Our Weekly Paid Newsletter

Richard Cluver Predicts

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

Volume: 38

23 September 2021

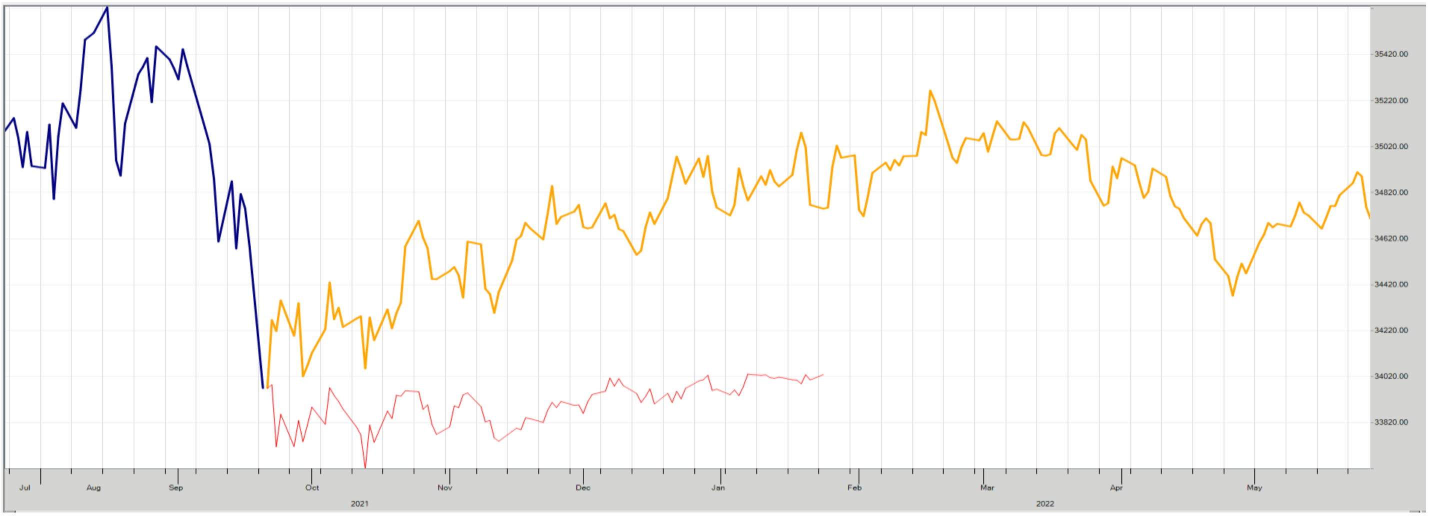
Though barely a week ever goes by that I am not once more awestruck by the incredible predictive power of our ShareFinder software, in all the years since we first launched our predictive algorithm I have never quite been able to get over my superstitious belief that such accuracy is surely impossible.

Now I know that readers will find that view hard to stomach. After all, as so many of you have so often pointed out, “You authored the thing, so why don’t you completely trust it?”

I suppose the truth of the matter is that like every proud father, one can never quite believe that one’s sons and daughters, who inevitably messed up so regularly as children, have now grown into amazing adults who are so much smarter and more accomplished than we ever managed to become, I have never really got used to the fact that ShareFinder these days so regularly exceeds all my early expectations.

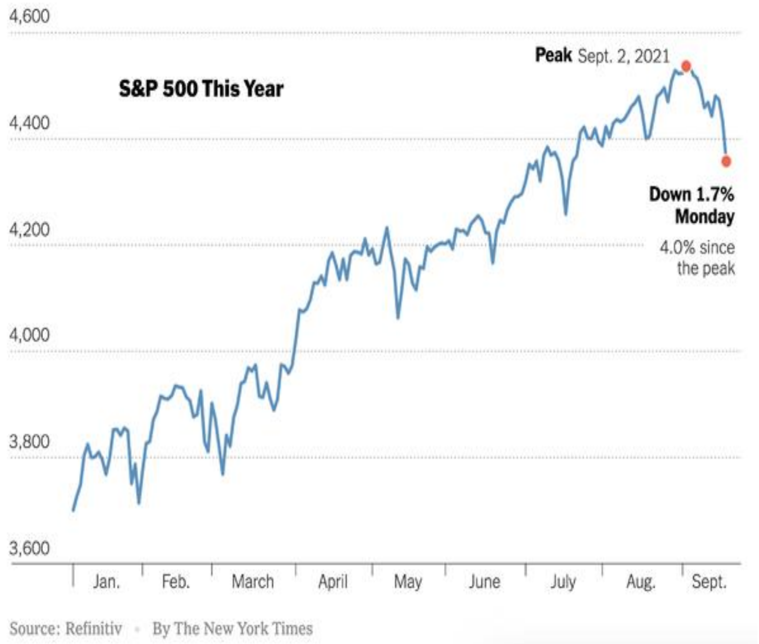
The latest case in point was ShareFinder’s prediction from at least a year ago that, led by Wall Street, most global markets would experience quite a severe retraction this September. Long ago I accordingly moved out of all my risky investments and created substantial amounts of cash in my portfolios. However, as the months went by, steadily improving US market performance, riding on the back of the most aggressive government stimulus the world has ever seen, led to ShareFinder steadily reducing the severity of the retraction it was anticipating.

Furthermore, ShareFinder saw September 9 as the likely bottom of the event and, of course the market continued falling until the 13th before beginning to retrace itself. So ShareFinder got the date wrong as well and my pessimism seemed vindicated. But then BANG, the Evergrande property developer crisis blew up in China this week and its contagion rapidly began spreading to world markets with Wall Street taking it quite badly. So here is what ShareFinder now thinks lies ahead for the Dow:



Published by Sharefinder International
http://www.sharefinderpro.com
richard@rcis.co.za

The thin red projection represents the short-term outlook and is usually the more accurate of the two future options so you should interpret the graph as expecting Wall Street shares to continue losing value until October 14 before beginning a slow recovery which will trend upwards until February 18 before the next decline begins with a subsequent bottoming in late April.



Source: Refinitiv · By The New York Times

Most troubling to analysts currently is why the potential implosion of just one Chinese property company should so rattle global markets? On Monday the widest measure of Wall Street stocks, the S&P500 index experienced its biggest single day drop since May...even to the extent that some analysts were reaching for a name that is only ever voiced with extreme caution; the "L" word: Lehman Brothers.

But, of course, Evergrande is not just "one property company". The Chinese real estate giant had debt exceeding $300 billion and faces another big payment deadline today! Furthermore, quite a number of other Chinese property developers currently appear "highly distressed." According to Goldman Sachs' strategists who this week estimated that an Evergrande collapse could cut China's G.D.P. by $350 billion in the next year.

But for now, the global repercussions of Evergrande's troubles aren't considered on the same scale as those that followed Lehman's collapse, even if some of the debt owed by Chinese developers is held by foreign firms who could get burned if the cash isn't there.

Notes: Based on inflation-swap rates. Data through Sep. 17
Source: Refinitiv

Yesterday, the Chinese government acted to calm things down a little, pouring nearly 20-billion US dollars into Evergrande. But that is only part of the story. There are plenty of other concerns hanging over the market. One factor I have dealt extensively with is inflation which, as the graph on the right illustrates, is on the rise everywhere.

Other worries include the spread of the Delta variant of the coronavirus, the end of pandemic emergency spending programs, the fraught negotiations over trillions of dollars in new spending, a looming fight over the US government's debt limit, and a potential start in the reduction of monetary stimulus by the Fed, just to name a few.

But, there have been several positive notes as well. Notwithstanding the concerns about the Chinese property crisis and wider concerns about Covid's effect on the global commercial property market, a new property acquisition by Google has inspired considerable discussion. Since Google is thought to know everything about the world's private thoughts, investors are pondering the fact that Google has just completed one of the most expensive office purchases in US history. In shelling out for a NYC office, Google is showing that "coming together in person to collaborate and build community will remain an important part of our future", it said in a blog post.

Furthermore, concerns that the share market is extremely overpriced did not deter investors, when Universal Music Group, the world's biggest music company, went public in Amsterdam this week. Shares of the label, which represents mega-artists like Lady Gaga and Taylor Swift, leapt nearly 40% to give the company a market value of $55 billion.

But there was bad news for South Africa this week in a report from Canadian think tank, The Fraser Institute whose newly-released annual economic freedom report includes an entire chapter titled 'The Dangers of South Africa's Proposed Policy of Confiscating Property'. The institute which annually publishes a global economic freedom index together with annual assessments of the investment environment in mining jurisdictions, has ranked South Africa way down at 84th on a list of 152 countries analysed.

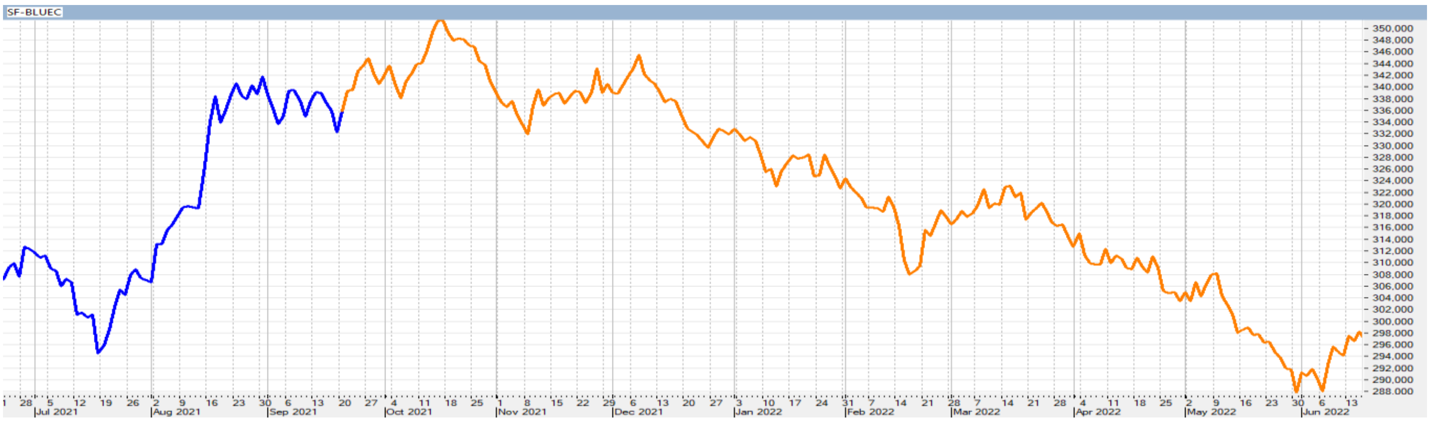
Its key reasons for concern is "expropriation without compensation" and it includes a whole chapter commenting on "The Dangers of South Africa's Proposed Policy of Confiscating Property". Written by Martin van Staden of the Free Market Foundation, the report highlights the additional layers of risk that the property issue adds to the uncertainty facing foreign investors in South Africa.

Van Staden observes that the Expropriation Bill will almost certainly become law which will make "…it significantly easier for government to engage in expropriation".

"The uncertainty and dangers that come with such an awesome power cannot be overemphasized. There is no assurance to domestic or foreign property owners and investors that their assets are safe from an expropriating authority simply deciding to confiscate their property arbitrarily," says Van Staden, adding that, "…some of its provisions are framed so broadly that it would enable any new, abusive government to victimise property owners.

The report points to events that unfolded in Zimbabwe and Venezuela when property rights were undermined. No country that wants to attract outside investment – and ANC mandarins maintain this is one of their key economic goals – wants to be lumped alongside Zimbabwe and Venezuela. Especially in a global report that is high on investor radar screens.

Meanwhile, ShareFinder sees our Blue Chips topping out in mid-October and then it's downhill until June:



Do enjoy your long weekend!

The month ahead:

New York's SP500: I correctly noted that the fallout of the US inflation rate analysis could last as long as another week before things turned upwards again. Now I sense that the market will bump along the bottom until mid-October before resuming its upward trend.

Nasdaq: I correctly saw the beginning of a brief recovery which I expect to last until the 29th ahead of another down month in October. From the end of October until mid-April it is likely to be another positive period.

London's Footsie: I correctly predicted a volatile decline which I continue to expect to last until next June. In the interim I now see a brief recovery until October 8.

Germany's Dax: I correctly predicted weakness which I see lasting until mid-October ahead of brief gains until the second week of November. The declines have, however, been overdone and so I see a brief recovery until October 5. 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 brief retraction ahead of very volatile gains 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. Now I see an interim peak around the 28th followed by a decline until mid-October and then another final up-trend to early November ahead of a long decline until April.

Australia's All Ordinaries: I correctly predicted a decline which I see lasting until the 28th until a two-month recovery sets in. 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 the start of a recovery until early October ahead of four months of weakness until mid-February.

ShareFinder JSE Blue Chip Index: I correctly opted for gains until mid-October. Thereafter I see a long decline until mid-year.

Rand/Dollar: I was premature in predicting the start of volatile gains until early November followed by weakness to the end of January. But the recovery should start within days.

Rand/Euro: I correctly predicted the beginning of weakness until early-March.

Bitcoin: I wrongly predicted brief gains. Now I still see weakness until late December.

The Predicts accuracy rate on a running average basis since January 2001 has been 86.4 percent. For the past 12 months it has been 93.61 percent.

Published by Sharefinder International
http://www.sharefinderpro.com
richard@rcis.co.za