Our Weekly Paid Newsletter

Richard Cluver Predicts

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

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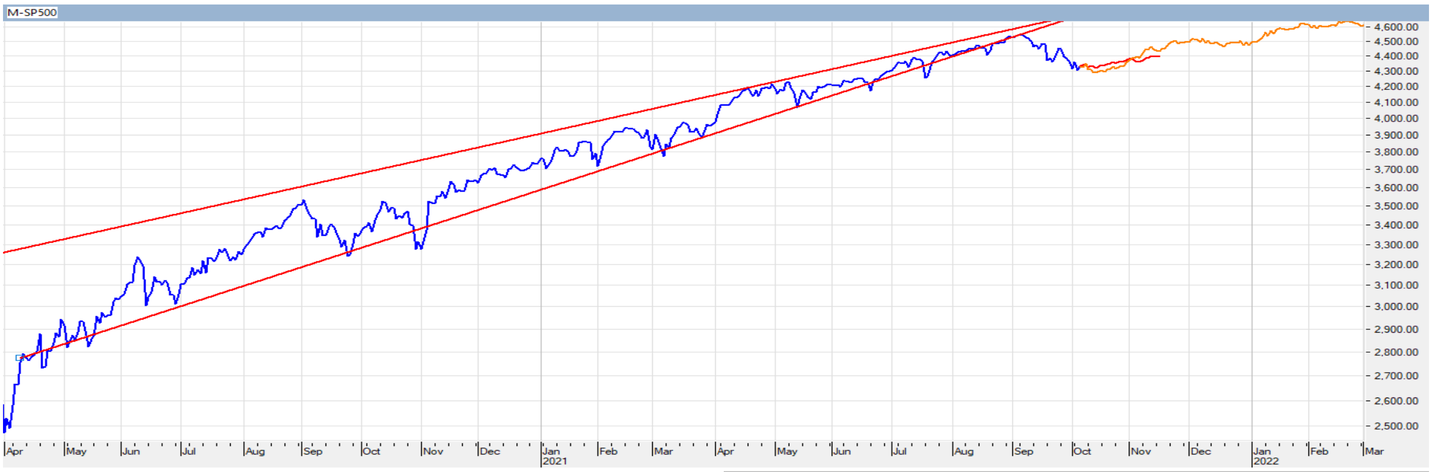
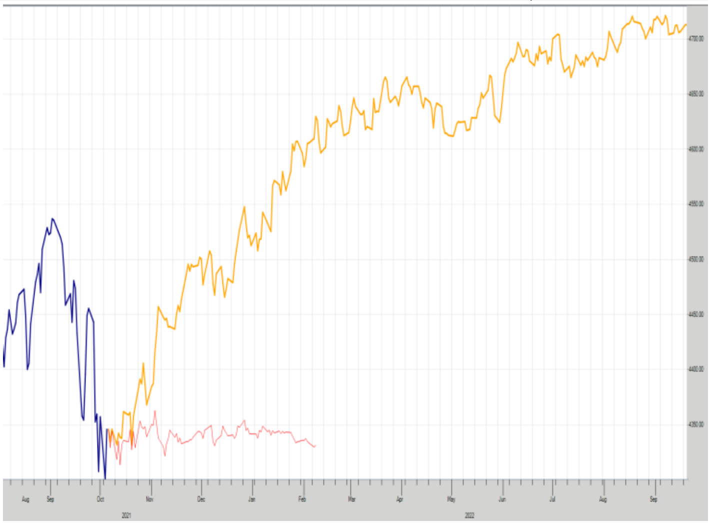
Well over a year ago ShareFinder first began projecting a share market down-turn in the United States during September and now it is becoming clear how accurate that forecast was. Furthermore, with energy markets in turmoil all around the world and the Evergrande saga in China focussing attention upon the unsustainability of that country's centrally-planned flirtation with capitalism, the inflationary consequences of excessive borrowing in the US and a political impasse over the US debt ceiling, everything is conspiring to make investment markets a tricky place to navigate right now.

So let's start with the latest ShareFinder projection of the widest measure of Wall Street behaviour illustrating the accuracy of the year-ago forecast, noting that both the short and medium term projections are continuing to emphasise that a recovery is already under way. In passing, note the pennant formation my trend lines have emphasised which, inevitably, resulted in the break-out ShareFinder had predicted:



At close range, you can see, on the right, that ShareFinder believes the recovery has already begun and so there is no need to panic at this stage. Furthermore the next bout of temporary weakness does not appear likely to happen until early April and that is likely to last no more than a month. Do note, however, that the thin red short-term projection senses a slightly different scenario unfolding with further weakness until mid-October followed by recovery until November 4 when a short downward burst will likely precede a recovery until the end of the year. In different magnitude the medium-term projection, nevertheless more or less agrees.

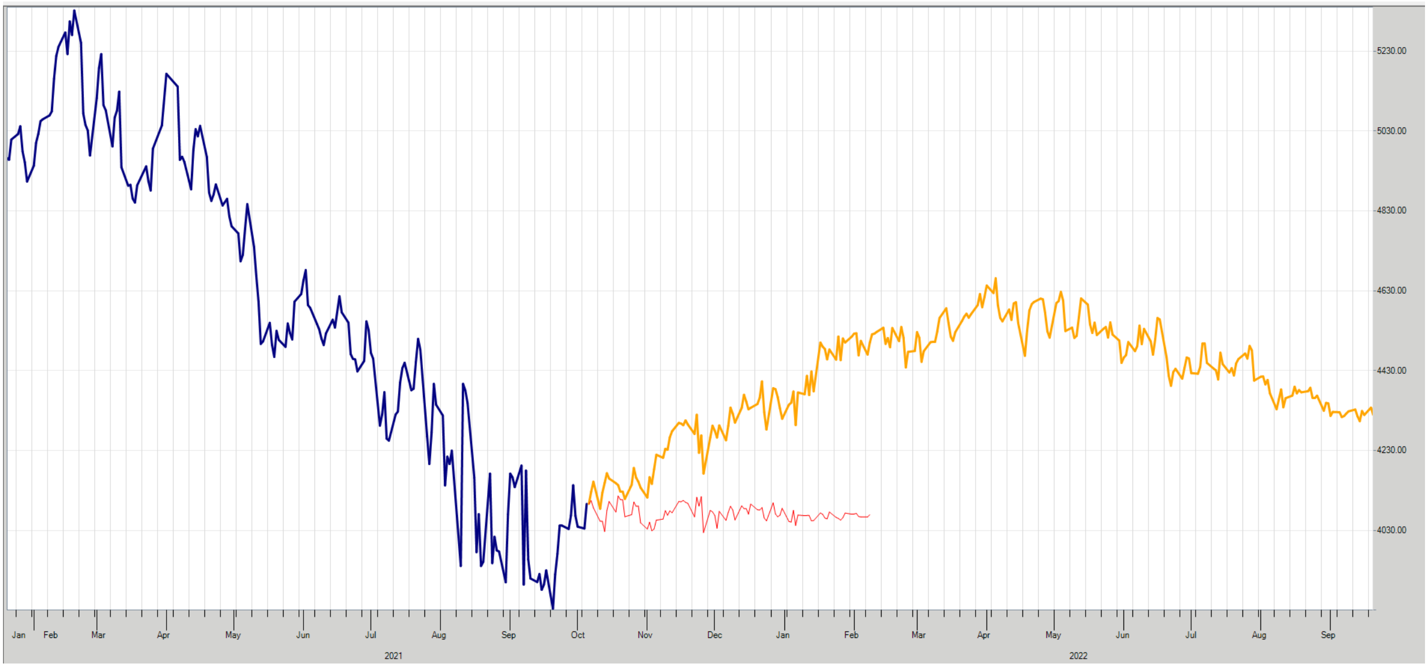


Across the pond, the James Willhite of the Wall Street Journal has drawn attention to the fact that the US services sector gained in September for its 16th straight month of growth and that the US trade deficit (imports minus exports) grew to a record $73.3 billion in August. U.S. stock futures fell and bond yields rose Wednesday, pointing to another bumpy day on Wall Street.

Here in South Africa, many investors are deeply-troubled by the continued presence of Gwede Mantashe as head of Minerals and Energy, blaming him for both the single handed destruction of most prospecting in this former top GDP earning sector and for holding back our transition to green energy with its offer to salvage much of Eskom's debt problems. They will thus no doubt register satisfaction that Gwede got a bloody nose in the courts this week. The courts' finding that "once empowered is always empowered" might hopefully lead to some re-energising of the mining industry in this country. Hopefully too, the court finding might prove to be the final straw for President Ramaphosa because our critically failing economy simply cannot afford roadblock specialists like Mantashe in such positions of power.

Here, it seems timely to highlight the fact that the unexpected minerals export bonus South Africa received to temporarily correct our desperately declining tax income stream had mostly run its course by the end of February so far as the platinum markets were concerned. But we might be seeing the start of another bite of the cherry. Platinum prices turned upwards once more in mid-September and could, if ShareFinder is correct in the graph below, run upwards until May at least.

There is, furthermore, good news for local investors in the shape of the ShareFinder JSE Blue Chip Index which has started recovering and is projected to continue making gains until at least the end of April:



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http://www.sharefinderpro.com
richard@rcis.co.za

Do enjoy your weekend!

The month ahead:

Making the following projections I have long looked for correlations between the projections made by the ShareFinder 5 and 6 programmes. Sadly these have been diverging due to a decline in the accuracy of the data available to SF5. I need to thus warn users of SF5 that a decision has accordingly been made to discontinue support for this programme as from the end of December.

New York's SP500: I correctly predicted that the market would bump along the bottom until mid-October before resuming its upward trend. Now I see an earlier recovery and continuous gains from here until the second week of December.

Nasdaq: I correctly saw further losses though I expected them to last until the 13th to the 14th ahead of gains until the end of November. So I failed to predict this week's early turn-around which I expect to be over by the 13th/19th followed by a run down until the end of the month and then another month-long recovery within a bumpy ride to an April peak.

London's Footsie: I correctly predicted a volatile decline which I continue to expect to last until next June. In the interim I correctly saw a brief recovery until today but that is probably over now.

Germany's Dax: I correctly predicted weakness lasting until about now ahead of brief gains which have now started and are likely to continue until the second week of November. Thereafter it is likely to be down again until early January ahead of a fortnight of gains and then down again once more 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 retraction which I now see being prolonged until mid January followed by of very volatile gains for the first half of the New Year.

Japan's Nikkei: I correctly predicted last week's interim peak 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 until late this month ahead of a three-month recovery sets until mid-January. Thereafter I see it bumping along the top until mid-March before the next long decline sets in until at least next September

JSE Top 40 Index: I correctly predicted the start of a recovery until now ahead of four months of weakness until mid-February.

ShareFinder JSE Blue Chip Index: I correctly opted for gains which I now see lasting until May.

Rand/Dollar: I correctly predicted a brief recovery which I still see lasting until the third week of October ahead of further losses until late January.

Rand/Euro: I correctly predicted weakness which I expect to last until early-May.

Bitcoin: I have been repeatedly early in my predictions in this extremely volatile market which attests to the need for a long database which in the case of Bitcoin clearly cannot exist. Thus I wrongly saw weakness until late December and now see losses until at least March.

Mantashe punts 'clean' coal at mining summit while Cabinet colleagues pitch green energy finance to rich countries

By Ethan van Diemen• Daily Maverick 3 October 2021

While he supposedly had to attend to a family commitment that precluded his attendance at a significant green finance meeting, Gwede Mantashe's verified Twitter account was sharing videos of the minister extolling the virtues of coal mining and power to delegates at the Limpopo Mining Investment Conference.

He had commitments.

"Prior commitments which are family-related", but he "also believed that the government delegation at the time was sufficient."

This, according to his spokesperson, is why Minister of Mineral Resources and Energy Gwede Mantashe could not attend the meeting between representatives of the world's richest countries who came to South Africa seeking a deal that would incentivise keeping the country's coal in the ground.

Mantashe did, however, seemingly have the time available to call for greater investment in coal and "clean coal" technology in South Africa at roughly the same time.

An article in Business Maverick reports that South African Cabinet ministers met with climate envoys from the US, UK, France and Germany and the European Union on Tuesday to explore opportunities to finance and support South Africa in its plans to accelerate its decarbonisation agenda and green energy ambitions.

The climate envoys were led by UK COP26 envoy John Murton and John Morton, climate counsellor to the US Treasury Secretary. The South African delegation included Environment, Forestry and Fisheries Minister Barbara Creecy; Trade, Industry and Competition Minister Ebrahim Patel; Public Enterprises Minister Pravin Gordhan; Deputy Finance Minister David Masondo; and Deputy Minister of International Relations and Cooperation Alvin Botes. Also present were officials from the Presidency and the Treasury Director-General Dondo Mogajane.

A statement from the environment department released after the meeting said: "We recognise the consequences of climate change will be catastrophic for the world, and for South Africa in particular, without global ambitious action to reduce emissions, and address adaptation. The latest science makes it clear that in order to prevent these catastrophic consequences, an accelerated shift to a low-emissions society is required."

The statement continued: "As the largest carbon emitter on the African continent, South Africa is particularly well positioned to be the preferred partner for concessional climate (or 'green') funding to accelerate the decarbonisation of its economy."

The meeting took place between 3pm and 5pm on Tuesday, according to department spokesperson Albi Modise.

Notably absent from the meeting, however, was Mantashe. Nor was any other representative of the Department of Mineral Resources (DMRE) there. Around the time of the climate finance meeting, Mantashe's verified Twitter account was posting videos of the minister addressing delegates at the Limpopo Mining Investment Conference.

Daily Maverick reported that last week activists and mining-affected communities and organisations combating the climate crisis chained themselves to the gates of the Department of Mineral Resources and Energy in Tshwane, demanding the implementation of policies on renewable energy and for Mantashe's resignation.

Alex Lenferna, secretary of the Climate Justice Coalition, said at the protest: "Eskom has a plan on the table to accelerate the transition to renewable energy. And they're trying to secure international climate finance. And that's one of the only ways that Eskom can save itself from the mess it's in and move forward towards renewable energy. And Mantashe, the DMRE, are the only ones standing opposed to it."

As part of the #UprootTheDMRE campaign, the activists and protestors wanted the minister to come out and receive their memorandum. He didn't because he was absent.

Asked why the DMRE was entirely absent from this week's climate finance meeting, the minister's media liaison officer, Nathi Shabangu, said: "You will remember that government does not work in silos. Ministers are part of one cabinet and when the delegation that is being mentioned was part of the meeting so government was represented holistically."

He continued that "the ministers themselves would have engaged on the issues prior the meeting and they would have had an agreement on how to take the meeting forward, so that's why we say he did believe that the government delegation was sufficient to put the interests of the country forward and the interests of the continent and the world at large."

Interests of the country and world at large indeed.

An updated model of limits to fossil fuel extraction, published as an article in the journal Nature, found that "nearly 90% of economically viable global coal reserves must be left in the ground to have even a 50% chance of hitting internationally agreed climate-change goals".

"For a 50% chance of remaining below 1.5°C of global warming – the more aspirational goal of the 2015 Paris agreement – the world must not emit more than 580 gigatonnes of carbon dioxide before 2100", and "89% of coal reserves, 58% of oil reserves and 59% of gas reserves must remain unextracted."

Yet, while the government met the G4 and EU climate envoys, senior officials in the DMRE encouraged greater investment in coal until the "viability" of the alternatives to the fossil fuel are ascertained.

Asked whether the words of an energy and mining minister extolling the virtue of coal use in South Africa, while simultaneously agreeing with his government's coal-reduction plan in absentia, could reasonably be interpreted as being duplicitous, Shabangu said: "Let's take it from here, there's a commitment from the department and government as a whole to move from high carbon emissions to low carbon emissions, and how we do that is to increase investments into cleaner technologies and we are guided by the Integrated Resource Plan (IRP)."

"What government has taken is we need to also invest and look at cleaner coal technologies, the CCUS [carbon capture, utilisation and storage] coal, and so we are trying to experiment with that hence the 1,500mw that is in the IRP," Shabangu told Daily Maverick.

According to Bloomberg, Mantashe, in his closing address at the mining conference, said: "When we talk of carbon capture, storage and use, maybe it's expensive… Renewable energy was expensive, we invested and brought that into the economy and the price is coming down – we must be prepared to invest in cleaner coal technology."

A report by Dr Ranajit Sahu, released in July 2021 and titled "Comments on Potential Impacts of Proposed New Coal Generation Under the South Africa 2019 Integrated Resource Plan", assesses the most likely feasible timelines, high-efficiency, low-emission (HELE) technologies and potential air emissions of new coal generation.

The Centre for Environmental Rights notes that, among other things, the report found that "there is no such thing as clean coal, regardless of whether HELE technologies are used to minimise air emissions from coal (or gas derived from coal)", and that "given the type, cost and feasibility of existing HELE and carbon capture technologies available in South Africa, it is unrealistic to assume that HELE and carbon capture technologies can adequately mitigate the potential environmental and climate impacts of the proposed new coal capacity".

"We ought to work on what is stipulated in the IRP," said Shabangu, explaining that "there's no contestation… because we've agreed in the IRP also that there is quite a sufficient amount of megawatts from old coal-fired power stations will be decommissioned so that is in the IRP. So we're not talking in two folds, our intention

and what the minister is saying he has always maintained, is we need to ensure that in whatever we do, we don't disrupt energy supply to society.

"We must ensure that we have secured energy supply and in doing so we shouldn't expect that we can just switch off our coal-fired power stations today and hope to have electricity the next day. Our just transition would need to be systematic in the manner that we secure energy supply. So there's no contestation on moving from high carbon emissions to low carbon emissions, that is agreed and that is part of government policy."

Coal hard fact

Dr Jonathan Pershing, US Deputy Special Presidential Envoy for Climate, said in a media briefing that Africa should not follow in the high carbon-intensive ways of the West, but look to new technologies.

He noted concern about this shift being expensive, but stressed that the opposite was true.

An analysis by BloombergNEF shows that it is cheaper to build a large solar farm than it is to maintain a coal-fired power plant.

"Among the lowest prices anywhere for renewable power are in countries in Africa, building on capacity we didn't even have a decade ago," Pershing said.

He cited the Namibia-Botswana mega solar project, which he said could be the world's largest, with the world's lowest electricity cost. It could provide the countries with 5 gigawatts of energy. Embattled Eskom supplies these countries with power. Added solar energy could reduce electricity demand that the country is struggling to meet, while increasing diversity in the utility's energy mix.

South Africa, the envoy said, could also tackle its unemployment problem with alternative technologies – from hydrogen to electric cars and renewable energy, which could create jobs for "literally thousands and thousands of people". ***OBP/DM***
