Our Weekly Paid Newsletter

Richard Cluver Predicts

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

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"With this in mind then, I order an unsuspended sentence of imprisonment of 15 months.

"I do so in the knowledge that this cannot properly capture the damage that Zuma has done to the dignity and integrity of the judicial system of a democratic and constitutional nation. He owes this sentence in respect of violating not only this court, nor even just the sanctity of the judiciary, but to the nation he once promised to lead and to the constitution he once vowed to uphold.

"So let me repeat what I have said before, for it is deserving of ingemination: Never before has the legitimacy of this court, nor the authority vested in the rule of law, been subjected to the kind of sacrilegious attacks that Zuma, no less in stature than a former president of this republic, has elected to launch. It is my earnest hope that they never again will." ***Acting chief justice Sisi Khampepe.***

I believe it is a judgement that will resound around the world this week and go a long way towards salvaging our tattered national reputation. Moreover, as a model of legal logic which is likely to become a setwork for future generations to study both here and abroad, I believe that it is also significant that this landmark document was penned by an acting Chief Justice who is both black and a woman which says much about our new democracy and our determination to forever uphold the equality of every one of our citizens.

Meanwhile, quoting from "Morning Brew" this week**:** "A little over a year ago, hundreds of planes were parked in the desert and airports were as deserted as the library after finals week. Fast forward to yesterday, and United Airlines just placed its largest plane order ever and the *biggest of any airline* in a decade. It's adding 270 Boeing and Airbus aircraft to its fleet: 200 Boeing 737 Maxes and 70 Airbus A321neos.

One does not simply order 270 state-of-the-art planes worth more than $30 billion and then leave them unused in the hangar. United expects to fill those seats with a growing number of leisure and business travelers who've been cooped up during the pandemic.

Yes, we mean actual business travel.

"Everything we see every week makes us even more certain that business travel and international travel are ultimately going to come back," United CEO Scott Kirby *said*. "Some of them will be different, but they are ultimately going to come back at 100%."

US passenger numbers have recovered to *75% of pre-pandemic levels*, according to The Air Current, which is a disaster on its face but also a promising sign for an industry whose prospects seemed so dim in spring 2020."

I have been warning for a long time that a new financial crisis is looming on the horizon and I think it might now be upon us. Markets have tentatively begun to react but that is only the tip of the iceberg. What lies beneath is incalculable for the very monetary system we have trusted all of our lives is beginning to unravel just as I warned readers it would in my book 'The Crash of 2020.'

How can such pessimism concur with the two quotations I have just listed? Well, I cannot do better than to re-print a column by US analyst Jared Dillian which went out a few days ago:

Dear Reader,

Yesterday, ***I said inflation would hit 10% next year.***

Now we'll take a closer look at why I made that prediction—and what you can do about it.

Trillions and Trillions

If you throw money at a problem, the problem usually ends up asking for more money. Which is why the US government has—

Passed three record stimulus bills that cost a combined $4.8 trillion; and

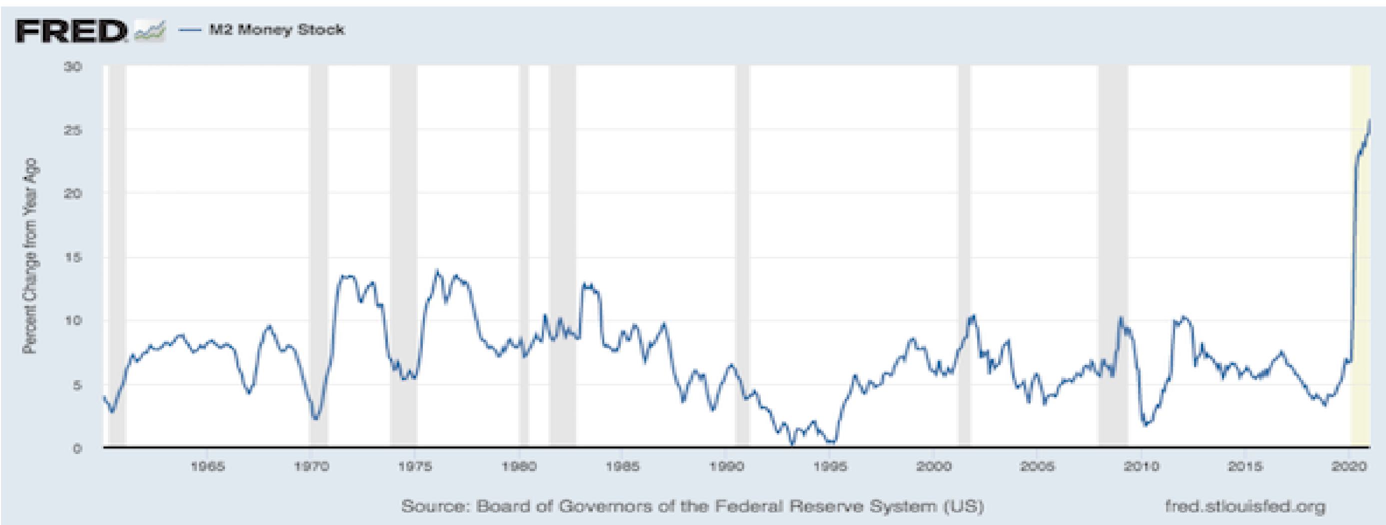
Handed out over 160 million stimulus checks.

Now it's looking to approve a new infrastructure stimulus bill that could cost anywhere from $4 trillion to $6 trillion.

If you're asking yourself, "Where did the government get that money?"

You're asking the right question, because...

30% of US dollars were printed in the last 16 months.



See that giant uptick on the far right? That is the government printing trillions of dollars.

In fact, the government printed more money in one-month last year than it did in the first 200 years of our country's existence.

Money Printing Already Led to 5% Inflation

The last time the US government spent money like this was during WWII. Back then, it used the newly printed dollars to build planes, tanks, aircraft carriers, and military bases.

This time, it closed the economy and halted production on the things we buy. Then it gave people $391 billion in "no-strings money" with a mandate to spend it as soon as possible... on the very items it had we just halted production on.

When a flood of money is chasing the same goods, you get:

The highest level of price inflation in 13 years.

That is what we already have with the latest CPI print—5% inflation.

You can't tell everyone to stay home and expect the economy and supply chains to continue functioning at maximum capacity.

There will still be farm workers, truck drivers, loggers, factory workers, and hotel cleaning staff. But if there's nothing to transport, the truck driver is at home on enhanced unemployment.

Everyone on that list is at home on enhanced unemployment.

Wages Are Sticky

Today, the guy on enhanced unemployment benefits is essentially making $21 an hour. Why would he return to his old job for less than that?

That is what employers are finding out. The economy is reopening, but no one is rushing to fill their old positions.

This is pushing employers to offer higher wages and some pretty extravagant incentives. *I've seen everything from $50 just to show up to an interview… to covering your college tuition. [You can read more about it here](#).*

Let's go back to truckers for a second—there's still a shortage. A couple of years ago, their median annual pay was around $40,000. Now companies are offering $70,000.

Wages are sticky. If you start paying people $25 to $30 an hour for a job that used to pay them $10 to $15, that is not going back down—ever. That is the new base wage.

Who Pays?

Who is going to pay for those higher wages?

You are. In fact, you ALREADY are by paying marked up prices for everyday goods.

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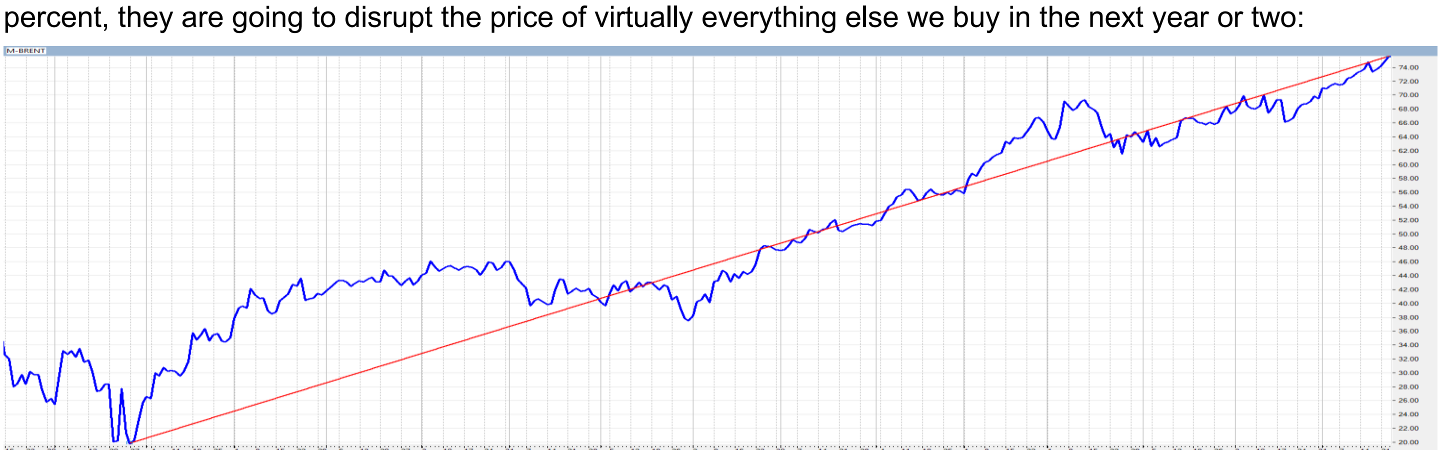
From Beans to Burgers, Food Is Getting More Expensive

> Higher costs for labor, commodities and transportation are leading to **higher prices at supermarkets and restaurants.**

> Supermarket executives said prices they pay for beef had gone up from 20% to 40% depending on the cut. Keith Milligan, controller of Piggly Wiggly grocery stores in Alabama and Georgia, said the company was **passing much of the increase on to customers.**

> **Costs to transport food products are up by as much as 25% from a year ago** for some food makers because of high demand for shipping during the pandemic coupled with a shortage of truck drivers.

Jared Dillian has a flamboyant way of writing but there is no escaping the fact that the US is gripped in an explosive inflationary trend which must inevitably spread like a tidal wave around the world. If, having read the foregoing you still have doubts, just take note of the following graph which tracks the price of crude oil over the past 12 months as it has soared from $19.70 a barrel in April 2020 to $75.84 this week. Fossil fuels might be on their way out in the future, but they are still central to the world economy and, compounding at 218.4 percent, they are going to disrupt the price of virtually everything else we buy in the next year or two:



So, to rub that in, note an ENCA report this week: "JOHANNESBURG - *Motorists can expect an increase in the petrol price next week. The Automobile Association says petrol is likely to be 23 cents more expensive. Diesel users will also not be spared and will pay 38 cents more a litre."*

Lest you need reminding, I have continually drawn readers' attention to the mounting sovereign debt levels of governments worldwide and the fact that the only practical means they have of eliminating such debt is to debase the currencies in which they are issued. To put that bluntly, governments are now desperately in need of high inflation levels and the actions of the Biden administration in the US makes it clear that they have either forgotten the lessons the world learned in the 1980s, when inflation was rampant everywhere and the life savings of vulnerable people like our old age pensioners were being decimated, or they simply cannot allow themselves to care.

But in any event their actions have been reckless in the extreme. And that is why canny investors are piling into cryptocurrencies in an unprecedented frenzy; because they are seen as a safe alternative to suspect fiat currencies like the US Dollar, the Pound and so forth. My next graph underscores that point with the red trend line illustrating how Bitcoin have grown in value at a compound annual average rate of 76 percent over the past five years. It also underscores the hazardous volatility of not correctly timing such purchases because Bitcoin and many other cryptocurrencies are subject to fickle supply and demand pressure since they do not have a measurable underlying value.

That is why ShareFinder International has recently taken the decision to experimentally issue its own cryptocurrency which will be the first ever to be backed by conferring upon investors ownership of the company's own issued share capital. The new currency will thus be able to pay annual dividends and thus over time establish an audited financial track record which might hopefully accord it Blue Chip status.

So what might be reasonably expected from such a currency? Well my next graph tracks the performance of the virtual Blue Chip share portfolio which I maintain monthly for readers of my Prospects Newsletter. Over the past decade, as the graph shows, the portfolio has achieved an annualised compound average growth rate of of 17.7 percent together with a dividend yield of 2.98 percent equalling a total return of 20.68.

Can you imagine how the public is likely to appreciate a currency which is constantly appreciating in an era when most official currencies are constantly losing value because of inflation? Regular readers will be familiar with my following examples of how the US Dollar and the Rand have LOST value over the years in relationship with the only measure mankind had trusted for thousands of years as a real store of value, gold.

On the left below I have graphed how gold has risen in value at compound 3.9 percent annually against the US Dollar over the past decade and, right below, how it has risen at compound 12.3 percent against the Rand:

I rest my case!

Do enjoy your weekend!

The month ahead:

New York's SP500: I correctly anticipated that market weakness would be, followed by a short recovery which I expect to continue into early August. There is, however, mounting pressure for a cyclic decline until mid-August so caution is indicated.

Nasdaq: I correctly predicted further increases would last, followed by weakness until mid-September followed in turn by a volatile recovery well into the new year. There is, however, short term recovery pressure building from late next week until the end of July.

London's Footsie: I correctly predicted a volatile decline which began on June 16, and which I expect to last until mid-October; followed by a brief recovery until mid-November and then further weakness through to next April. Within that a brief recovery is possible this coming week but it is unlikely to be prolonged.

Germany's Dax: I correctly predicted the beginning of weakness which I expected to continue until mid-October with a short-term gain unlikely to last longer than Monday.

France's Cac 40: I correctly predicted the start of volatile declines likely to last for the rest of the year.

Hong Kong's Hangsen: I correctly predicted further losses likely to continue until the second week of July ahead of a volatile recovery until December when further declines are likely to begin.

Japan's Nikkei: I correctly predicted a recovery had begun and was likely to last until the end of October ahead of further steep declines thereafter well into the New Year. The next recovery phase is likely to only begin next April.

Australia's All Ordinaries: I correctly predicted the declining trend that began on June 16 and is likely to last until mid-September. From then I see gains until early December when another slide is likely to begin and last well into the new year.

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JSE Top 40 Index: I correctly predicted a continuation of the long volatile slide that began in early March and is expected to last until early September followed by a brief recovery to early October and then a further slide until mid-February.

ShareFinder JSE Blue Chip Index: I correctly forecast that the peak had probably been reached but that another attempt would begin this week and last until the end of July. Following that I see declines until next May at least.

Rand/Dollar: I correctly forecast the currency had peaked in value and from here would bounce along the top of its value until mid-October when I expect a weakening phase will begin.

Rand/Euro: I correctly forecast that the Rand had reached its peak value and would from now continue bouncing at these levels until a weakening phase begins in early September when a long reversal is likely to begin.

Bitcoin: I correctly called the current consolidation after May's steep declines but wrongly did not foresee this past week's temporary recovery. However, I still expect declines likely until mid-October when a recovery is likely to begin.

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 92.54 percent.