Our Weekly Paid Newsletter

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If anyone had lingering doubts about cryptocurrency, the release this week of quarterly profit data from Coinbase, one of the many emerging new exchanges which facilitate crypto currency trading, should resoundingly end any suggestion that the blockchain algorithm and its many financial derivatives are a temporary phenomenon.

Coinbase's $1.6-billion quarterly profit represents a 4 900 percent year-on-year gain. Meanwhile Robinhood, the popular trading app for small investors, has announced that it is acquiring Say Technologies which specializes in digitizing shareholder votes. Most retail shareholders don't vote. They buy shares but then do not exercise their power to have a say on things like executive pay packages and who sits on a company's board. However, dramatic changes are coming as a result of this development! Nell Minow, a US shareholder rights and corporate governance expert, predicts that as a result of this purchase which will make it easier for Robinhood's users to vote their shares, it will "...shake up corporate boardrooms just like when millions of traders used the app to send meme stocks soaring this year."

"Robinhood was at the kindergarten stage when it came to democratizing Wall Street, and this moves it up to at least the first year of high school," Minow said. Individuals acting together could compel companies to take the lead on environmental and social justice issues, she said.

Meanwhile, the complete anonymity from the prying eyes of the world's tax collectors that crypto coin ownership offers investors coupled with the fact that the system enables both individuals and corporations to absolutely avoid the costs of employing banks in order to move money, is now fuelling an explosive growth in their popularity as underscored by the surging daily prices of the best-known example of the phenomenon, Bitcoin. As my graph below illustrates, Bitcoin has been rising in value at compound 200 percent a year.

Since the fundamental source of government revenue through its multiple tapping of monetary movement is now under threat of complete extinction, it is understandable that the authorities are now making frantic efforts to find a means of regulating cryptocurrency. In the latest round, the US Senate has just passed a $1- trillion infrastructure bill which includes a tax-reporting provision about which New York Times columnist Andrew Ross Sorkin writes, ".... cryptocurrency supporters fought to remove, generating multiple amendments and lots of headlines."

But this has been one small skirmish in a battle governments will inevitably lose. The proposed changes to the bill were blocked, and the original language in the bill survived. It defines "broker" for the purposes of crypto transactions in an overly broad way, according to detractors. SEC chairman Gary Gensler, meanwhile, has a different take; "In my view, the legislative priority should centre on crypto trading, lending and DeFi platforms," he said this week.

Speaking in response to questions by Senator Elizabeth Warren, who had asked him about the risks of decentralized finance, or DeFi, he said he was also worried about “Stablecoins.” The market in these tokens pegged to the dollar or other currencies is worth about $115 billion, Gensler noted, and last month, nearly three-quarters of all trading on crypto platforms involved Stablecoins. This “may facilitate those seeking to sidestep a host of public policy goals connected to our traditional banking and financial system: anti-money laundering, tax compliance, sanctions and the like.”

The infrastructure bill is now with the House, where there is another chance to change the tax provision said Perianne Boring of the Chamber of Digital Commerce. Assuming passage, the I.R.S. would write detailed guidance before the law goes into effect in 2023, and the crypto industry’s arguments reflected in the legislative record could influence the agency’s interpretation. In the meantime, as Gensler’s letter suggests, the industry’s growing might will invite additional scrutiny.

The reality of it all, of course, is that NOBODY other than the person possessing the cryptographic “key” which is unique to each owner, is able to view any blockchain transaction. This has effectively rendered all legislation such as South Africa’s Exchange Control regulations completely irrelevant because one could, for example, liquidate all of one’s South African assets and, without the need for tedious and costly application to the Reserve Bank, instantly transfer them to any destination in the world, all with just a few computer key strokes.

All of which brings me to one of my most-asked recent question: “What is the realistic value of the about-to-be-launched ShareFinder crypto coin?” As regular readers well know, each coin represents one share in ShareFinder International and ownership of ten or more shares will confer upon investors half-price use of all ShareFinder software for so long as they remain owners of the coins/shares. Just one share owned will allow investors half-price usership of the newly-released ShareFinder Mobile which is already taking off faster than the proverbial scalded cat. This latter software; an adaptation aimed at on-the-move investors who use it on cellphones and tablets, provides instant portfolio analysis, highlights underperformers and facilitates accurate timing of share buying and selling, will thus cost shareholders a mere $5 a month.

So the arithmetic of evaluating the ShareFinder offer is really quite simple if you want to be a software user. Subscription to the premium version, the ShareFinder 6 Professional which automatically generates record-beating share portfolios tailored to the user’s risk profile in five world markets, currently costs US$49 a month. Thus, owners of ten or more shares at the current offer price of $10 per share will only need to outlay $100 to buy the required number of shares and accordingly only pay $294 a year for a subscription that would usually cost $588.

In simple terms, a $100 outlay thus offers a saving of $294 which represents a 294 percent annual return on their investment. Against that, the acknowledged best-performing investment on the JSE has long been recognised as Naspers which offers a five-year compound annual average share price growth rate of 14.7 percent, an earnings yield of 7.71 percent and a dividend yield of 0.2 percent representing a Total Return of 14.9 percent. The ShareFinder IPO thus represents (294/14.9) a nearly 20 times better option.

The maths does not, furthermore end there for there is the capital gain potential of the ShareFinder share itself. The customary way of evaluating listed companies is their price earnings ratio which, on the average JSE Blue Chip share, is currently 21 and precisely double that on the red-hot Nasdaq exchange where ShareFinder International originally planned listing before opting to test out the increasingly popular Decentralised Financial Exchange – more popularly known as the cryptocurrency exchange. ShareFinder’s operational costs are known to be relatively low such that as its client lists grow they become increasingly irrelevant: and those lists are expected to increase explosively in the short-term because the sole reason for the IPO is to fund a global marketing drive.

So, let us assume that ShareFinder currently has just 1 000 users paying $49 a month which suggests annual revenue of $588 000. Given that there are 100-million SFI shares in issue, that revenue translates into a PE ratio of less than one which implies that at $10 the shares are expensive. However, consider if just one in ten of Wall Street phenomenon Robinhood’s estimated 20-million users elected to subscribe to ShareFinder at the premium rate of $49 a month. That would imply an individual share value of $494. It suggest that the $10 offer price is more than conservative!

As a final thought, Organisation for Economic Co-operation and Development figures imply that 353-million people currently account for 71.6 percent of global wealth. In the US alone, 65 percent of adult US citizens invest in the stock market – that is an estimated 136-million adults with 12.9 percent of Americans operating on-line share trading accounts. I conclude that the proverbial “sky is the limit” is arguably the case for ShareFinder.

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 with the next up-phase due to start in the second week of September.

Nasdaq: I was premature in predicting a reversal until mid-September but it might now be under way.

London's Footsie: I 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. This week's very brief gain should be over today.

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

France's Cac 40: I correctly predicted that gains could last until early September. Thereafter I see declines well into the New Year.

Hong Kong's Hangsen: I correctly predicted 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 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: The current strong gains that began in mid-June have continually been opposed by a cyclic probability of declines which week by week become increasingly probable. My latest view is for the gains to end around the 17th followed by declines until the third week of September.

JSE Top 40 Index: I correctly predicted an interim recovery that is likely to be over by the 19th followed by a brief decline until September 10 ahead of a month-long recovery until early October.

ShareFinder JSE Blue Chip Index: I correctly forecast a brief recovery which I believe is now over and I now foresee declines until the end of September when a new bull market is looming.

Rand/Dollar: I correctly predicted that gains were likely now over ahead of a period of volatile sideways trending until a brief period of further gains might be expected in early October.

Rand/Euro: I correctly sensed weakness until early August. Now an extended period of gains has begun until the end of the year.

Bitcoin: I correctly argued that a volatile recovery was over and saw losses likely until mid-September followed by gains until the end of October.

The Predicts accuracy rate on a running average basis since January 2001 has been 86.32 percent. For the past 12 months it has been 93.06 percent.