



Our Weekly Paid Newsletter

# Richard Cluver Predicts

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



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06 August 2021

If South Africans were rattled by the riots which narrowly avoided becoming home invasions that could have cost the lives of thousands, what we should really be worried about in the weeks that have followed has been the lack of official leadership action.

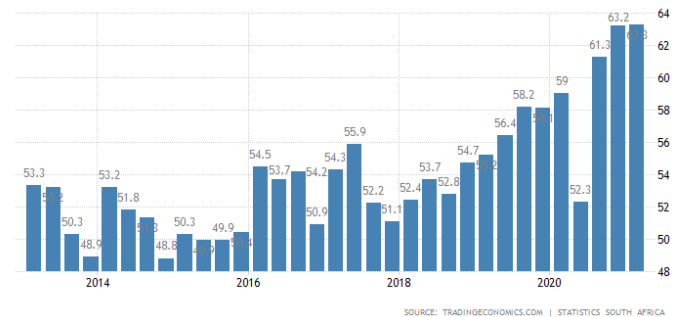
Worse, in places like Phoenix and Chatsworth where Indian householders manned barricades to hold back armies of invaders, the authorities now appear intent upon labelling the neighbourhood defenders as criminals and, dangerously, are regularly making it a racial matter which is polarising communities and sowing the seeds for even worse events in the future.

As one Chatsworth housewife put it to me this week, "The only time we ever saw the police was when they came repeatedly to order us to dismantle the barricades. Did the cops really think we should have stood idly by and let the mobs plunder our homes and rape our daughters?"

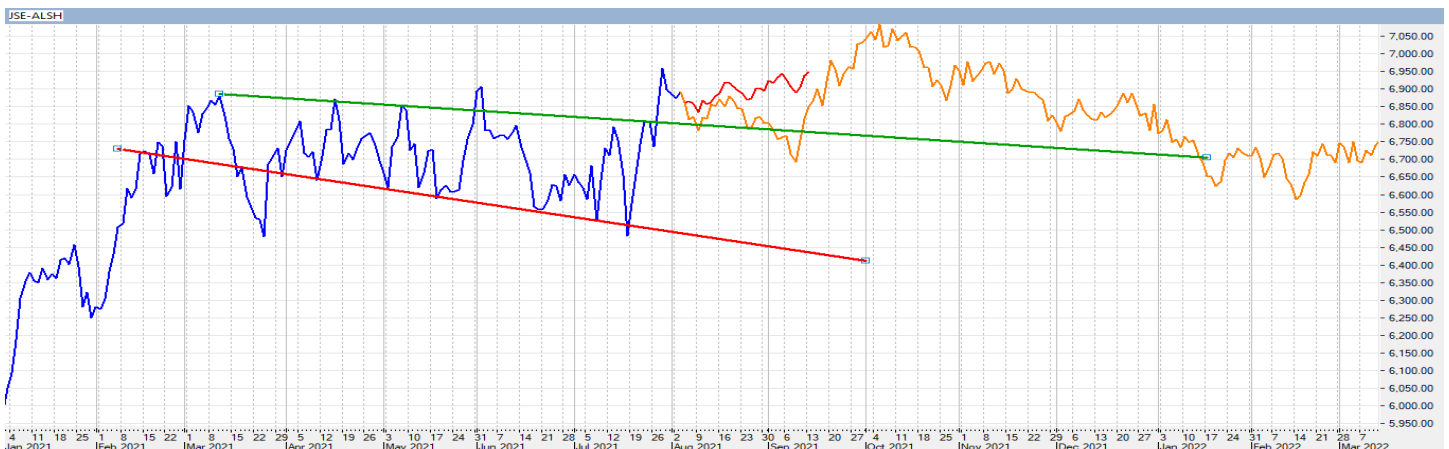
The racial confrontation continued this week with a provocative march by EFF members into Phoenix to underline, in the words of eThekweni spokesperson Mazwi Blose, the right of black people to use any roads they want to. And before the march had even begun, EFF leader Julius Malema had taken to Twitter to stoke the flames of confrontation by stating in a video that the police should find the "Indians" that killed people and if they don't, the EFF will take it upon themselves to find them. Mercifully, a heavy police presence ensured that provocative stone throwing by the marchers did not explode into fresh violence. But the powder keg remains!

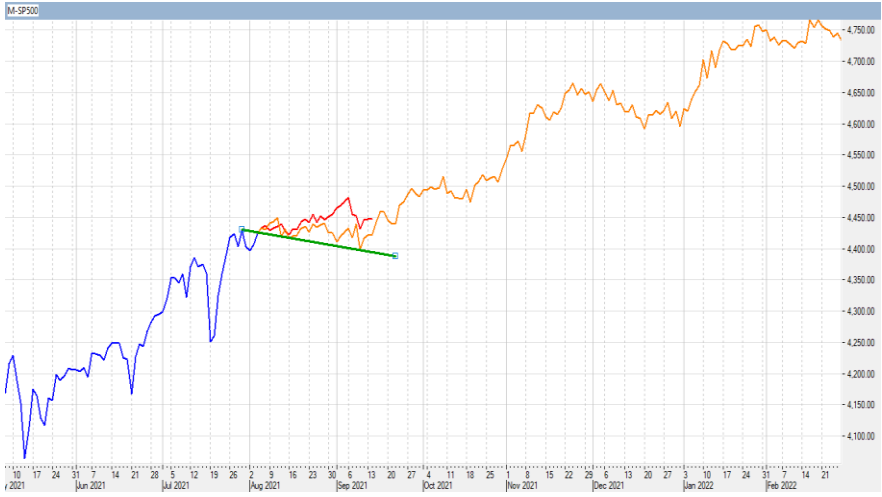
So where, in all of this, is the ANC leadership? In KZN it is clear that while they preach peace by day, they are beating the war drums at night. And so, the residents of KZN are bracing themselves for further violence next week when looter-in-chief Jacob Zuma returns to court for his corruption trial.

We should, however, be very clear that what is on trial is not one ex-president of South Africa but rather the **Rule of Law** which marches hand in hand with national prosperity and the personal freedoms of our citizens. Given the State's demonstrable reluctance to punish those in political leadership roles who have plundered the public purse, nobody should be surprised that foreign investors have withdrawn their money from our shores and that, note the graph on the right, youth unemployment has soared to 63.2 percent.



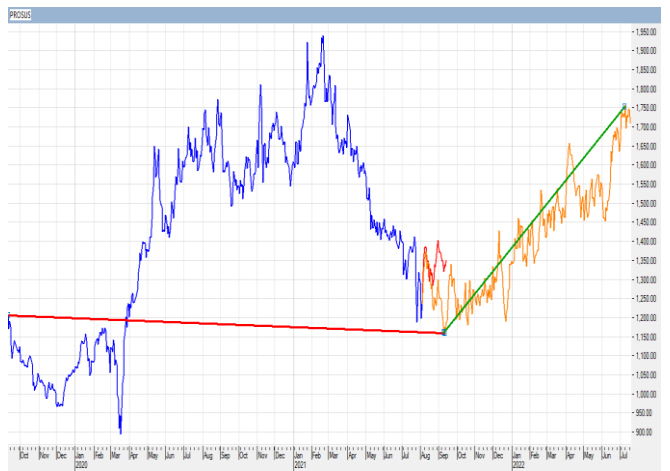
We South Africans are, however, a resilient people. We have demonstrated that fact for centuries and I have confidence that we will negotiate our way out of the current impasse. Optimistically, President Ramaphosa's long-anticipated cabinet reshuffle might at last provide him with the confidence to move ahead in strength to chart a new way forward. Certainly, the JSE is not pessimistic having broken upwards out of the confines of the downward-sloping trend of the past few months. The market is a strong reflection of public opinion!





And although ShareFinder senses the probability of weakness in the weeks ahead towards a bottom around September 9, it suggests a new high for the year could happen in early October. The weakness, moreover, is more likely associated with the global market trend than a response to local events. Compare the JSE All Share graph with that of New York's S&P500 on the left. The green trend line underscores ShareFinder's projection that New York will bottom on the same date as the JSE!

More to the point, however, the issue that has likely rattled many readers has been the dramatic decline in value of Naspers and Prosus share prices lately in reaction to recent fireworks around Chinese regulation of the tech and education sectors. Here it is worth noting that a month ago I placed a personal Buy order on Prosus at 105 000 because ShareFinder had projected this decline as part of the shares' own internal cyclic behaviour. That is significantly lower than the lowest price of 16 504 which Prosus touched on its first day of trading on the JSE on September 11 2019.



Yesterday I bought at 121 650 against ShareFinder's projection that the shares might reach 112 751 by September 13 when I would buy more. Note the graph immediately above which illustrates how recent events have wiped out all the growth Prosus had given shareholders since its launch. But also note ShareFinder's projection, underscored by my green trend line, that from September Prosus will recover at a compound annualised rate of 64.6 percent.

Here, it is also worth noting that, notwithstanding similar losses recently, Naspers has done relatively better overall with that green trend line dating back to the point that Prosus began trading sloping upwards at compound 6.5 percent. Noting, furthermore, the recovery projected by Sharefinder on the right of the Naspers graph; the software projects that the recovery rate will be of the order of a compound annualised rate of 140 percent to peak at around 3 300 by mid-November. So here I should explain that my personal portfolio is overweight on Naspers and underweight on Prosus and that in any other circumstances I would be bidding for Naspers at these levels. ShareFinder suggests that the keenest price you are likely to get Naspers is today's 267 480.



Meanwhile, readers looking for a share offering speculative potential might consider BHP which has been growing in price at compound 26.2 percent annually in recent years as delineated by my purple trend line. Trading this week in a range from R440 to R470, ShareFinder projects that it might be bought for R446 in the next few weeks:



# Do enjoy your weekend!

# The month ahead:

**New York's SP500:** I correctly anticipated a sideways to slightly weakening trend which should last until early September. The next up-phase is due to start in the second week of September.

**Nasdaq:** I correctly predicted a reversal until mid-September which is now under way.

**London's Footsie:** I have correctly predicted a brief recovery until the first or second week of August followed by a decline which I continue to expect to last until mid-October.

**Germany's Dax:** I correctly predicted that weakness would continue with a brief gaining trend within an overall long-term decline lasting well into the New Year.

**France's Cac 40:** I wrongly predicted further losses. This week's gains could well last until early September but the long-term trend is down well into the New Year.

**Hong Kong's Hangsen:** I correctly predicted further losses likely to continue until the end of July ahead of a volatile recovery until December when further declines are likely to begin....and I continue to hold that view.

**Japan's Nikkei:** I correctly predicted the declining trend would to continue until early-August ahead of three months of recovery which have now begun and should last until the end of October when further steep declines are likely well into the New Year.

**Australia's All Ordinaries:** I wrongly expected the declines that began last week would continue until they made an extended bottom in late September ahead of a recovery starting around mid-October. However, that prediction was likely just premature for the probability of declines has simply increased. One forecast does, however, see brief gains from August 10 to 17 within this falling trend.

**JSE Top 40 Index:** I correctly predicted an interim recovery until the end of July with the present declined lasting until at least the 9<sup>th</sup> when a brief nine-day recovery might anticipate another brief decline until the until September 9 ahead of a month-long recovery until early October.

**ShareFinder JSE Blue Chip Index:** I correctly forecast a brief recovery until the end of the month before the down-trend resumes long into the New Year.

**Rand/Dollar:** I forecast a phase of slower declines which actually turned into gains that are likely now over ahead a period of volatile sideways trending until the next phase of weakness beginning in November and likely to continue until the end of the year when R15.81 to the US dollar is likely.

**Rand/Euro:** The Euro has got me confused. I wrongly forecast gains a fortnight ago and the market weakened. Then I forecast losses and the Rand strengthened. Now, though I sense weakness until August 13, I see further strengthening after that. Thereafter, from the second week of September until next March I see the Rand weakening.

**Bitcoin:** I correctly a volatile recovery which is now over with losses likely until between the 23<sup>rd</sup> and the 30<sup>th</sup> before a sustained recovery begins.

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## *Fuel hike the final straw?*

By ROB ROSE for **BL PREMIUM**

This week, the fuel price hit a record, even though the oil price and rand are stable. The reason is taxes imposed by a vampire government

Last week Floyd Brink, who is running Joburg until a new mayor is elected, [told the FM](#) that "we will continue with business as usual ... we will continue to do what's best for our employees and our city". It was a puzzling contradiction in terms.

After all, the best thing for the city, and its residents, would be for those running the city to *not* continue with business as usual. In fact, the best thing for residents would be for these officials to not continue *at all* — but to slink away so their rank incompetence wouldn't continue to be so damaging too so many.

Brink, who billed himself as "an administrator of note", is only filling in until a new mayor can be elected after the Covid death last month of the deeply compromised and ineffective Geoff Makhubo.

On most metrics, the city is a mess — from its porous roads to its epileptic supply of power. The municipal financial sustainability index compiled by governance ratings agency Ratings Afrika gives Joburg an overall score of 45 out of 100, with its liquidity management at a parlous 26 out of 100.

"Neither are pass marks," says Ratings Afrika principal Charl Kocks. "Joburg may be better than some others — like Mangaung — but it's clear they need to spend less money on nonsense, or become more productive. And I don't see that happening."

Yet, two months ago, Brink's city imposed a 14.6% hike in electricity prices and a 6.8% hike in water prices. Given the woeful service, this pretty much amounted to pickpocketing residents, since the city buys utilities in bulk then slaps on chunky mark-ups.

What does it do with this extra money? Mostly, pay unjustifiably large salaries to its bloated workforce — last year, the city's salary bill rose 17.6% to R14.8bn, which, laughably, even included R660m in bonuses.

This, evidently, is what "business as usual" means for municipal officials, in a country where 163 of the 278 municipalities are in "financial distress".

The problem may be most acute in extractive municipalities, but it's a cancer in every cell of the government. Matt Taibbi's description of Goldman Sachs could equally be applied to the SA government of today: it has become a great vampire squid wrapped around the face of the country, "relentlessly jamming its blood funnel into anything that smells like money".

The manifestation this week was a morale-sapping 91c hike in the fuel price. This took the cost of a litre of petrol inland to a never-before-breached price of R18.30 — 23% higher than in January.

### **It has become a vampire squid, relentlessly jamming its blood funnel into anything that smells like money**

Now, it's true that this is partly because the oil price rose marginally last month to \$74 a barrel, while the rand weakened against the dollar to R14.53. But this is nowhere near the record \$147 a barrel for oil of 2008. Nor is the rand close to the R19/\$ of April 2020.

No — what the fuel price reflects is the fact that the government has been steadily ratcheting up taxes on every litre of fuel to plug the hole in the fiscus and stem the bleeding in the Road Accident Fund (RAF).

Of the R18.30/l price, 34% (or R6.26) is tax; R3.93 goes into the government's coffers as part of the "fuel levy"; and R2.18 goes to the RAF. Put another way, if you pay R900 for a tank of petrol, R306 goes to the government. You, in other words, are effectively paying the padded invoices of such rent-seekers as Digital Vibes.

In another time, it might have been manageable. But the real problem is that taxes are rising far faster than people's salaries — and the government, it seems, couldn't care less.

Kocks, in particular, sees no sense of compassion for people struggling to pay their bills. "It was horribly clear when Covid arrived that the government — both municipalities and the central government — had zero understanding of the economic impact of the lockdown on small businesses and traders especially," he says.

Had these officials just opened their eyes, he says, they'd have realised what was happening on the ground, and how fragile the social compact was.

"They should have got a huge fright. But I don't see them accommodating anyone, or showing an understanding that they need to tread very carefully with rate hikes," he says.

This sketch of a demoralised husk of a taxpayer base should set off red lights in the government. It won't.

"Everyone suffers from these new taxes, but the poor will be the biggest victims, whether it's through higher taxi fares or the prices in shops," says Phumlani Majozi, an independent economist.

However, Majozi says this moment was an inevitable consequence of a decade of numbskull policies.

"The ideology in the ANC and its partners like Cosatu has always been that we can spend our way out of any crisis. But spending money we didn't have was always going to catch up with us. So, here it is, manifesting now in higher taxes on fuel, electricity and utilities, to pay for those muddled policies. It was inevitable."

This underscores the fact that throughout, we weren't dealing with a fiscal problem, we were dealing with a governance problem. The ANC government, of course, would love it to be "business as usual", in which it could blithely ratchet up tax every few hours.



But it's past that point. The social fabric across the spectrum — from SA's poorest to a creaking middle class — is threadbare. Something has to give.

# *Judith February*

**It's been almost a month since our country was upended by violence and looting in KwaZulu-Natal and parts of Gauteng.**

During that time we have witnessed extraordinary acts of individual and corporate citizenship. We also saw a completely unprepared intelligence and security service and the South African Police Service (SAPS) either hapless or watching things burn.

We have heard a great deal about 'rebuilding' and 'accountability' for what happened on those fateful days in July. In fact, the President himself addressed us and called it an 'insurrection'. He also told us, 'we know who they are'. Immediately thereafter the minister of Defence, Nosiviwe Mapisa-Nqakula denied it was an 'insurrection' and subsequently said she had misspoken.

Naming things is important. If one is to lead honestly then that means taking responsibility for naming things and then acting accordingly. Those with dishonest motives especially during a time of crisis seek to obfuscate and deflect. That is what Mapisa-Nqakula was doing.

When Ramaphosa said 'we know who they are', he also used those words so loved by South African politicians but in our context, to be perfectly frank, are meaningless. He said, the perpetrators will 'face the full might of the law'. It makes Ramaphosa look weak when weeks have now passed and the only arrests made have been peripheral ones- including a former Ukhozi FM DJ. The instigators are yet to be arrested even as the Daily Maverick has published several articles naming certain individuals who allegedly were part of plotting this insurrection.

The SAPS seems to have very little curiosity regarding any of this.  
For more see:

[AMABHUNGANE: Insurrection: KZN WhatsApp 'instigator' linked to Zuma's daughter, Brumelda](#)

[THE AFTERMATH: ANC members lodged 'boast posts' on WhatsApp groups after looting and truck hijackings](#)

[THE AFTERMATH: Gauteng police's poor response to looting blamed on inadequate resources and low numbers](#)

[POLITICS OF ANARCHY: Heirs and disgraces - Duduzane Zuma uses the backdrop of anarchy to drive his campaign for the presidency](#)

[THE AFTERMATH: Suspended ANC members Carl Niehaus and Andile Lungisa on WhatsApp group for planning riots and looting](#)

South Africa has a casual relationship with rules and accountability. Very few people actually face the consequences of their actions. We remember when the 'foot soldiers' were held to account for the Gupta landing at Waterkloof airbase yet the politicians escaped accountability.

Individual politicians remain in powerful positions even as they themselves face questions about corruption. There is a lengthy list but the idea of ANC MP and former minister of Energy, Tina Joemat-Pettersson as chair of the Parliamentary portfolio committee on Police, holding anyone to account for the insurrection is rich with irony. She has yet to be held to account for the sale of strategic fuel reserves in 2015. Remember that?

Why did the sale of crude oil stocks (10-million barrels) at \$29 a barrel in December 2015 take place at a time when the market was in "contango" – that is, when the current price of a commodity, such as oil, is lower than prices for delivery in the future? In other words, it was no time to sell.

By the time the controversy hit, oil had reached \$50 a barrel. So, whoever bought this oil locked in some pretty decent profits. Joemat-Pettersson denied that there was a sale, telling Parliament that it was simply a strategic rotation of unsuitable oil stock. When Mmamoloko Kubayi, took over the portfolio she confirmed, in 2017, that this was not the case and oil reserves were sold off. Kubayi also confirmed to Parliament that the sale was made without the approval of the Central Energy Fund (CEF) board.

Has minister of social development, Lindiwe Zulu ever been truly held to account for being present while water cannons were used to spray the elderly in a queue during lockdown? And, has Stella Ndabeni-Abrahams been held to account for her incompetence? And what of Minister of Police, Bheki Cele, State Security minister, Ayanda Dlodlo and Defence minister Nosiviwe Mapisa-Nqakula.

Thulas Nxesi, minister of Employment and Labour has also moved comfortably from one portfolio to the next. We have not forgotten that he tried to convince us, while minister of Public Works that the Nkandla swimming pool was a fire pool in 2016. Then he said, "In order to eliminate or minimise potential risks and due to water supply which was erratic, a fire pool was decided on as the most viable option for firefighting."

Deputy President, DD Mabuza, is not known as 'The Cat' for nothing. He has disappeared while receiving treatment in Russia apparently. Where exactly is he? At whose expense and why is he receiving treatment in Russia of all places? One does not have to be a cat to smell a rat.

And then there is Zweli Mkhize and Digital Vibes, an SIU report and weeks of inaction by the President who continues to 'apply his mind'. For some details of this messy saga, see:

[SCORPIO EXCLUSIVE: R1m from Digital Vibes deal bankrolled hair salon, nail boutique for Minister Zweli Mkhize's son, daughter-in-law](#)

So, when Ramaphosa tells us we have lived through an insurrection, read: the ANC's internecine battles are spilling over into the public domain and are in full view. The ANC itself is bereft of vision, in disarray and feeds off its own carcass. Certain members of Ramaphosa's cabinet are quite prepared to be disloyal and 'let it all burn' and there are those within the ANC and outside of cabinet who will do the same.

It is spine-chilling. Any political party where distrust runs so deep and where individuals are prepared to weaponise poverty and desperation to protect criminal networks, is surely unfit for purpose?

The ANC should split for precisely this reason. Instead though it will continue cannibalising itself because those who seek so-called 'Radical Economic Transformation' (RET), read: looters, have only the networks of the state to keep them alive. These networks are accessed via state power at all levels, most notably local government which are in many parts of our country mini (criminal) fiefdoms.

Their power comes from threatening inside the ANC and causing the mayhem they did in July. The question then becomes, how does President Ramaphosa deal with the enemy within? Does he continue with caution and think that state institutions will eventually bring those responsible for the most egregious acts to account? That should happen of course but it does not exonerate Ramaphosa from acting as head of state.

The only way to deal with the enemy within is with a healthy dose of transparency. Let the President provide an honest rendering of where we are as a country after the insurrection. After all, the enemy within relies on operating in the shadows and speaking the coded language which the likes of Jacob Zuma are so fluent in.

The stakes are very high- for Ramaphosa, the RET faction but more importantly for our country and us all.

A smattering of articles show precisely what damage has been done and the risk to the economy which is broken and bruised. The warnings are everywhere. Will we heed them and will Ramaphosa heed them?

[BUSINESS MAVERICK: Transnet cyberattack puts employees' salaries at risk while backlogs at ports mount](#)

[VROOM WITH A VIEW: eThekweni Municipality is playing with fire and risks burning its bridges with motoring giant Toyota](#)

[OPINIONISTA: It's time for South Africa to face the historical facts on economic inequality and civil unrest](#)

As this newsletter previously argued, if there was a 'Break glass now!' moment for Ramaphosa, this is it. He has a narrow window to expend his political capital. That will mean taking some hard political decisions and not tinkering around the edges.

It will, in part, mean mobilising the citizenry behind a common cause of inclusive rebuilding. It would provide a societal bulwark against those within his party who would tear down the edifice of this democracy. As Joel Netshitenzhe argues so well here:

[OP-ED: Beating the counter-revolutionaries: South Africa's people are the ultimate defenders of democracy](#)

'The solution lies in mobilising the people into political motion for good. They are the ultimate defenders of democracy that no counter-revolutionary can defeat.'

Let Ramaphosa ditch the ANC sweaters and mobilise communities for good. The leaders are already there, he needs to connect with them assiduously. (Of course, this does not mean that all citizen action should be stated, that would be counter-intuitive) They are the ones who surrounded malls and small businesses and said no to looting and violence. They are also the ones who took their brooms and swept the streets after the burning and looting. These were powerful nonviolent acts of defiance against the mob within and outside of the ANC who would take us down a spiral of violence until there is nothing left.

Then there is business- big and small- who stand only to benefit from peace and stability. Harnessing their collective power will ensure that we can rise from the ashes of July despite the trepidation that is understandable. There are many South Africans who have contributed now to the discussion on a Universal Basic Income Grant (UBIG). It is time for government to listen and expand on the set of interventions the President recently announced. Those were welcome such as the extension of the R350 grant to unemployed caregivers. But we need more. There is not a shortage of intellectual capital to fix things if only those in power were listening. See:

[OPINIONISTA: The Overton Window: Can the Basic Income Grant be won without a revival of the left?](#)

[OPINIONISTA: Question of basic income grant raises some big issues](#)

[POLITICAL SYSTEMS: Is electoral reform the best way to build a better South African democracy?](#)

[OPINIONISTA: Restoring hope in SA: We must work together to rebuild our lives and our democratic dream](#)

Next, the President simply has to roll the dice and put the interests of the country above the internal ANC politics. He needs to reshuffle his cabinet as a matter of urgency. First to go should be the disloyal and the incompetents.

We cannot build our country with the insipid, incapable and corrupt. It would be the first small step to unravelling the culture of mediocrity which is all around us. Many have argued that Ramaphosa is constrained by the politics of Nasrec. That is understandable and he does not operate in a vacuum. But, given the insurrection, he surely has no choice but to stand firm against the constitutional vandals? Through Presidential inaction he simply kicks the can down the road. The future is here and we saw it on 9 July and the violent days that followed. Ramaphosa does not have the luxury of time. Besides, the RET faction relies on chaos and disorder.

Finally, Ramaphosa is in desperate need of a Communications advisor who will tell him to step out from behind the wooden podium and truly talk to us. This will mean crafting speeches which are empathetic but which boldly assert the President's authority by speaking truths which may be uncomfortable for his ANC comrades to hear. It would also mean taking questions from journalists in real time.

We have had enough 'family meetings' which could be short public service announcements. We have had enough of disconnected Presidential newsletters read only by political junkies. Information is the oxygen of democracy and Ramaphosa should understand this more acutely than most. He helped write our constitution after all. The commitment to transparency runs through it like a golden thread.

Political power is only effective if expended on behalf of the people. Dealing with the current crisis will mean that we as citizens will have to mobilise to protect and defend our democracy. As argued in the previous edition of this newsletter, we understand now that we are on our own and cannot rely on politicians to rescue us.

But at the same time we should also expect- and agitate for- better governance at every turn. This means that we should demand that the President expend his political capital as opposed to reactively responding to the destroyers within his party, or appeasing them.

Now that Ramaphosa has told us what we witnessed was an insurrection and that he 'knows who they are', things cannot simply continue as before. The time for the Ramaphosa 'long game' is over. Until next time, stay safe.