



Our Weekly Paid Newsletter

Richard Cluver Predicts

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



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Investec's 'Daily View' column kicked off yesterday with the observation that: "Most markets sold off (on Wednesday) and this morning, as traders looked ahead to today's meeting of the European Central Bank (ECB) and for signals of when central banks might start winding back their stimulus programmes, the so-called "taper".

Hot on the heels of 'the Big One' when US Fed Chairman Jay Powell stood up to address the Woods Hole economic policy conference in the US recently, meetings of the ECB are arguably only less influential than speaking events involving Mr Powell and those of the amorphous party representatives who speak for China. So, it is a big deal and by the weekend we should all know if most of the world's share markets are on their way down for the long haul!

ShareFinder has for months been signaling the cyclic probability of a significant bear phase lasting around six months and, only recently, began moderating that view with respect to Wall Street where the greatest amount of monetary stimulation in economic history appears to have, at least temporarily, turned back the tide.

Here a note about how ShareFinder's artificial intelligence system works: readers need to understand that the computer programme seeks out the patterns of repetitive economic cycles that are inherent in every market and then uses the latest trends to fine tune the moment.

If that seems an over-simplistic explanation it is indeed just that because we included 'machine learning' in the process and so ShareFinder learns from ALL of its past mistakes and adjusts its equations accordingly. That is why long-term readers will have observed how my performance statistics appearing at the end of this column have steadily improved over the years. The gains are now happening only at the two decimal point level so it is even slower than the proverbial rate of watching paint dry.

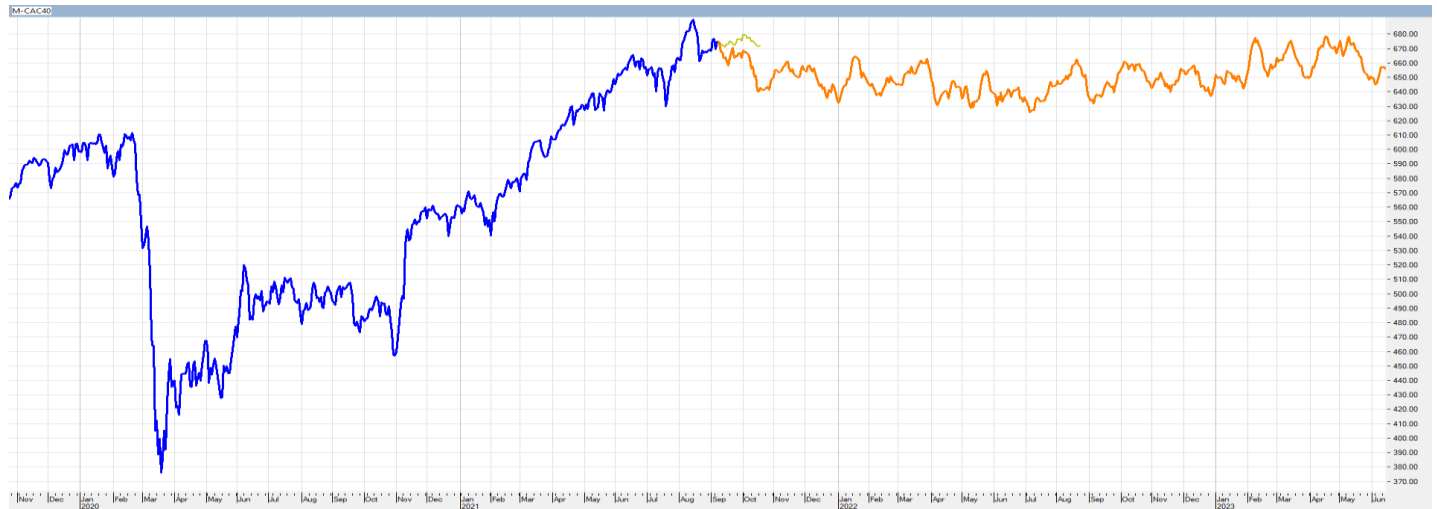
But ShareFinder is still learning and for as long as frail men continue to dominate the system, irrationality will continue to happen; and if you think that is bad, just remember that machines have no soul.... they don't care if share markets crash, if economic depressions result and family fortunes are lost forever. That is why we need to be thankful for the efforts of men like Jay Powell in the US and women like Christine Lagarde in Paris whose, we hope, compassionate hands on the tiller of world finance, try their best to keep the world on as even a course as possible.

Thank God they are human! But humans do make mistakes...often...and the odds each time around get steadily steeper. That is why wise custodians of family fortunes both great and small need to be ever more alert to the changes taking place around them. I have been warning increasingly stridently about a cataclysmic event which lies inevitably ahead. Economists who visualize it call it **The Great Reset** which, at the very least, recognizes that the US can not for long, on its own, continue to be the Banker of Last Resort to the world, free to manipulate currency values to suit its own, rather than the world's, most important agendas.

In the worst-case scenario, China's Xi Jinping appears to be the most prominent contender to take on ultimate custodianship of the world's monetary system and, given the way totalitarian power is exercised over the unfortunate inhabitants of that Orwellian society, the rest of the world will obviously fiercely resist such a power grab.

But let me not speculate upon things I am not really equipped to prognosticate upon and stick to the things I think I understand; global investment markets which are today waiting to hear what Ms Lagarde and her ECB colleague decide.

I should normally start with the JSE because most of the readers of this column are, for historic reasons, in South Africa. But the Paris exchange is obviously closer to Mme Lagarde's heart so, for perspective I have created a long-term Cac-40 graph which makes it clear that the market decline has been under way there since mid-August and is likely to continue until next July at least.

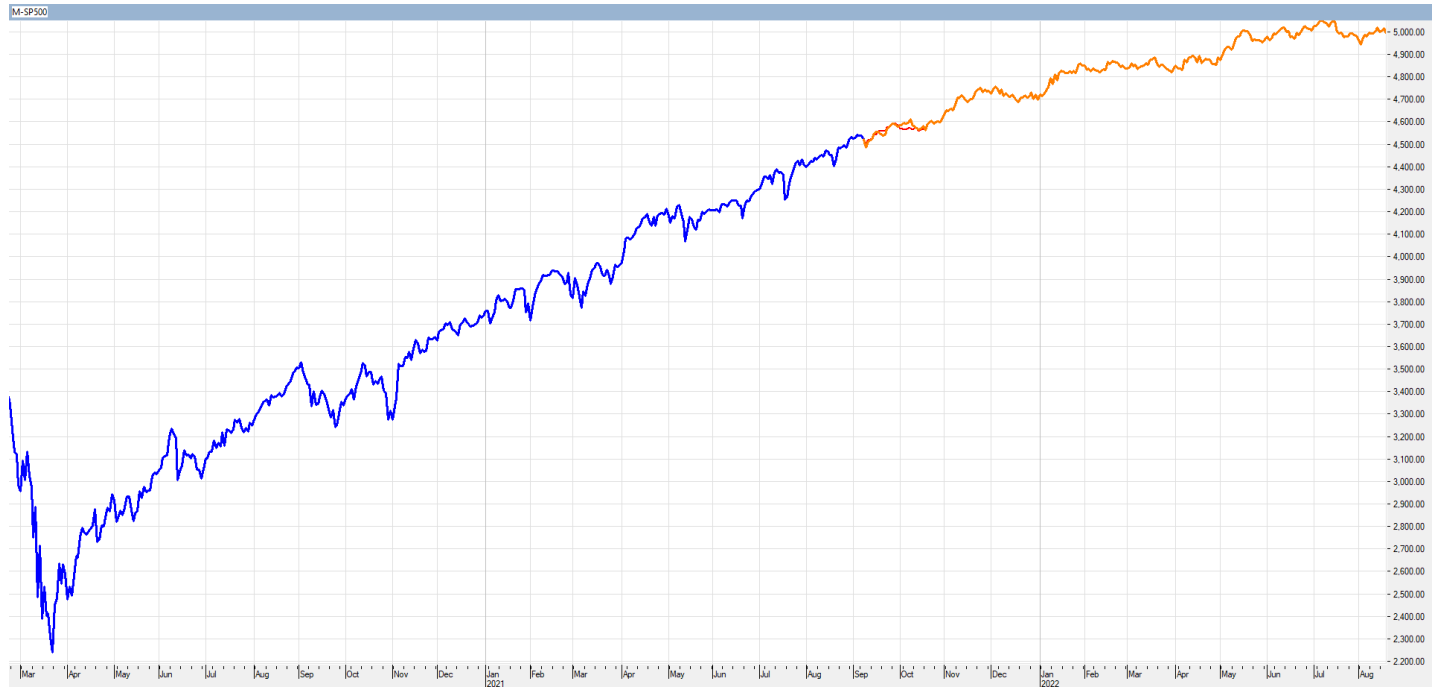


But do pay attention to the (yellow) short-term projection which, if you look carefully at the middle, you can just see that a brief recovery began on August 23 and, ShareFinder predicts, it will continue at least until October 1 before once again giving way to pessimism.

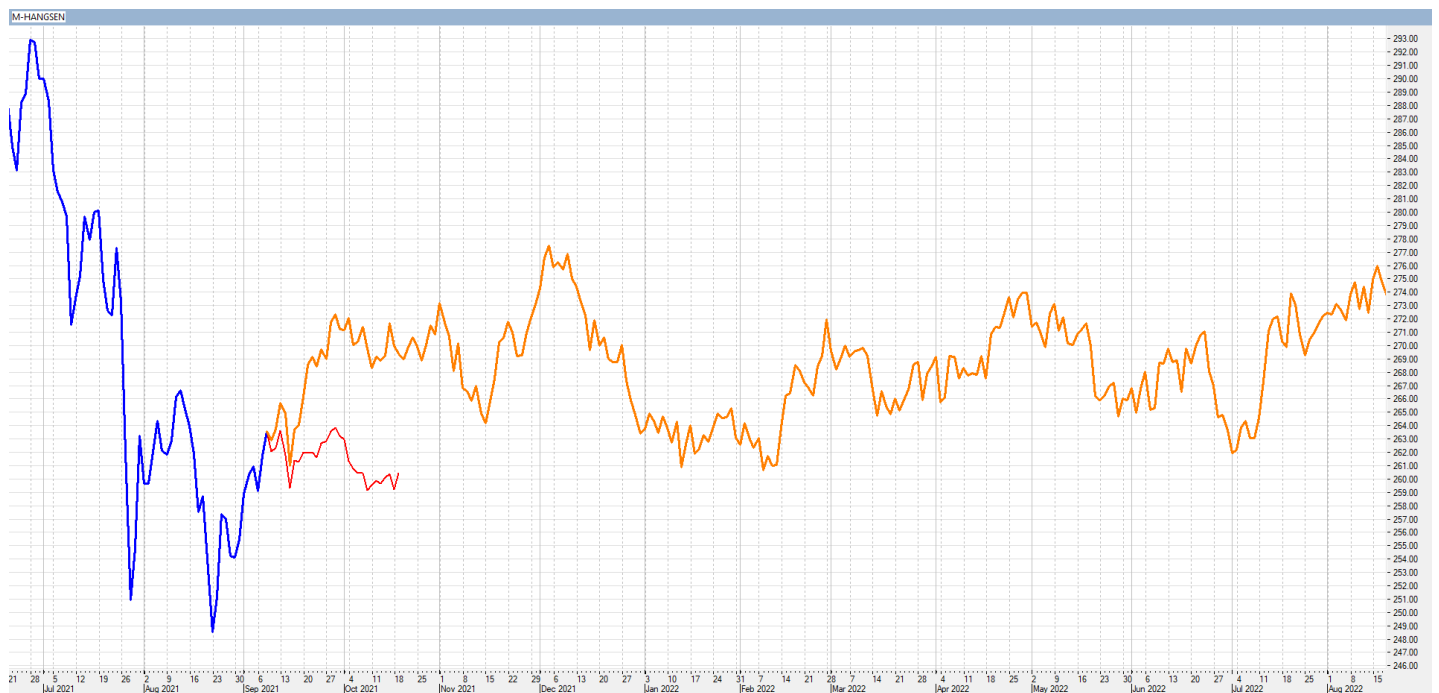
The JSE, as depicted by the All-Share Index below, is understandably infinitely more volatile as befits a country in the grip of political crisis and, judging by the ShareFinder projection from October 7 to mid-February, we are unlikely to be very happy with the election outcome:



For the USA, this week shrugging off the “noise” of the Biden blunder far away in Afghanistan – a land which less than half the US population could locate on a world map as the country that provided Al-Qaeda with safe haven prior to the terrorist attacks of September 11, 2001 and despite America having waged a war there for nearly two decades, the market graphs could not be more different.



ShareFinder projects that the S&P500 Index will continue climbing steadily, at least until next July with the interim weakness I have recently identified, over from today. Meanwhile, over in the Far East, Hong Kong’s Hangseng Index sees gains until early December with a sideways to weak market for the first half of the new year:



In other words, Sharefinder thinks it is business as usual in the busy world of finance and investment. Nevertheless, the Great Reset fear is a tangible thing when one turns to the alternative world of Decentralised Finance which is still in an explorative state since the creation of the blockchain algorithm made it possible for investors to dream of another economic system in which banks that yesterday were “too big to fail” are becoming increasingly irrelevant.

It's hard to imagine a world in which the Receiver of Revenue will be unable to send at least a mild shiver down the spine of even to most conservative of citizens, but pundits of the blockchain are confident that in the near future the Tax Man will also be significantly cut down in size to a mere bag man only able to reliably extract revenue from all of us via Supermarket tills in the form of VAT. What that implies for the politicians who currently strut world stages like the kings of old, is open to speculation. Privately, I suspect, however, that this opportunistic species will by then be long gone back to the used car lots they formerly frequented and some sort of universal computer system will be seeking global consensual government.

If you think that is some wild flight of fancy, do note that this week, El Salvador adopted Bitcoin as an official currency; likely to be only the first of many! China is meanwhile preparing to mint its own Government version.

Meanwhile, one of America's most influential politicians, Senator Elizabeth Warren, Democrat of Massachusetts, said crypto's entry into banking was cause for alarm. “Crypto,” she said, “is the new shadow bank. “It provides many of the same services, but without the consumer protections or financial stability that back up the traditional system.”

“Customers with crypto holdings can earn much higher interest rates than at traditional banks, and they can borrow money, using crypto as collateral, often with no credit checks. (But) The high rewards come with potential dangers as deposits aren't federally-insured and networks can be vulnerable to hacks and fraud, she said.

“The market is expanding quickly — in all sorts of directions. There are businesses with similar models to traditional consumer-oriented banks, like BlockFi. It's centralized and transacts with more than 450,000 customers in cryptocurrency, offering loans based on crypto collateral as well as interest-bearing accounts.

Robert Leshner, founder of Compound, an automated lending platform, added the view that the world of decentralized finance, or DeFi “...where markets are controlled by computer code and devised to be governed by users.” is even more radical.

“At every juncture, the speed at which decentralized finances has just, like, started to work has caught myself and everybody off guard,” he said. Traditional banks are torn, and regulators are scrambling to catch up.

“Through their trade associations in Washington, banks are pressing lawmakers and regulators to rein in crypto competitors, and officials are considering new rules. At the same time, banks are venturing into crypto and doing business with blockchain finance start-ups because it's clear there is a lot of money to be made.”

What is clear, is that the Blockchain is already a dominant feature of the coming economy and EVERY investor needs to gain a thorough understanding of what it is likely to mean for him!

Do enjoy your weekend!

The month ahead:

New York's SP500: I correctly saw yesterday, September 9, as the market low with gains from here on in until the first week of December when a fortnight of weakness represents the next minor reversal in a market likely to keep on rising until the middle of the New Year.

Nasdaq: I correctly saw gains until the end of August followed by weakness until mid-September. October is likely to be a down-month but then it should be up-hill until mid-December.

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 weakness which I see lasting until mid-October ahead of brief gains until the second week of November. Thereafter it is steadily down until early April.

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. In the interim I now see a brief retraction until the 15th.

Japan's Nikkei: I correctly predicted a few months of upward trend until the end of October before a long decline sets in. In the interim I now see a brief retraction until the 16th.

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. Thereafter I see it bumping along the top until mid-March before the next long decline sets in.

JSE Top 40 Index: I correctly predicted declines likely until today followed by gains until early October ahead of four months of weakness.

ShareFinder JSE Blue Chip Index: Last week the signs were opposing so correctly I opted for gains until mid-October. Thereafter I see a long decline until mid-year.

Rand/Dollar: I correctly predicted the start of gains which I still expect to last until early November followed by weakness to the end of January.

Rand/Euro: I correctly sensed a period of gains until now. Now I see the beginning of weakness until mid-March.

Bitcoin: I correctly predicted brief gains which I still see lasting until the first week of October when another longer bout of weakness seems likely until the end of February.

The Predicts accuracy rate on a running average basis since January 2001 has been 86.38 percent. For the past 12 months it has been 93.62 percent.
