



Our Weekly Paid Newsletter

Richard Cluver Predicts

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



Volume: 34 - Issue: 48

17 December 2021

This is my last Predicts column for 2021: because I am sure none of my readers would be wanting to devote reading time to the thoughts of Richard Cluver on either Christmas or New Year's Eve – and so it is timely to once again thank all of you for your loyalty and the courteous way in which you respond when you plainly think I have sometimes lost my marbles.

It is the time, also, to bid farewell to ShareFinder 5, the computer program which I figuratively gave birth to and which has served all of us so well; not to mention how it's unerring forecast accuracy has enriched everyone who used it. However, the ShareFinder support staff have been forced to spend altogether too much time patching the old workhorse whenever one of you has cried help and that has been seriously disrupting the ongoing development of SF6.

This is not to say SF5 will be switched off. It will continue operating for those who have found the migration to SF6 altogether too challenging. It's just that ShareFinder International's support staff won't be there to fix things when they inevitably at some time go wrong once more. However a support document explaining how to fix some common issues will be provided. Fundamental Data will also continue to be sent out every Thursday for those subscribed.

It would be timely, however, to round off ShareFinder 5's reign with a tribute to the Prospects Portfolio which the program built and maintained for so many years, turning in the process an initial R1-million investment into a current R5 312 396 and delivering an average dividend of three percent throughout. That's, if you did not already know it, a world record 20.8 percent total annual return throughout its life which doubled its value every 41 months as the following graph illustrates:



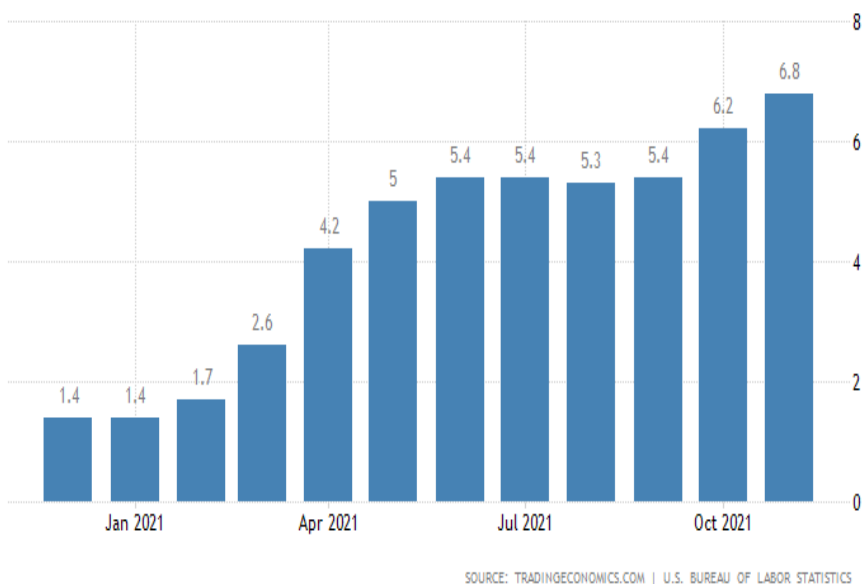
Those figures imply that, held unchanged, the portfolio will be worth R21.7-million a decade from now and will be by then delivering a monthly dividend income of R12 146. Furthermore, as the green trend line illustrates, the portfolio has been recovering from the Covid market collapse at a compound annualised rate of 61.5 percent which means that from its lowest point on March 18 last year it has increased in value by 128 percent which, so far as I have been able to establish, is also something of a record.

Hopefully you have all done as well and, just as hopefully, I trust you will continue to follow SF6 into the VERY uncertain future that lies ahead of us. I stress the word VERY because the man who actually calls the shots in all the world's investment markets, the chairman of the US Federal Reserve Jay Powell, this week changed his tack and admitted that inflation had become a rather more serious problem than he had originally thought.

Cutting through the cloud of "Fed speak" which is traditionally foggier than the worst London pea souper of our youth when clouds of acrid yellowish gas made it difficult to even read the time on your watch. From Powell's testimony this week, take this comment: "Moving forward the end of our taper by a few months is really an appropriate thing to do," Powell said. "Omicron doesn't really have much to do with that."

Or this one: "There's a lot of uncertainty which is why we called it out in our statement or post-meeting statement as a risk."

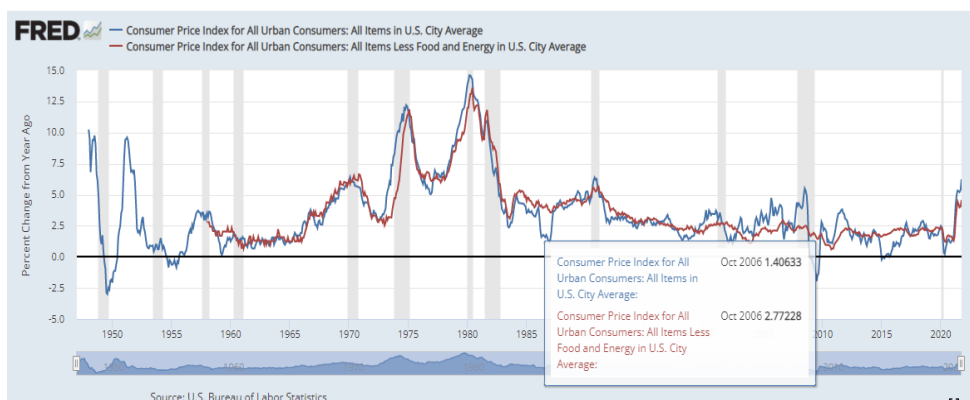
Until this week the official line has been that the steady gains in America's "official" inflation rate have been a "transitory" thing resulting from the temporary supply chain bottlenecks caused by the virus. The Fed has constantly assured us inflation would soon abate. But a glance at the graph on the right which tracks the "official" rate over the past 12 months makes it clear that a 486 percent rise in that time is actually something to worry about.



Projecting that number and knowing that inflation is noted for its exponential behaviour once both corporates and the general public start accounting for it in their budgeting, it would not be unreasonable to expect a rate in the region of 30 percent in another two years, a figure which, if it took hold on a global scale, would be annually halving the incomes of ordinary folk and decimating the lifestyles of people like pensioners who live on fixed retirement incomes.

For the United States where it is widely known that many of its state and municipal pension funds are seriously under water, such numbers are grave reminders that the Great Depression might not be a once only phenomenon. Worse, given the fact that Wall Street share prices are now demonstrating a serious disconnect in which traditional Blue Chips whose credentials are backed by solid dividend growth statistics have already topped out while fashionable favourites with few credentials at all are still sky-rocketing, it is time to remind ourselves that exactly this was the case in 1929 ahead of the worst share market failure of all time. Remember GameStop earlier this year!

And just to rub salt into the up-coming wounds, it is my firm conviction that US inflation figures understate reality by a significant number. If the US Dollar loses value relative to benchmark assets like the price of gold, every trading nation in the world suffers an almost simultaneous loss. The graph on the right, which tracks the US consumer price average



over the past three quarters of a century, illustrates that the official long-term average inflation rate of the United States has been 3.5 percent a year.

So, considering that number, one would logically expect that the dollar price of gold – the world’s traditionally most trusted store of wealth - would rise by precisely the same percentage. However, as my next graph illustrates, gold has risen in value by five percent annually over the same period which implies a 43 percent error rate in the method the US uses to calculate its internal inflation rate.



So make of that what you wish, but pause for a moment to ask yourself who is paying the price of that discrepancy? Well, of course, it is the poor. You only need to look around yourself in South Africa to note that the rich who have their money invested in hard assets are seeing their wealth grow while people like pensioners who are lucky if they see their annual incomes growing at least at the official inflation rate, are the greatest category of losers. But you should understand that the problem is not solely a South African one. Unemployment and poverty have come back with a bang on a global scale.

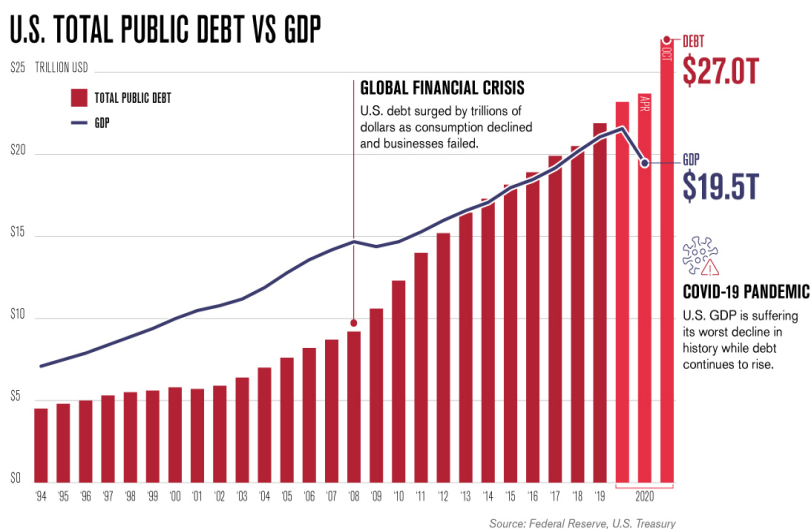
That is why, according to the latest Credit Suisse Global Wealth Report, the world’s richest one percent - those with more than \$1 000 000 in personal assets now own 43.4 percent of the world’s wealth. Their data also shows that adults with less than \$10 000 in wealth make up 53.6 percent of the world’s population but collectively hold just 1.4 percent of global wealth.

Individuals owning over \$100 000 in assets make up 12.4 percent of the global population but own 83.9 percent of global wealth. Credit Suisse defines “wealth” as the value of a household’s financial assets plus real assets (principally housing), minus their debts.

It is a despicable truth than Covid has overseen one of the greatest transfers of wealth in mankind’s history; from the poor to the wealthy. It is a truth that should have politicians hanging their collective heads in shame. Instead they continue issuing promises of a better life for all; promises they surely understand they will never be able to keep. Meanwhile the collective debt of governments has risen fourfold and is continuing to rise towards breaking point even as governments continue to seek ever more imaginative ways of extracting ever-higher levels of taxation to fund their insatiable demands.

The latest fiscal report of the OECD notes that the average level of central government marketable debt-to-GDP ratio for the OECD area is estimated to (have increased) by around 20 percentage points between 2019 and 2021, and to reach over 90% of GDP in 2021.

But things are a lot worse in the US where, as the graph on the right illustrates, debt has soared to levels where the interest rate increases which the Federal Reserve needs to implement in order to try to ward off inflation imply that technical insolvency faces the “wealthiest nation on earth.”



If you really want to be scared, google <https://www.usdebtclock.org/world-debt-clock.html> and watch the following graphic ticking inexorably towards a seismic collapse. America's external debt to GDP ratio was 140.68 percent when I took this snapshot of it and by the time you read it, it will be higher. There can, furthermore, be few economists anywhere who believe that figure is sustainable.

Short of another dramatic market collapse which will substantially cut the value of everyone's savings, inflation is traditionally the way that governments have escaped from their debt obligations. That's why I believe Jay Powell has been coy about the real situation in the US.

So how do we small investors survive? Well, if the probability of a global share market crash happens during 2022, you want to be holding as much cash as possible so that you can pick up the bargains when markets bottom. A few Kruger Rands buried at the bottom of the garden might be a good idea, but practically, the safest long-term investment you can find are Blue Chip shares.

So here is my Christmas present to you. The JSE shares on the right represent your safest bet as we head into a troubling period.

The safest to invest in are the Grand Old Favourites which head the list and the riskiest are at the bottom.

Finally, I and my team would like to wish you everything you would wish yourselves over the festive season.

Take care!

Richard



Code	Full Name	DivGro5	Grade	EY	DY	Return	PriceRating
Grand-Old Favourites							
REINET	REINET INVESTMENTS SCA	217.19	573.00	-10.6	1.3	2.51	Fair.
STANBANK	STANDARD BANK GROUP LIMIT...	10.83	-5.00	13.1	7.4	0.00	Fair.
Group Avg.	Group Avg.	114.01	284.00	1.3	4.4	1.26	
Mid-Cap Companies							
JSE	JSE LTD	18.55	4.00	7.7	7.9	-0.23	Very cheap.
HUDACO	HUDACO INDUSTRIES LIMITED	5.32	-34.00	10.6	4.7	-3.11	Fair.
DIPULA-A	DIPULA INCOME FUND LTD A	3.66	-36.00	12.8	13.8	4.70	Fair.
REUNERT	REUNERT LIMITED	8.60	-48.00	11.8	10.6	-1.50	Fair.
Group Avg.	Group Avg.	9.03	-28.50	10.7	9.3	-0.04	
Tightly-Held Mid-Cap Companies							
AFRO-C	AFROCENTRIC INV CORP LTD	20.82	288.00	9.7	6.2	-3.55	Fair.
MIXTEL	MIX TELEMATICS LTD	15.75	112.00	3.6	2.1	10.03	Cheap.
Group Avg.	Group Avg.	18.29	200.00	6.7	4.2	3.24	
Blue-Chips							
NASPERS-N	NASPERS LIMITED	5.79	72.00	0.2	0.2	1.02	Very cheap.
TREMATON	TREMATON CAPITAL IMVESTM...	5.00	29.00	0.6	1.6	-2.56	Very cheap.
BARWORLD	BARLOWORLD LIMITED	17.73	146.00	5.9	4.7	-3.51	Fair.
NEDBANK	NEDBANK GROUP LTD	6.66	-51.00	15.2	8.2	-4.91	Fair.
SPAR	THE SPAR GROUP LTD	8.30	34.00	6.9	4.9	5.54	Cheap.
SANTAM	SANTAM LTD	8.39	34.00	8.1	4.4	3.45	Cheap.
AECI	A E C I LIMITED	-0.97	26.00	10.4	5.1	2.27	Cheap.
INDEQTY	INDEQUITY GROUP LIMITED	11.03	17.00	12.1	3.7	-7.00	Cheap.
Group Avg.	Group Avg.	7.74	38.38	7.4	4.1	-0.71	
Medium-Term Market Leaders							
AFROX	AFRICAN OXYGEN LTD	246.26	4244.00	8.2	40.4	42.44	Fair.
MAS	MASCO CORPORATION	170.01	2523.00	1.5	3.9	-8.98	Fair.
ANGGOLD	ANGLOGOLD ASHANTI LIMITED	12.65	379.00	4.2	0.5	33.86	Fair.
SIRIUS	SIRIUS REAL ESTATE LTD	59.07	281.00	2.5	2.1	30.50	Fair.
TRANSCAP	TRANSACTION CAPITAL LTD	30.84	219.00	2.8	1.4	26.19	Fair.
STOR-AGE	STOR-AGE PROPERTY REIT LTD	43.71	96.00	3.8	8.0	11.53	Fair.
VALUE	VALUE GROUP LIMITED	19.90	87.00	13.7	6.0	19.34	Fair.
EQUITES	EQUITES PROPERTY FUND LTD	21.34	57.00	5.8	7.0	7.39	Fair.
Group Avg.	Group Avg.	75.47	985.75	5.3	8.7	20.28	
Rising Stars							
ZEDER	ZEDER INVESTMENTS LTD	412.63	6880.00	2.3	74.0	51.83	Fair.

The month ahead:

New York's SP500: I correctly predicted a brief retraction ahead of further gains which I still see lasting until February 22 ahead of another retraction until the end of March but in the long term continuing upwards.

Nasdaq: I correctly predicted a brief retraction ahead which I expect to last until Christmas ahead of a longish upward sweep until June.

London's Footsie: I correctly predicted a volatile declining trend lasting until next April when I expect a two-month recovery before things head south again.

Germany's Dax: I correctly predicted a decline until early May followed by gains until mid August.

France's Cac 40: I correctly predicted a yo-yo somewhat downward trend for most of the coming year.

Hong Kong's Hangsen: I correctly predicted a volatile decline which I still expect will continue until mid-February before a protracted recovery begins.

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

Australia's All Ordinaries: I correctly predicted a falling trend until next August.

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

ShareFinder JSE Blue Chip Index: I correctly predicted a short rally but that should end today and then it is down until August.

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

Rand/Euro: I correctly predicted weakness until early March ahead of gains from then until late October.

The Predicts accuracy rate on a running average basis since January 2001 has been 86.48 percent. For the past 12 months it has been 94.02 percent.
