



Our Weekly Paid Newsletter

Richard Cluver Predicts

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



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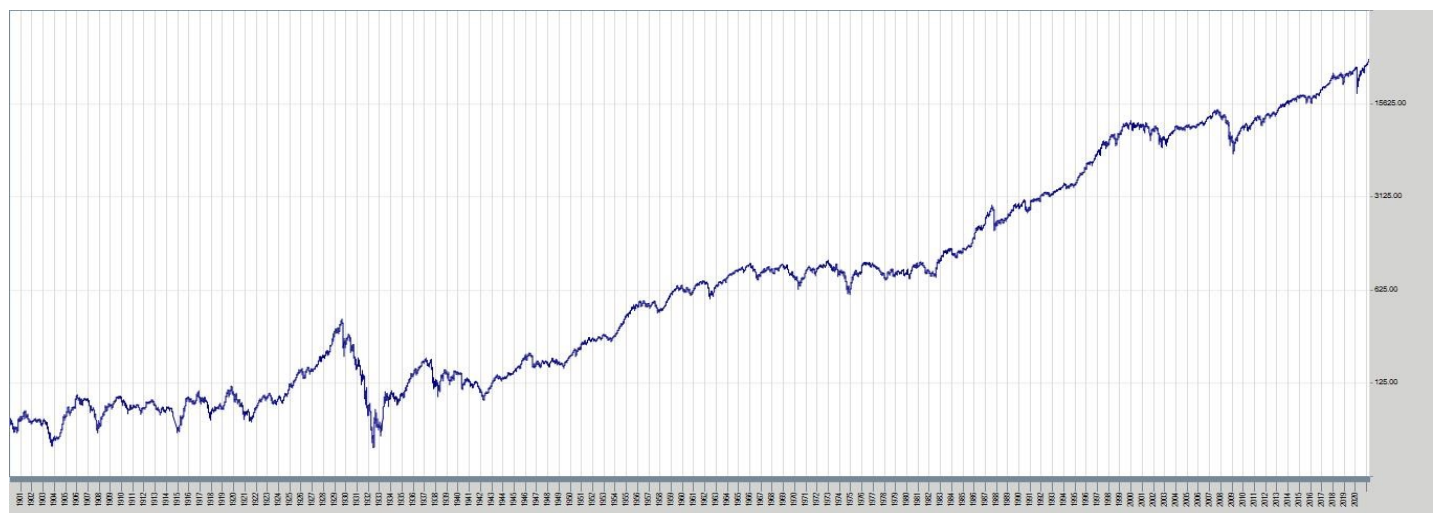
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We all enjoy being affirmed in life and, for a financial journalist there are few things more affirming than a portfolio graph that says you have done right.... like the graph below of the Prospects portfolio which I maintain month by month on behalf of you, the reader.

From an original investment of R1-million back in January 2011, it has risen to a present value of R4 548 800 representing, as the orange trend line underscores, compound annual growth throughout of 17.6 percent annually. Better still, the green trend line shows that this portfolio has been gaining at compound 89 percent over the past 12 months.... but the gains might be over for now!



I have been thinking quite a lot about the merits of such portfolios in protecting the wealth of individuals given the particularly difficult financial times the world is currently experiencing. But then, the truth of such things is that the world has experienced far worse in living memory and, if you care to go back over the past 120 years, considerably worse. And so there is even greater consolation offered by my next graph of Wall Street's Dow Jones Industrial Index from its inception on June 21 1900 when it stood at an index value of 54650 and now stands at 34 137 310.



What this graph tells us is that money invested in a cross section of US shares throughout our troubled history of the past century and a quarter, would have grown in value at compound 5.5 percent every year until now.

Even the Great Depression only saw four years of falling share prices and they had been preceded by an unprecedented boom. In other words, if calm heads had prevailed in the years following the end of the Great Influenza epidemic of 1918 and investors had taken some cash off the table during the final madness phase when share prices had been rising at a compound annualized rate of 91 percent from June 1 1929 to October 4 when the Dow peaked, they could have bought back in during July 1832 and benefitted mightily. But even if they had just held well-chosen shares throughout the period, they would not have lost anything even though the world was going through its worst ever economic crisis!

Share market history is, of course littered with bear markets. There was another between April 1936 and April 1937, another from September 1939 to June 1942, another from June 1946 to April 1947, another from December 1961 to late June 1962....and so it goes on. On every occasion, had you been able to sense the madness towards the end and taken money off the table with which to re-invest at the next bottom, you could have accelerated the growth of your investments.

The eras of investment madness are not that difficult to spot. I have been writing investment columns since the late 1960s and even as a junior observer back then I was able to successfully warn readers of the pending 1969 crash, as I have of every successive impending crash since then. Indeed I wrote a whole book ahead of the last one, '**The Crash of 2020**' so I really did my very best to make sure a lot of people were warned ahead of the last big one.

However, the real consolation offered investors by that Dow Jones graph is that, provided you spread your investments widely enough so as not to be unduly exposed to the odd share that never recovers, and provided you do not panic and sell out at the bottom (which is what so many inexperienced investors tend to do) you will **never lose your money!**

I mention all of this because, of course, we are in the midst of yet another roaring bull market with the Dow gaining at an annualized compound rate of 48 percent and, it will probably start rising even faster towards the end. However, today's analyses suggest the next big decline is now under way!

Most of you are by now very familiar with the NYSE Cape Ratio which is simply a historic graph of the average price to earnings ratio of Wall Street share prices with the inflation rate stripped out. It is simply a "real" measure of how expensive markets have become before each crash. And, as you can see, this week it reached 37.46 compared with 44.19 reached at the height of the 'Dot Com' bubble in 2000:



At this stage in the market, most commentators are fearful of calling the end for fear that these gains can continue for a long time still and that investors who listen to them will later criticize them for being over cautious.... which is another word for greed.

Well I have well learned the lesson of cashing in a portion of my portfolio before it is too late.... because nobody can ever accurately forecast the precise moment or the particular event that will send markets over the edge. That is why, in the Prospects portfolio, I have so far created 15.6 percent cash and in my overseas portfolios I am winding up all of my risk positions towards the same sort of objective of around 20 percent cash.

The counter argument to prudence now is that massive sums of central bank stimulation money will continue driving markets, particularly since US Federal Reserve chairman Jay Powell has telegraphed that he will likely hold interest rates low for two more years. A third bull point is the development of fractional share ownership and 'no fee' brokerage which has given rise to a third force in the marketplace; the "Reddit" group who have turned world markets into gambling chips.

In conclusion then, I offer you ShareFinder's view of the immediate future of the JSE All Share Index which has plainly made a double top as denoted by that purple line and ShareFinder says it is down-hill from now until early September:



Do enjoy your weekend

The month ahead:

New York's SP500: I correctly forecast a brief recovery followed by a decline to the end of the month, a recovery to late May and then a longer decline to early August followed by another recovery well into 2022.

Nasdaq: I correctly predicted a short-term decline followed by a recovery for most of May and then declines until early September.

London's Footsie: I correctly predicted volatile gains which I still see lasting until early May and then a decline well into the new year.

Germany's Dax: I correctly predicted the gains would peak last week and I now see declines well into the new year.

France's Cac 40: I correctly predicted the recovery was peaking. Now I see volatile declines for the rest of the year.

Hong Kong's Hangsen: I failed to predict this week's losses but still see a recovery until mid-May ahead of a long slide down to mid-July.

Japan's Nikkei: I correctly predicted the start of declines likely to continue until mid-June followed by gains until the end of October.

Australia's All Ordinaries: I correctly predicted a strong up-trend which I still expect to last until mid-May and thereafter a fresh bear phase until mid-September.

JSE Top 40 Index: I correctly predicted the end of the brief recovery. Now I see another recovery until the end of the month ahead of a long slide until early September.

ShareFinder JSE Blue Chip Index: I correctly predicted the beginning of a volatile decline likely to last until late September.

Rand/Dollar: I correctly forecast gains until mid-May followed by losses until the first week of June and then further gains until late May.

Rand/Euro: I correctly forecast a week of weakness that is likely until early May followed by gains until September.

The Predicts accuracy rate on a running average basis since January 2001 has been 86.15 percent. For the past 12 months it has been 92.88 percent.
