**This week marks a singular milestone for the South African ShareFinder Prospects Portfolio which has made an historic peak value just a tad short of five times our initial R1-million investment of January 2011. That represents a compound annual average growth rate of 17.6 percent throughout.**

Furthermore, that figure ignores the fact that the portfolio it also earned an average dividend return of better than two percent a year over the period. For those who care to make the comparison, the JSE All Share Index averaged 7.3 percent over the same period which means our portfolio performed nearly three times better than the average, effectively doubling in value every three and a half years as the graph below illustrates.

In recording this milestone, I have intentionally focused upon the fortunes of the original South African Prospects portfolio since the Australian, British and US portfolios have not been around long enough to justify my making any realistic claims about their durability.

But, for the record, the New York portfolio which is the oldest of the latter illustrated on the right and which was launched in August 2019, this has grown by an annual compound 686 percent from $1-million to $2.35-million. The London portfolio has grown from £1-million in December 2019 to a current £2.3-million while the Australian portfolio has grown from Au$1-million in December 2019 to Au$2,1-million.
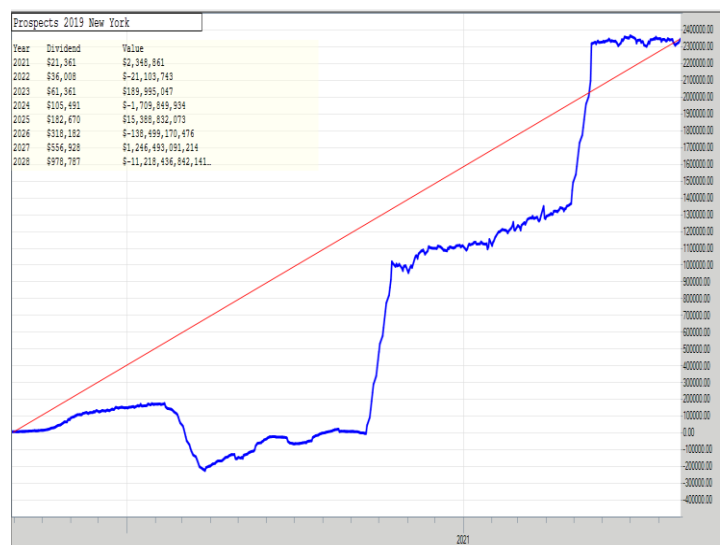
Since, in all of these latter I have recently created a large percentage of cash in anticipation of the large market correction that is currently under way, all three are currently demonstrating similar S-shaped performance graphs because, of course, cash does not grow in economies where interest rates are nearly zero. But the fact that all three have done as well as they have, seems to reasonably suggest that the ShareFinder algorithms can be successfully applied to other markets where analysts like myself do not possess the easy market familiarity of a lifetime of following our blue-chip corporates. But I really do not want to make that claim for a few years more until all markets have been through at least one more major bear phase which, in my own experience, will offer the only realistic durability-test of the portfolios.

I mention all of this since the New York portfolio is about to change from a virtual to an actual status at the request of many readers who have long nagged us to be allowed to directly participate. It will follow the same cryptocurrency methodology which ShareFinder International had intended following in order to list on the Decentralised Exchange because of the obviously superior investor mobility that system offers. Anyone wishing to opt out of the portfolio will thus be able to at any time cash in their entire investment with just a few computer key-strokes because of the lightning-fast nature of these markets of the future. The ShareFinder International listing has in the meantime been temporarily shelved until such time as its fast-growing subscription base attains a revenue level which better represents its intrinsic value.

Though ShareFinder International is starting with a NYSE portfolio, the intention is for it to ultimately become a composite of all the world's major share markets. In the immediate future it will aim to represent the five markets currently supported by the ShareFinder system: by adding a selection of Blue Chips representing the best in the Nasdaq, London, Australian and Johannesburg stock exchanges, but these will only be bought into it once their current bear phases have bottomed and reliable new growth prospects lie on the horizon.

Meanwhile, last Friday I drew readers' attention to the then up-coming address by US Fed Chairman Jay Powell to the Woods Hole monetary policy conference which was likely to come as close as there has ever been to a potential market-shattering egg dance. Mishandled, it had the potential to bring down the second most overpriced share market in 150 years of history and could in turn set in train a process economists have long identified as a potential game changer both for global monetary policy and, indeed, conceivably the future of democracy itself.

Though, arguably, it happened behind the smoke screen of the nightmarish events playing themselves out in Afghanistan, I believe it was one of a series of events arguably the most pivotal of my entire career as a financial journalist. Happily, Powell handled the situation like an accomplished diplomat spelling out confirmation of what everyone has long known had to happen; that a change was coming in the Fed's recent stance of monetary accommodation to both the Covid-19 pandemic and the deeper-rooted problem of global debt.

History has shown us that the only effective means governments have ever employed to get out from under the disastrous consequences of their own monetary irresponsibility, and their consequent debt burdens, has been to allow inflation to erode the value of their promissory notes. But how do you control the flames of inflation without hosing them with emergency interest rate increases which inevitably crash share markets and destroy the life savings of your pensioners?

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Well Jay Powell got the first step done with barely a tremor of Wall Street values. Indeed, as my following graph of the S&P500 Index illustrates, Wall Street went into a nervous retreat from a fortnight before Powell's speech on August 13 to August 19 and then, presumably market-makers began receiving word that the Fed was not intending to shake things up at this stage and, although the Doubting Thomases did beat a retreat the day before Powell spoke, it is clear that investors were reassured by his words of calm. The Fed is going to taper off its purchases of US Government debt over the next few months he said, but it would do so while keeping interest rates in check.


I am pessimistic because I do not think one can realistically control a monetary avalanche. However, I have learned that the artificial intelligence that I and my team long ago constructed within the ShareFinder engine is better at predicting the future that I am. So, as you can see in the graph below, ShareFinder senses that the market will continue upwards until the end of the year at least:

The impact has instead been upon the US Dollar which has lost value in a quite remarkable fashion, falling, in the example below in relation to the South African Rand from an exchange rate of R15.3952 on August 20 to a current R14.3757 as foreign investors have sold their US sovereign debt holdings. The effect for US exporters will of course be highly beneficial in the months ahead, just as it will hurt South Africa's export earnings and the tax windfall that is currently funding the ANC Government's emergency poverty relief measures.
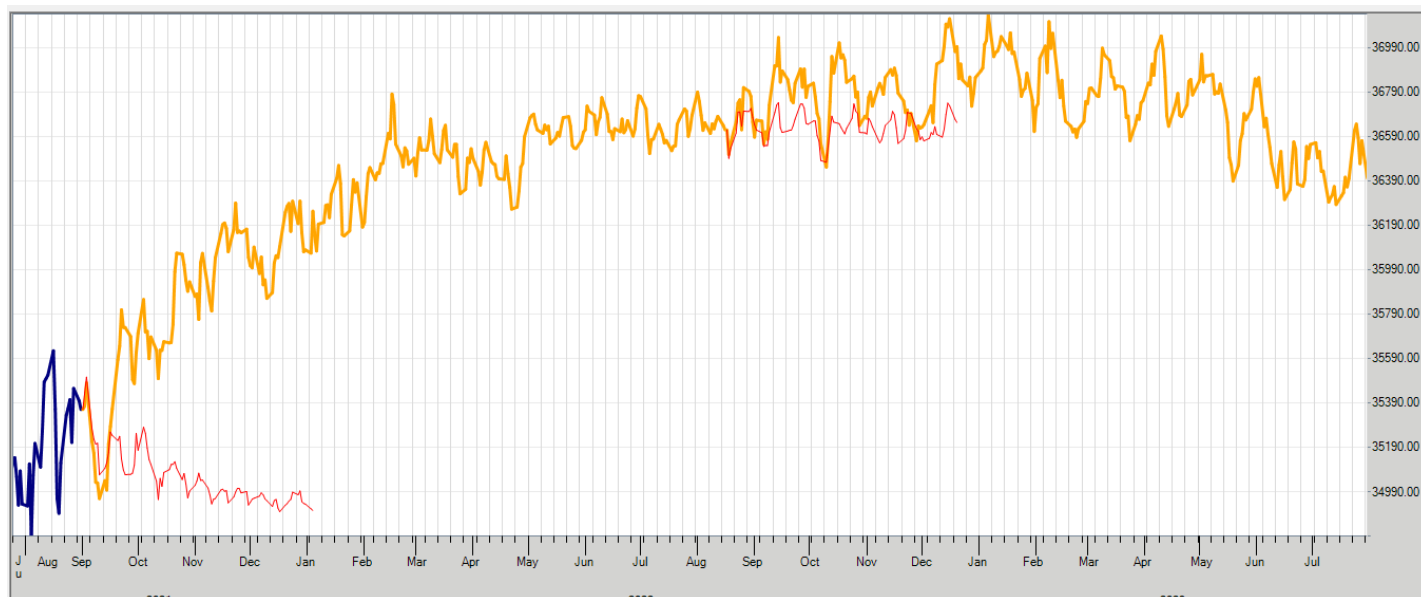
That red trend line in my graph represents the 30-year average devaluation of the Rand of 5.7 percent relative to the US$, and highlights the fact that the Rand reached a long-term apex valuation of R13.62 to the dollar in June this year from which a rebound was inevitable. Now ShareFinder suggests that another strengthening is likely to continue until the beginning of November with R14.24 in sight.

Meanwhile the yield on short-term US treasuries is falling rapidly from a peak of 6% to a current 4% in the graph below left, while 30-year bonds have risen from a low yield of 1.8% to a current 1.96% as illustrated on the right making clear that short-term optimism is not balanced by the long-term market view:
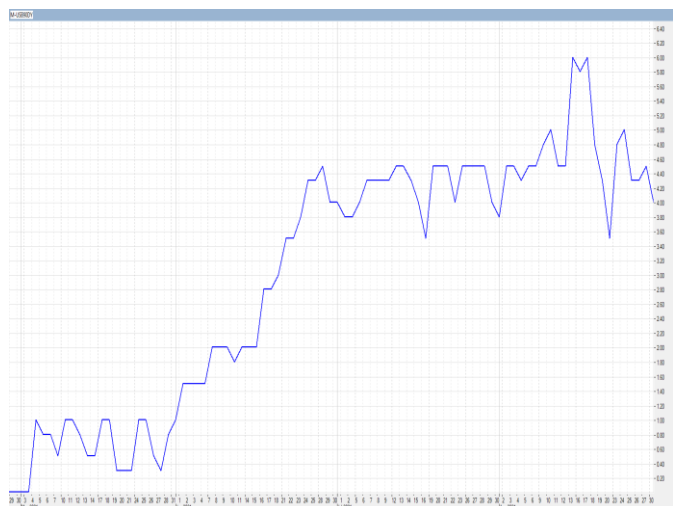
The long-term view is thus that US inflation will continue rising and that is, of course positive for equity markets since investors will buy shares as a hedge to protect their assets against the inflationary loss. And if, true to his word, Jay Powell does not allow US domestic interest rates to rise excessively in order to counter an overheated money market, the whole process might just be kept in balance for the foreseeable future, justifying ShareFinder's long-range projection of the Dow Jones Industrial Index, the oldest and most accurate of ShareFinder's analytical tools, which in the graph below suggests gains until January 2023…and only a modest bear phase thereafter.

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Meanwhile, I came across an interesting US statistic this week created by the US Federal Reserve's Survey of Consumer Finances which suggests the median retirement savings level for Americans of all ages was $65,000 in 2019. That converts to R941 850 in South African money which implies for an envious world that every American is almost a millionaire….at least in Rand terms.

For US families aged between 35 and 64 with assets in IRAs or DC plans, the mean was $269,600 of R3.9-million which is only equaled, according to the World Inequality Database, by the Top One Percent of South Africans!

Do enjoy your weekend!

The month ahead:

New York's SP500: I correctly anticipated a brief up-tick followed by weakness until the second week of September and I still see the low on the 9th.

Nasdaq: I correctly saw gains until the end of August followed by weakness from August 30 until mid-September ahead of a recovery until April.

London's Footsie: I correctly predicted a volatile decline which I continue to expect to last until next June.

Germany's Dax: I correctly predicted that weakness would well into the New Year.

France's Cac 40: I correctly predicted the volatile declining trend that I expect will continue until mid-2022.

Hong Kong's Hangsen: I correctly predicted a volatile recovery which I expect to last until early December.

Japan's Nikkei: I correctly predicted a few months of upward trend until the end of October before a long decline sets in.

Australia's All Ordinaries: I correctly predicted an end to the gains in mid-August followed by declines until mid-October when a sharp recovery is expected until December.

JSE Top 40 Index: I correctly predicted the interim recovery was temporarily over with declines likely until September 10 followed by gains until early October ahead of four months of weakness.

ShareFinder JSE Blue Chip Index: I correctly forecast that the brief recovery was over with weakness now likely until mid-September. However, the signs now oppose one another until the middle of the month though a new peak seems likely in mid-October. Thereafter I see a long decline until mid-year.

Rand/Dollar: I correctly predicted the start of gains until early November and then weakness to the end of January.

Rand/Euro: I correctly sensed a period of gains until September 7 followed by weakness until March.

Bitcoin: I correctly predicted brief losses. Now I see gains until the first week of October another longer bout of weakness seems likely.

The Predicts accuracy rate on a running average basis since January 2001 has been 86.36 percent. For the past 12 months it has been 93.2 percent.

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