Our Weekly Paid Newsletter

Richard Cluver Predicts

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

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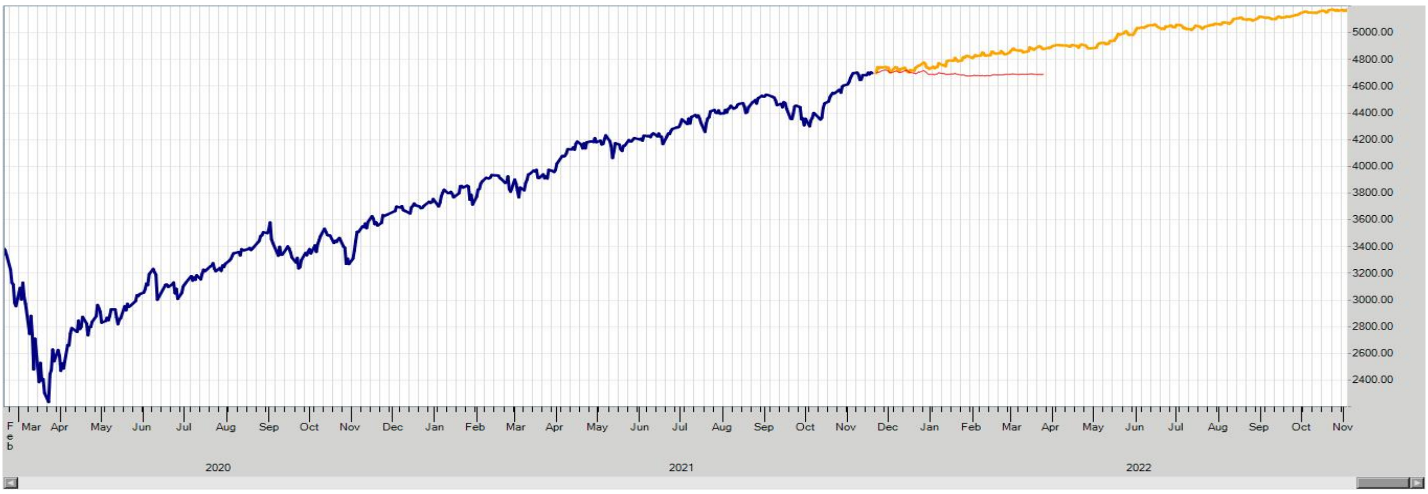
I am sure you are by now as heartily sick as I am of politics, municipal elections and the self-centered inflated egos of politicians in their daily parade across our news channels, all made worse by defeat being snatched from the jaws of victory at Twickenham last weekend. Even worse, when it looked like the DA would complete a clean sweep of South Africa's metro councils, amid a flurry of allegations of brown envelope horse trading, Durban went back to the ANC on Wednesday afternoon!

And the outlook for the world's share markets appears unlikely to add much of a frisson of joy either. Yet I am feeling oddly optimistic because of one joyful sight last weekend as I returned from a sanity break in my beloved Drakensberg.

Readers might recall that the Natal midlands town of Howick was one of the first of the DA victories. It was a small town with, arguably the worst road pothole problems in the country – unless of course you have had the misfortune to visit the Transkei lately – and so my joy on entering Howick last weekend was to note a flurry of repair work going on. By now, I suspect, Howick is likely to be the first pothole-free municipality in KZN and it has given me a vision of the future without the ANC together with the realisation that South Africa could also be rescued from the jaws of defeat. The DA in Howick was wasting no time in proving that it is the party that gets things done. So roll on better service delivery in most of our Metros in future!

I fear, however, my optimism is getting a little ahead of me since watching a sour-grapes interview with the outgoing ANC mayor of Johannesburg making it clear that his party intended making municipalities pay for not re-electing his party. If the immediate future is to be one of local councils rendered completely impotent because the ANC intends blocking every resolution that is put up, that is likely to put a cap of ultimate stupidity upon one of the most unfortunate era's of South African politics, one which more than anything else will guarantee that the next elections will see the absolute end of the rule of the corrupt, the tenderpreneurs and those who promised us an end to racialism and instead have turned every waking thought of South Africans into racial problems.

But on to happier thoughts. My first graph below traces ShareFinder's outlook for New York's S&P500 Index:



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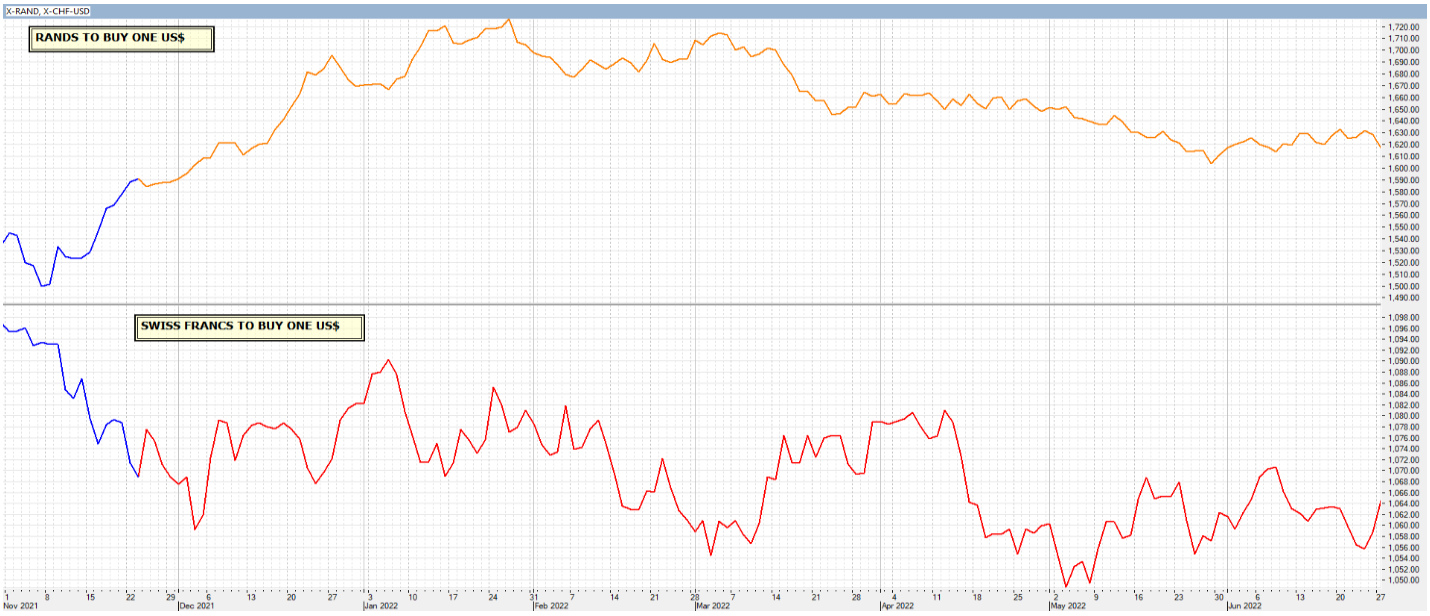
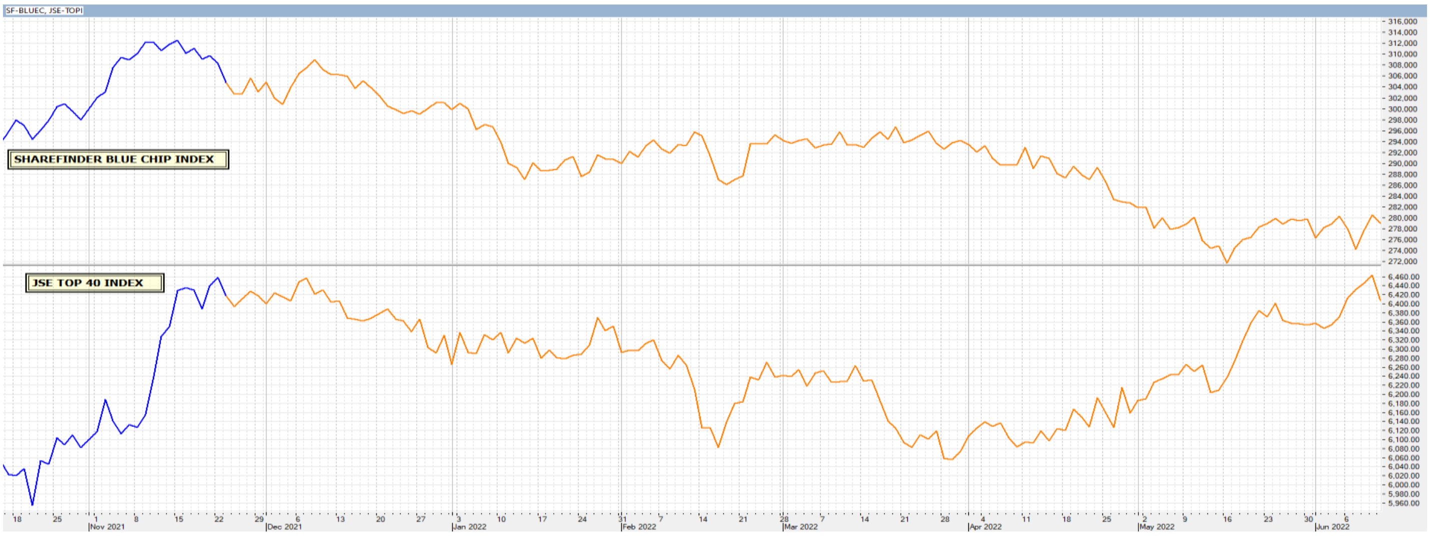
Since ShareFinder is practically NEVER wrong with regard to this index, I think that the positive view it is posing for the world's most influential stock market should offer readers a better start to this weekend. But my next graph might be even more reassuring. In the topmost panel you can see that ShareFinder predicts the Rand will continue on its weakening track relative to the US Dollar until the end of January, but then a long recovery appears likely...right through to the end of April at least.

Furthermore, as the second panel makes clear, relative to the Swiss Franc the dollar is already losing ground and appears likely to continue doing so at least until May.



I should qualify this second graph composite projection with the observation that predicting currency movements is notoriously difficult and ShareFinder's track record in this respect is in my observation, not as good as it is with regard to share markets.

However, turning to local share markets indices, the implication of a recovering Rand from February appears unlikely to be matched by either South African blue chips or by the JSE Top 40 where declines are projected to continue until mid-May in the case of the former and to the end of March with the latter:

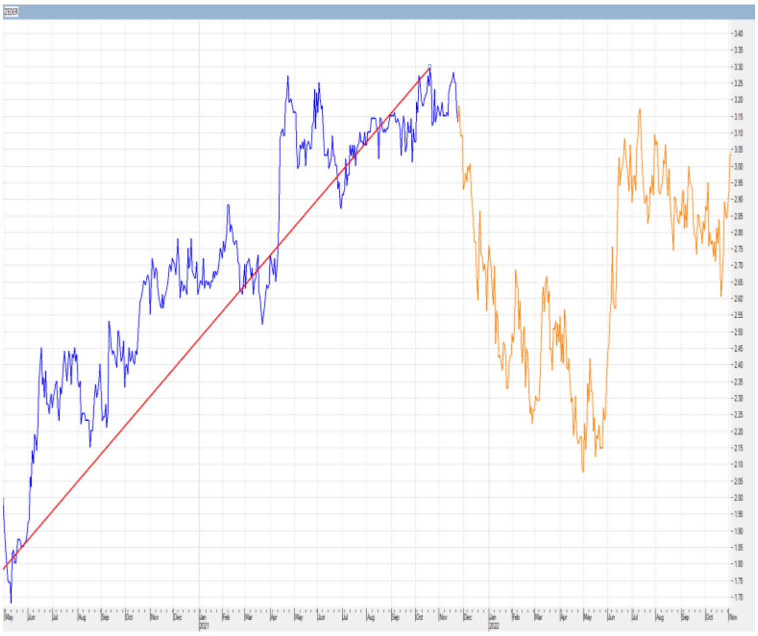


But the good news for readers of this newsletter is that the Prospects Portfolio, which so many of you follow with religious fervour, is currently projected to continue its current upward trajectory until mid-March at least and by this time next year is still projected to be above its current levels.

And what a ride it has been lately making all of us richer by the day. That green trend line indicates the portfolio has been growing at a compound annual average rate of 50.4 percent since last May taking our original R1-million investment back in January 2011 to a current R5.24-million and currently delivering an annual dividend total of R81 913; as I have lately discovered, a world record!

Meanwhile, in my own personal portfolio where I have lately been adding in a few long-term speculations to spice up my daily market-watching. I this week dipped into Zeder which has just announced the R1.5-billion sale of its holdings in the Logistics Group. Zeder says that it, "intends to distribute the majority of the Disposal Consideration to Shareholders, after payment of transaction costs and all directly-related obligations."

Since the issued share capital of Zeder is 1.5-billion shares, the implication is that shareholders will receive a R1 payout for every share they hold which, at a current price of R3.17 thus represents a tidy future dividend yield of 31.55 percent which, if past Zeder disposals are any indication, is likely to result in a similar share price decline to the precipitous decline that followed the Tiger Brands and Quantum Foods disposals. To spell that out in simple terms, if you are needing a tax loss in order to negate some capital gains in your portfolio, this is one way of achieving it. You lay out the cash, get a third back as a dividend and remain with a holding worth two thirds of what you paid. And here is the sweetener, in the 18 months following the disposals Zeder share prices rose at an annualised 52.1 percent as illustrated in my graph on the right:



Currently ShareFinder projects that the shares will fall in the short term to a range of R2.93 to R3.00 if you want to put in a cheeky bid.

Delving a little deeper, most shareholders expect Zeder to be unwound over the next few years as the share price quite heavily discounts the company's own rather conservative "sum of the parts" valuation of R4.25 so bids around R3 surely represent an interesting spec if you are content to sit it out. But do note that the Zeder board is not particularly communicative. Nor does it appear to be in any rush to wind itself up.

I cannot end this column without drawing reader's attention to the Christmas Special that ShareFinder International is offering registered readers of my companion publication, **The Investor**. As a reader of this column you should automatically be a recipient of **The Investor** but, if you are not and you would like to take advantage of the special which is offering an annual subscription to the ShareFinder 6 Professional for $US140, you can still do so by going to the www.sharefinderpro.com website and registering now. The normal annual subscription for the SF6 package is $US500 so the offer is very generous and unlikely to be repeated after it expires at the end of January.

Do enjoy your weekend!

The month ahead:

New York's SP500: I correctly predicted a brief retraction which I still see lasting until December 20 ahead of further gains until February 16 ahead of another retraction until the end of March.

Nasdaq: I correctly predicted a brief retraction ahead of a longish upward sweep. Now I see a brief recovery until December 7/8 ahead of declines until Christmas before a recovery until late June

London's Footsie: I correctly predicted a volatile declining trend lasting until next August. However I still expect one more brief up-spike from December 10 to mid-February.

Germany's Dax: I correctly predicted a brief decline now under way until early May.

France's Cac 40: I correctly predicted the start of a mid-month spike down until the first week of January. Thereafter it is likely to be a yo-yo for most of the coming year.

Hong Kong's Hangsen: I correctly predicted a volatile decline which I expect will be over by the end of this month then up to mid-December and down once more to mid-January before a protracted recovery begins.

Japan's Nikkei: I correctly predicted the start of a decline that should last until late April.

Australia's All Ordinaries: I correctly predicted the start of a three-month recovery which I expect to last until mid-December. Thereafter I see it bumping along the top until mid-March before the next long decline sets in until at least next October.

JSE Top 40 Index: I correctly predicted the recovery was probably now over ahead of weakness until late March when a longish rally appears likely.

ShareFinder JSE Blue Chip Index: I correctly predicted the end of a short-term up-phase and thereafter I continue to see declines until mid-May.

Rand/Dollar: I correctly predicted weakness until the end of January followed by a recovery until late May.

Rand/Euro: I correctly predicted weakness until early March ahead of gains from then to the end of 2022.

The Predicts accuracy rate on a running average basis since January 2001 has been 86.45 percent. For the past 12 months it has been 93.76 percent.