department of Mineral Resources briefing in May 2020, environmental justice NGO Earthlife Africa — Johannesburg and the Southern African Faith Communities — which forced Vladimir Putin and Zuma's R1-trillion "secret" nuclear deal out into the open and into the courts — warned that proceeding with any nuclear deal would be in breach of a judgment handed down by the Western Cape High Court in 2017.

Future deals will be limited by the judgment, but Mantashe and nuclear advocates are forging ahead.

Knoesen and Petrick, in their overview of the nuclear landscape, concluded "one has to ask why the nuclear RFI was issued now, in the midst of the Covid-19 pandemic and despite our huge debt burden. Has someone been incentivised to bring nuclear on to the table again, hoping that we are all too distracted to notice?"

As far as the incoming campaign is concerned, the plan is not to distract, but to rather schmooze South African media – including a paid-for trip to Russia – to massage and render us less resistant to ye ole nuclear financial aftershock.

As far as the Creative Project Agency is concerned, the campaign would look like this:

1) 13+ publications mentioning the company name in 3 months based on press materials provided by us;

2) 2+ publications in 3 months on behalf of a local independent expert favorable to nuclear technologies development in SA mentioning the Client;

3) organization of 2 press trips to Russia or another country with the following KPIs:

5 participants representing 5 South-African media,

5+ publications in local media by the result of the press trip.

Scope of works we expect on your end:

Making media list for an invitation, negotiations with media, assistance in collecting docs for the visa, follow up, and providing us with a copy of the material published.

4) organization of 4 local press events with KPIs:

10 participants representing 10 South-African media

8+ publications in local media as the result of the press trip.

Scope of works we expect on your end:

Media relations: making media list for an invitation, sending out the invitation, accreditation, working with the media on the spot, follow up, and providing us with a copy of the material published.

Event logistics: venue rent, video and audio equipment rent, catering, technical assistance to the speaker if needed.

Ghittori told Daily Maverick that "as a responsible PR agency we have NDAs (non-disclosure agreements) with all of our clients and therefore by rule we do not disclose the names of our clients".

The mailer trawling for South African partners, she said, was just a “small portion” of the company’s communications contract “across Africa and is not specific to South Africa”.

The company also worked with “local independent experts that are willing to share their own personal views on relevant topics from a non-biased position”.

You have been warned

China's Covid-19 Comeback Lifts Iron Ore

By Rhiannon Hoyle of The Wall Street Journal

Steel production is stumbling in the West, but iron-ore prices are surging as steelmakers in China keep output high to support the economic recovery there.

Iron ore climbed to $133.05 a metric ton on Tuesday, notching its strongest price in seven years, according to data from S&P Global Platts. The value of **steel’s main ingredient, one of the world’s most-traded commodities, has climbed 13% since the start of November, taking year-to-date gains to 45%.**

It has been a difficult year for steelmakers in many parts of the world, as the Covid-19 pandemic buffeted economies, leading mills to scale back manufacturing this spring.

In the U.S., production is gradually increasing, but remains well below year-ago levels with steelmakers cautious about restarting more idled furnaces amid fragile demand and a resurgence of the pandemic. U.S. steel output was down 15% on the year in October, and had fallen 18% over the first 10 months of this year, according to the World Steel Association. It has been a similar story in the European Union, where steel output is also taking time to recover.

Rising restrictions related to the spread of the coronavirus could further hurt demand in those places, said Daniel Hynes, senior commodity strategist at Australia and New Zealand Banking Group.

But in China, where authorities waged an aggressive campaign to eradicate the virus, mills have been churning out steel at near-record rates. Chinese crude steel output totaled 92.2 million tons in October, up 13% on the same month a year earlier. China Iron and Steel Association recently forecast China's annual crude-steel output will top 1 billion tons in 2020, representing growth of up to 5% on year.