



Our Weekly Paid Newsletter

# Richard Cluver Predicts

In our 34th year of service to the investing public of South Africa



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I think everyone has been surprised at the rate of improvement in JSE share prices in recent weeks. Anyone looking at my graph below which tracks the performance of the JSE All Share Index over the past decade might be forgiven for imagining they were seeing the reflection of a booming economy.



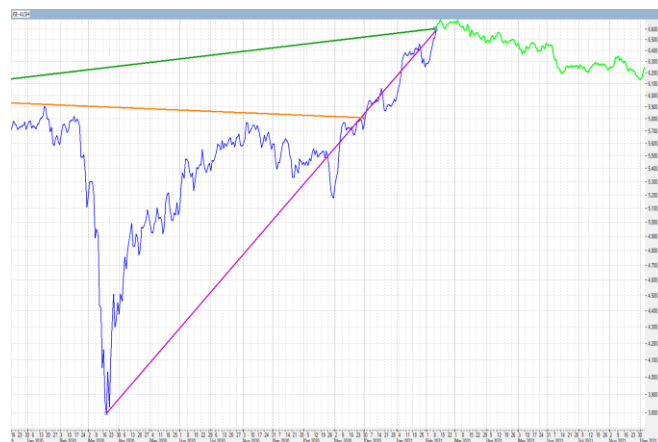
Let us start by noting that the green trend line portrays a market which had been rising throughout the past decade at compound 7.4 percent which represents a very healthy margin over our inflation rate of approximately half that throughout. By comparison, note my second graph showing how Wall Street's widest measure of performance, the S&P500 Index, managed nearly double that rate at compound 11.7 percent over the decade.



Of greater significance though has been the recent recovery since markets bottomed after the Covid-19 rout last March. Wall Street has since gained at compound 86.8 percent and the JSE at an almost identical 85 percent.

What has been happening, as I recently speculated was likely, is that foreign investors who have been looking for returns in a minimal and often negative interest rate environment, have put their fears about the durability of the Rand and our economy onto the back burner for now.

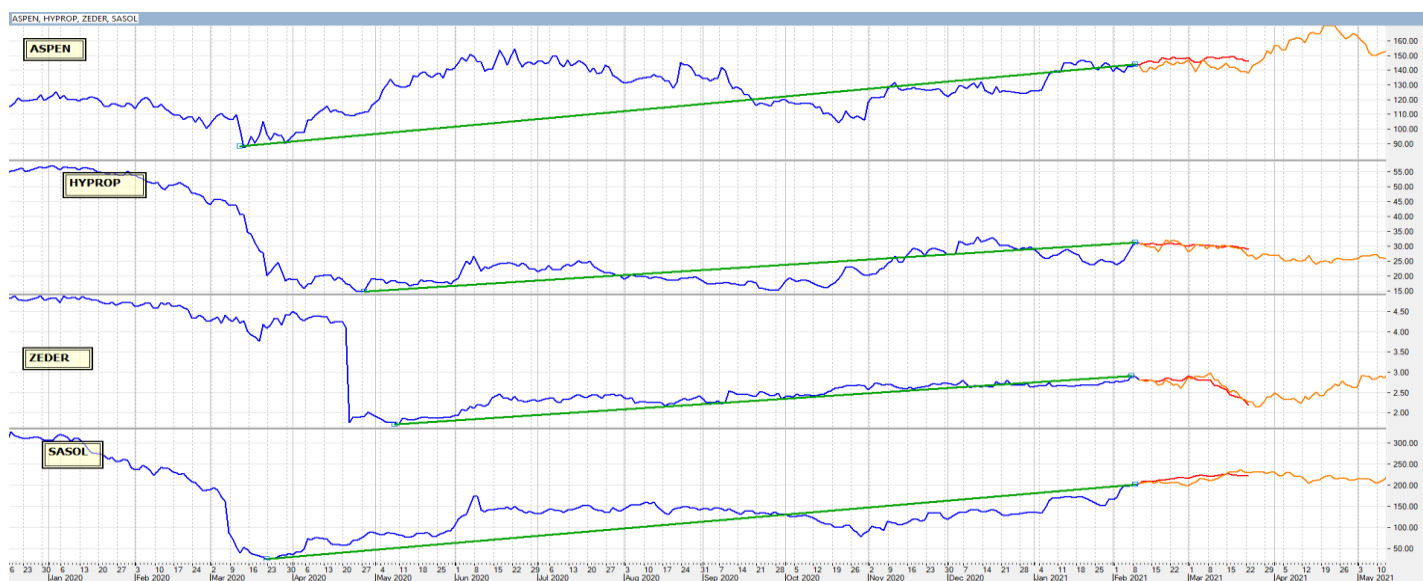
Of course, Tito Mboweni's budget on February 24 might give them pause for caution and so it would be unwise to put too much hope on the probability of this market continuing and, indeed, ShareFinder says that a reversal could soon be in the offing. On the current showing of the All-Share Index (third graph) the peak could come as early as Monday:



But what of individual shares which I picked as recovery items when I piled in at the bottom last March? Readers will perhaps recall that because of the Prosus allocation which all Naspers shareholders received in 2019, all of us were saddled with a capital gain which could not be offset by the comparable reduction in value of Naspers shares at the time. In my case I held a quite big position in Sasol shares which had done me very proud in the past but had turned negative with the difficulties surrounding the latter's Louisiana plant.

Until the Prosus capital gain issue arose I had been grimly holding on to my Sasol shares in the hope of a long-term improvement but now I was obliged to dump them, by happy coincidence, in the last week of the tax year when they were valued at R197. Then, a fortnight later I was able to buy even more back at R34 and still have considerable cash to spare with which I bought extra Aspen, Hyprop and Zeder shares, commending the same to you as the market began to recover.

The composite graph below indicates how well all of them have since done. Star turn has been Zeder which paid out a huge special dividend right after I bought it and experienced a comparable share price decline thereafter which enabled me to tuck away a useful capital loss that will offset some profit-taking which I hope to achieve shortly. But since then it has been rising at compound 103 percent. ShareFinder moreover expects these gains to continue until the second week of March.



Even better, however, has been Sasol which has roared ahead at 1 026 percent and, ShareFinder predicts, it is likely to continue at least until mid-March.

Next best has been Hyprop which has gained at 161 percent compound and has just paid out a very big dividend besides. However, ShareFinder thinks it is nearing the end of its current run.

Finally, to my surprise and disappointment, Aspen has by comparison only been achieving compound 71 percent. Considering that earlier concerns about the extent to which these shares were geared have long been addressed, coupled with the fact that this is a company expected to be a major beneficiary of the pandemic, not the least because it has the rights to produce a million doses a day of the J&J vaccine in its Port Elizabeth plant, are all positives which should have been rewarded by the market. But further gains are likely in the short-term!

The vaccine is by all accounts winning over all the other contenders both on price and efficacy which, surely, should have electrified investors. However, local news coverage of these facts has been extremely muted which begs a few questions of our health department.... But maybe like so many South Africans I have become overly suspicious of this government!

Finally, however, many of you have recently been asking if it is too late to buy into these four and I have been accordingly pointing to the likelihood of the current market bubble bursting quite soon. That is why I have been placing a few selling orders to give me some cash with which to take advantage if it happens. ShareFinder suggests, however, that with the exception of Hyprop, all of these are probably long-term holds if you have already followed my suggestions and bought them.

If you are still looking to buy I would, however, suggest you wait until July for Aspen, September for Hyprop and late March for Zeder while Sasol might be a buy right now! In respect of shares in the Prospects portfolio, I will be publishing my views on Wednesday.

## Do enjoy your weekend

### The month ahead:

**New York's SP500:** I correctly forecast gains until late May and I continue to hold that view.

**Nasdaq:** I correctly predicted that the recovery had begun and continue to see gains until the first week of April with brief weakness in early March.

**London's Footsie:** I correctly predicted gains which I still see lasting until the first week of April. However, in the interim I see a short downturn from now until the 19<sup>th</sup>.

**Germany's Dax:** I correctly predicted gains until early April and I still hold that view. However, brace yourselves for some bumps along the rise.

**France's Cac 40:** I prematurely predicted a slight weakening which could last until mid-March ahead of the next gain to mid-April. However, I think the weakness has now begun.

**Hong Kong's Hangsen:** I correctly predicted a very volatile declining trend until July and within that I saw medium-term gains until mid-March which are now under way. The next down-spike should begin in mid-March.

**Japan's Nikkei:** I correctly predicted the beginning of the next up-phase which should last until late-March.

**Australia's All Ordinaries:** I correctly predicted the market was peaking ahead of a long volatile decline which I expected to last until late March followed by a strong up-tick to mid-May and thereafter a fresh bear phase until mid-September... and my views remain unchanged.

**JSE Top 40 Index:** I wrongly predicted the start of a long declining phase until late-August but I was probably premature in that call!

**ShareFinder JSE Blue Chip Index:** I correctly predicted gains from early-February. Now I see the probability of the market topping out in mid-week followed by a volatile decline until the end of September.

**Gold Bullion:** I correctly predicted a short-term decline until mid-February followed by gains which are now under way and should last until the first week of March followed by weakness until late April.

**The Rand/US Dollar:** I correctly predicted volatile gains until mid-October and continue to hold that view.

**Rand/Euro:** I correctly predicted resumed gains until October and I still hold that view.

***The Predicts accuracy rate on a running average basis since January 2001 has been 86.04 percent. For the past 12 months it has been 93.34 percent.***

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