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

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This is the last 'Predicts' column I shall write in 2020 since neither you nor I are likely to have sufficient time to ponder our investments next Friday on the one day we set aside thoughts about weighty world affairs in order each year to wish one another good cheer.

That said, I think we will all issue a collective sigh of relief to see the back of 2020 and all the worries it brought us. Not that it has been without benefit. Many of you will, I am sure, have similar tales to tell of the disruption of things we have so long taken for granted, like my annual visit to the Mediterranean where for more than 35 years I have enjoyed sailing and visiting favourite restaurants run by friendly people who always welcome us back like family. It hurt, but instead I got to know my garden a whole lot better and major re-landscaped sections are now paying tribute to those long equally-relaxing times in the sunlight. So, it has not all been doom and gloom!

Among other benefits of this period has been that we finally got to the end of an extremely long eight-year journey of re-writing the ShareFinder software so that the new SF6 version could begin to roll out and change lives with its simple demonstration that **everyone** can be wealthy if they are prepared to team some diligent initial saving with the discipline of devoting just a few minutes each day to following the dictates of the programme.

Like you, I look forward to the New Year with mixed feelings because in so many ways my life and those of all our countrymen are inextricably tied to a government which so often appears to be, at best, economically illiterate and has as a result allowed this country to drift inexorably towards a fiscal cliff largely because many of its leaders have put personal enrichment ahead of the needs of the people.

We, furthermore, face a serious challenge to the rule of law in the outright defiance of former president Jacob Zuma whose attorney, Eric Mabuza, this week filed a terse letter composed of a single sentence to the Zondo Commission. "We are instructed by our client, president JG Zuma, that he will not be participating in these proceedings at all," the letter said. The consequence is that when the Constitutional Court hears the Zondo Commission application to Jacob Zuma to testify, it will be unopposed. Does this suggest that the former president believes he has sufficient public support to allow him to defy even the highest court in the land?

If this is indeed the case and also, as is argued in many sectors that ANC secretary general Ace Magashula similarly believes he is able to ignore the orders of the highest structures in his party because he believes he will soon be the next president of South Africa, then we might as well all pack our bags and leave the country…with the last one leaving switching out the lights of a collapsed Eskom.

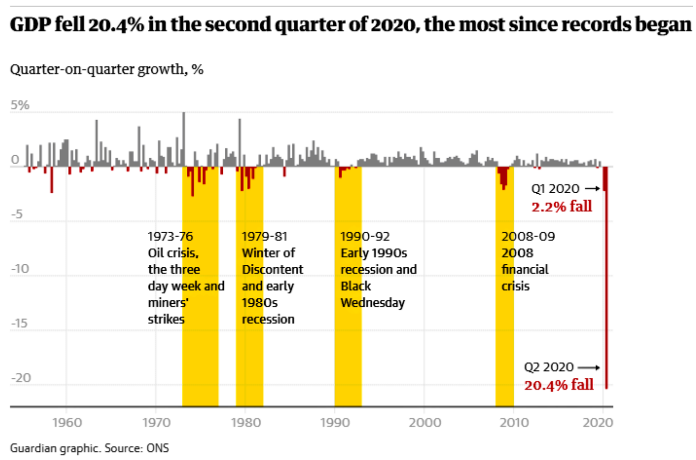
I don't believe that it will ever get as bad as that and, today, we all have good cause to cheer the outcome of the Labour Appeal Court which has declared unlawful the implementation of the final year of a multi-term Public Service wage agreement that would have cost the Government R38bn and would very likely have plunged the country over the proverbial "Fiscal Cliff."

Many commentators pessimistically believed the Government would lose the case and so the outcome is good news for all the people of South Africa even if it results in strike action in the New Year which might make our interactions with government offices even more difficult than they have lately been. When the labour unions contemplate such action, however, let's hope that they are mindful of what strike action did for union members' jobs at SAA this year!

Meanwhile, the performance of our Prospects Portfolio which this past year gained 16.3 percent in value makes it clear that there are enough people with faith in the future of South Africa to sufficiently move the market in a very positive direction.

Furthermore, ShareFinder's well-proven artificial intelligence projection of the JSE All Share Index is also positive, predicting that the market will consolidate its recent gains during the first half of the New Year as my following graph illustrates:

Meanwhile, if events at home have given us sleepless nights, things could have been a lot worse. Spare a thought for Britain which is experiencing its worst economic decline since record keeping began with a 20.4 percent GDP decline. The graph on the right, courtesy of The Guardian illustrates just how bad the British situation is, brought about largely by the economic suicide of the protracted uncertainty of the Brexit process.



I have, furthermore, attached to the end of this column a report from the Wall Street Journal which makes it clear just how parlous are the economic conditions of the USA where individual states are scratching to find the money to initiate a Covid-19 inoculation programme even though the vaccine, syringes and ancillary equipment is already paid for by the US government.

It is a story that is being endlessly repeated across the planet as the world nears the end of the "New Economics" which has for a long time argued that governments can endlessly keep on racking up debt to previously unimaginable levels as illustrated by the table on the right courtesy of The Visual Capitalist.

	Households (Q3 '19)	Households (Q3 '20)	Non-financials* (Q3 '19)	Non-financials* (Q3 '20)	Government (Q3 '19)
Developed markets average	**72%**	**78%**	**91%**	**102%**	**110%**
U.S.	74%	81%	75%	88%	102%
Euro Area	58%	61%	108%	114%	102%
UK	84%	88%	73%	78%	110%
Emerging markets average	**40%**	**44%**	**93%**	**104%**	**53%**
China	54%	60%	150%	166%	53%
Russia	19%	23%	78%	91%	15%
Global total	**60%**	**65%**	**92%**	**103%**	**89%**

**Corporations that are not in the financial industry.*

Source: IIF, BIS, Haver, National Sources

Indeed, if you or your nearest and dearest are thinking of leaving South Africa for some place where the ANC has never been heard of, the following table from the same source might give you pause to consider where you might go to escape the economic woes that must surely follow the eventual collapse of the current global monetary system.

Region	Debt to GDP	Gross Debt (Millions of USD)	% of Total World Debt
Asia and Pacific	79.8%	$24,120	34.8%
North America	100.4%	$23,710	34.2%
Europe	74.2%	$16,225	23.4%
South America	75.0%	$2,699	3.9%
Africa	56.9%	$1,313	1.9%
Other	37.1%	$1,231	1.8%
World	**81.8%**	**$69,298**	**100.0%**

There is very likely no place to hide, but the fact that Africa's total debt represents the lowest of any continental region at less than two percent might give you cause to ponder whether staying here and trying to fix what is wrong at home might be a better bet that mistakenly heading for somewhere where the greenness of the grass is actually an illusion and massively hiked taxes are probably inevitable.

So how much debt is too much debt? Global Finance Magazine argues that there is no consensus among economists: some—while agreeing that national accounts must be kept in check—reject the idea that there is an optimal "one size fits all" debt-to-GDP ratio. Other economists argue that negative effects on economic growth begin as soon as the national debt reaches about 60% of the GDP in developing and emerging economies and about 80% in developed nations while others say 40% and 60%, respectively, are prudential thresholds to be wary of.

When interest rates are low and a country is going through an economic slowdown, borrowing money may be a more attractive option politically and economically than raising taxes which can dent growth. However, the key issue is that a government must be able to run a primary surplus (the excess of tax revenues over program spending) sufficient to pay back what was borrowed by a set deadline. Public debt, also called "government debt" or "national debt," includes money owed by the government to creditors within the country (domestic, or internal debt) as well as to international creditors (foreign, or external debt).

Debt is a double-edged sword. It is often used to generate future growth, but fiscal discipline is crucial: persistently running deficits means sooner or later the default point will be reached—not considering that, even when default is avoided, the snowballing cost of financing debt becomes an unaffordable burden upon the shoulders of future generations.

Borrowing to finance public spending requires a careful balancing act. Doing so can either promote growth or lead to fiscal imbalances that stifle it. The IMF estimates that an increase of just 1% of GDP in high-quality public investment in both advanced economies and emerging markets could raise productivity by 2.7% and private investment by 10%. Fiscal policy can be a bridge out of a crisis to "smart, resilient, sustainable, and inclusive growth" but ONLY if there is the perceived ability to repay the debt within a balanced budget!

What is certain is that the edge of the cliff is very close for South Africa because we are, on a global comparison basis, already paying among the very highest interest rates to try and attract foreign capital. Soon not even world-record interest rates will be enough. Then we will be obliged to turn to the International Monetary Fund, effectively putting South Africa under judicial management. That is why it is vital that the Government begin living within its means; why for example we really need to cut the public service wage bill and end the wasteful expenditure of State-Owned Entities. This week's Labour Appeal Court ruling is, accordingly a major step in the right direction.

Hopefully 2021 will accordingly see us moving closer to a balanced budget and the beginning of a gradual return to fiscal common sense with the eventual promise that in our overall economic equation we might begin returning wasted money to the private sector where it can be put to productive use. That is the only way South Africa will have any hope of promising full employment for all of its citizens. Indeed, it is arguably our only real hope for the future!

Christmas Special

*This is the last chance for those who have so far missed taking advantage of our Christmas special. 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...and the festive fortnight until you hear from me again!

The month ahead:

New York's SP500: I correctly predicted a Festive Season market downturn which I still see lasting until the end of January.

Nasdaq: I correctly predicted the Nasdaq would peak this week and now expect declines at least until the first week of January followed by gains until June.

London's Footsie: I correctly warned that the market was signalling the likely onset of weakness from December 15 to around January 22 followed by recovery until the end of May.

Germany's Dax: I correctly predicted short-term weakness which is likely to last until the end of December.

France's Cac 40: I correctly predicted a sideways to weakening phase until the end of the month and then a sideways trend to the end of February ahead of the next gain.

Hong Kong's Hangsen: I correctly predicted a very brief correction which I wrongly expected to end last weekend ahead of brief gains until the end of the month and then a weak January. There still remains a possibility of an upward spike from now to the end of December but overall, I expect a very volatile declining trend until August.

Japan's Nikkei: I correctly predicted a slight retraction which is now consolidating into a sideways phase ahead of the next up-phase which should last until mid-March.

Australia's All Ordinaries: I correctly predicted further gains but wrongly expected them to last until the 21st ahead of a long decline until early March. The decline has now begun and, although I see a strong up-tick from late March to mid-May, overall, I expect weakness until late next year.

JSE Top 40 Index: I correctly predicted an up-tick until the 14th ahead of a decline which I still see lasting until mid-January when a month-long recovery is likely with the next decline likely to begin around February 18.

ShareFinder JSE Blue Chip Index: I correctly predicted a brief up-tick which I expected to last until the 15th before weakness resumed. Now weakness is imminent and it is likely to be protracted.

Gold Bullion: I correctly predicted continued gains continuing well into 2021.

The Rand/US Dollar: I correctly predicted resumed strength which I still see lasting until the second week of January ahead of three months of weakness.

The Rand/Euro: I correctly predicted continued strength until next September.

The Predicts accuracy rate on a running average basis since January 2002 has been 86.01%. For the past 12 months it has been 94.33%.

Getting Covid Vaccines to People Will Cost States Billions They Don't Have

***By* Stephanie Armour *and* Scott Calvert**

The Wall Street Journal

Federal government is providing vaccines and some supplies, but states must hire medical workers, set up clinics, provide community outreach.

State leaders say they are short billions of dollars in funding needed to successfully provide Covid-19 vaccinations to all Americans who want to be inoculated by health officials' June goal. The federal government is providing the vaccine, along with syringes, needles, face masks and shields. But state leaders say they must hire medical workers, provide community outreach and education, set up vaccination clinics and ensure storage capacity for vaccines. Some states are also concerned about having enough supplies, such as gloves and gowns, to protect health-care workers as well as people getting vaccinated.

Officials in several states said they would spend whatever is needed to get residents vaccinated. Some said that might force spending cuts in areas like education, unless Congress provides additional funding or the federal government reimburses a large chunk of their rollout costs.

Congressional lawmakers have been wrestling with a potential $908 billion coronavirus relief package, and aid to state and local governments has been a sticking point. The Centers for Disease Control and Prevention has sent more than $300 million to states to support flu and Covid-19 vaccine planning, according to a spokeswoman for the Department of Health and Human Services.

"Every dose is already paid for," a White House senior administration official said during a Dec. 7 press call. "The syringes and needles and swabs necessary to vaccinate will be merged with the vaccines going out, and those are already paid for. We're providing the dry ice with the vaccines for the cold storage."

Dr. Rachel Levine, Pennsylvania's health secretary and president of the Association of State and Territorial Health Officers, told a Senate hearing Thursday that states need $8.4 billion for the vaccination program.

"This will not be a short-term operation," she said, adding that states also would face a challenge "in almost competing with each other for resources," as they did in the search for protective equipment in the spring. "It would be helpful if the federal government coordinated that and we didn't have to bid against our sister states," she said.

The financial demands are striking at a time when state tax revenues have dwindled because of the pandemic, leaving some states with looming budget deficits.

The Trump administration has been working on Operation Warp Speed to produce and deliver 300 million doses of vaccines, with the initial doses available by January. The vaccines are distributed to states, which decide where they go. "States are so stretched," said Leana Wen, former Baltimore health commissioner and a health-policy professor at George Washington University. "They're running a marathon at sprint speed with very little support. It would be a shame if all the effort on Warp Speed for development isn't warp speed for distribution."

About one-third of states said they were "greatly" or "completely" concerned about having sufficient supplies to administer Covid-19 vaccines, according to a November report by the Government Accountability Office. The shortfalls and funding woes could slow the rapid pace of inoculations that health officials have said would be needed to reopen businesses and jump-start the economy.

New York state estimates its vaccination distribution effort could cost as much as $1 billion, said Robert Mujica, the state's budget director. About 75% of the projected costs are personnel-related, including the hiring and training of vaccinators, doctors and support staff, he said.

Other expenses will involve logistics like refrigeration for the vaccines that must maintain a certain temperature, warehouse storage and security, as well as public campaigns to encourage people to get the shots.

Finding the money won't be easy. "It's a big concern," he said.

Virginia officials said they expect vaccine distribution to cost as much as $120 million.

"I think it should be part of the federal government's responsibility, but make no mistake, we're going to do it," said Aubrey Layne, the state's finance secretary. "We have to put the welfare and health of our citizens first."

Virginia has fared better economically during the pandemic than many states, partly because of its large defense-industry sector, he said. Even so, state tax revenues are significantly below pre-pandemic levels, and covering vaccine distribution costs will come at the expense of other areas that rely on the $22.5 billion general fund, Mr. Layne said.

Ohio estimates its vaccine-related costs could run more than $100 million. The state has close to $300 million left in federal Cares Act funding. Officials plan to use that money for testing and tracing but could redirect some of it to vaccine distribution, said Kimberly Murnieks, director of the state's Office of Budget and Management.

One hiccup is that Congress set a Dec. 30 deadline for states to spend that money, and Ms. Murnieks said she hopes for an extension.

"We have an efficient operation to make those dollars go as far as possible, but obviously, additional federal resources specifically for the vaccination rollout would be very welcome," she said.

Federal officials estimate there would be enough doses to vaccinate 20 million Americans in December, and there could be enough to vaccinate about 25 million to 30 million people a month starting in January. Dr. Anthony Fauci, director of the National Institute of Allergy and Infectious Diseases, said Tuesday that workplaces could reopen and restaurants could boost capacity by the end of March or beginning of April if about 75% of Americans are vaccinated.

State budget officials face a difficult challenge crafting spending plans for the coming fiscal year even without having to pay for vaccine distribution, said Brian Sigritz, director of state fiscal studies at the National Association of State Budget Officers.

With revenues running sharply lower because of the pandemic, states will have less money for areas such as education, health care, transportation and corrections, he said.

Democratic Gov. Andrew Cuomo of New York and Republican Gov. Asa Hutchinson of Arkansas, who lead the National Governors Association, called on Congress this month to pass a robust stimulus bill. States and territories have been asking for $8 billion for coronavirus vaccine efforts, as well as additional funding to help make up their budget shortfalls and expenses related to the pandemic.

Mr. Mujica, New York state's budget director, said the federal government should cover most, if not all, distribution costs given the magnitude of the pandemic.

"This is no different than any other national emergency, so the federal government should put up the resources to do it," he said.

So far, Mr. Mujica said, the federal government has provided the state $14 million for vaccine planning, with $10 million more expected Dec. 15. He said the state's share of Cares Act funding has been exhausted. New York is running a budget deficit because of the pandemic's hit to tax revenues and has cut spending, he said.

"We don't want to cut education and health care, but that's what it would mean for us," he said.