Our Weekly Paid Newsletter

Richard Cluver Predicts

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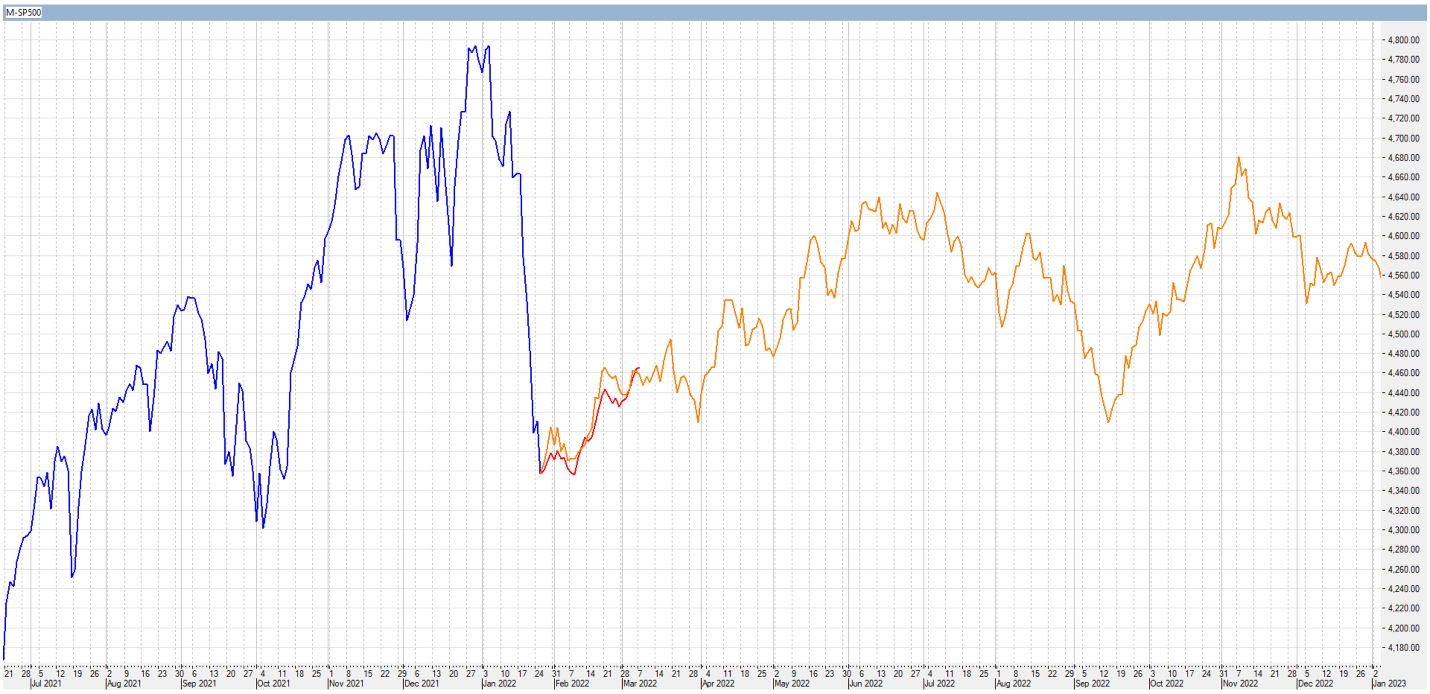
I have been warning my readers for months to expect market turbulence and it came with a bang this week following hawkish comments by the US Federal Reserve which finally ended months of speculation by signaling a hike in interest rates in March - the first since 2018 - and the wind-down of its asset purchase programme. They were the understandable cause of this week's massive market volatility.

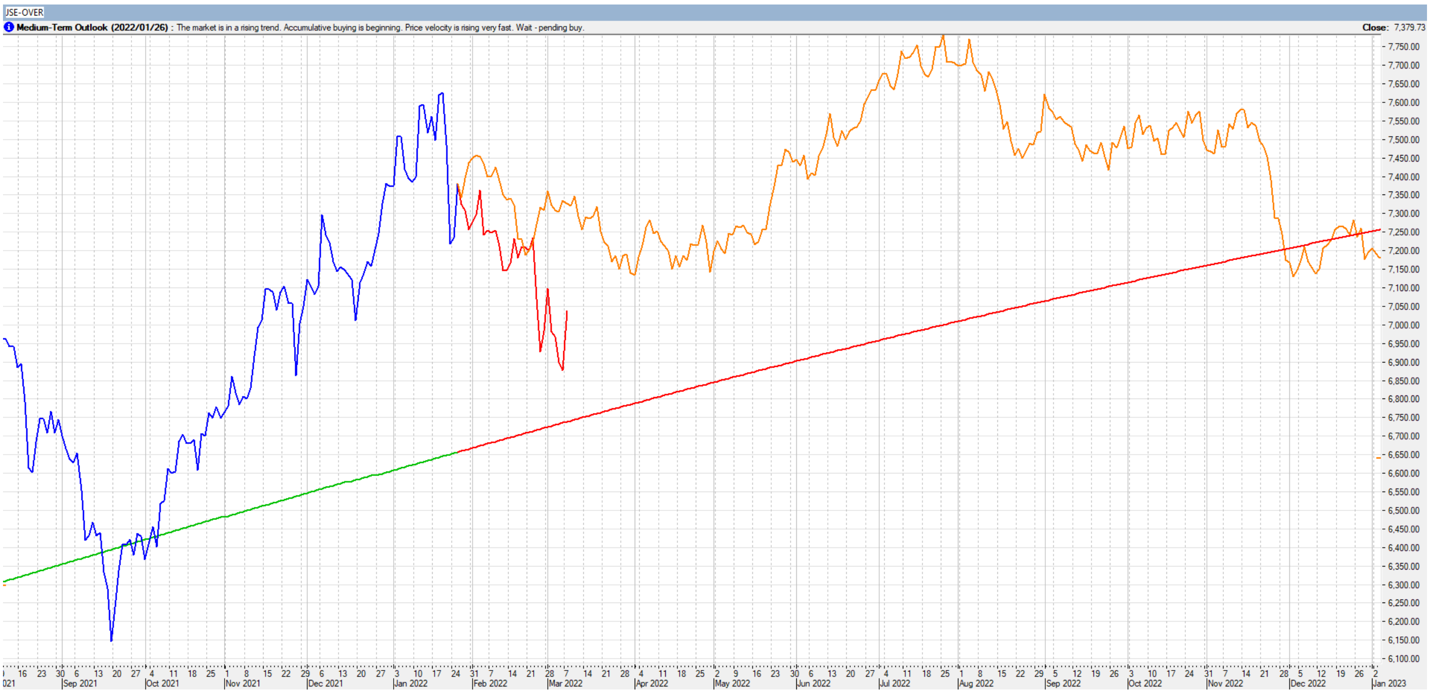
So you should brace yourself for a turbulent year in global investment markets in addition to some probably very unsettling events here in South Africa as ANC hopefuls go for Cyril Ramaphosa's jugular. And just to add to the toxic mix, matters are clearly hotting up on the Ukraine border where Russia has amassed an enormous army ahead of what it describes as joint exercises due to begin next month.

The US has issued a "line in the sand", with Secretary of State Antony Blinken laying out – in a written letter – what its diplomatic path is, and where Russia's concerns can and cannot be entertained. Blinken said that the "ball is in their court", with Russia now aware in no uncertain terms what the US is prepared to discuss. A NATO withdrawal and Ukraine's potential membership thereof were not part of the negotiables. The US army is, furthermore, on the alert for action!

Not surprisingly, these events have sent markets plunging as my first graph of New York's S&P500 Index illustrates so those of you who have placed cheeky buy orders might soon be rewarded though, for now ShareFinder thinks that the plunge might be over!



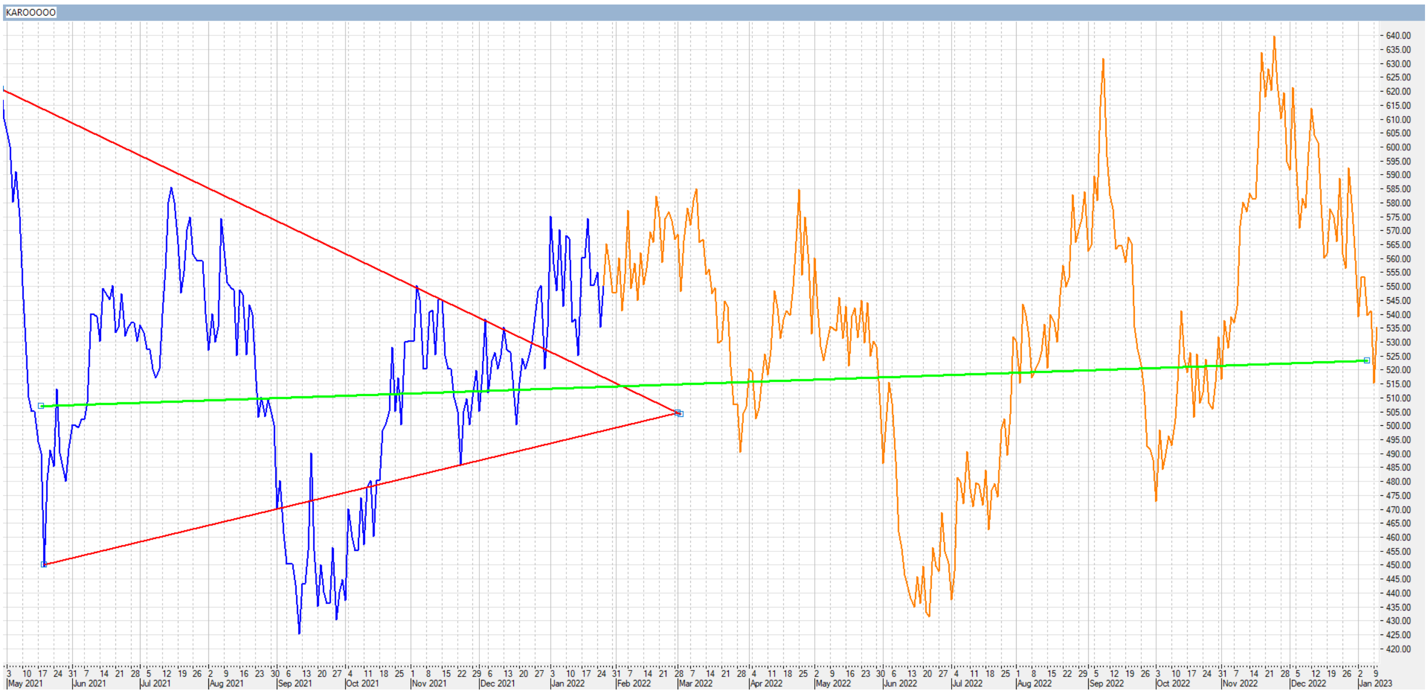
Wall Street's 8.1 percent decline since its January 18 peak, has put it on track for its worst start to a year ever while the tech-focused Nasdaq which has slid into correction territory, down nearly 15 percent YTD, has, moreover, been echoed by a 6 percent local market decline. However, as my next graph illustrates, ShareFinder does not project an immediate recovery, sensing declines until the end of March ahead of a four-month recovery trend:



Happily, however, for those readers who have replicated the Prospects portfolio which, might I remind you, has now been confirmed as the world's best-performing long-term portfolio, the outlook is not as pessimistic. ShareFinder predicts in the graph below that a recovery is likely to begin today. But the current outlook is nevertheless for a very modest 7.5 percent gain from here unless I utilize the cash I have set aside within the portfolio to pick up some startling recoveries between now and then:

What those trend lines tell us is that on a least squares fit (median) basis the portfolio has grown since inception at compound 17.7 percent although the actual growth overall had been 600 percent over the past 11 years. The green least squares fit line tells us that the performance since the depth of the crash of 2020 has been an annual average rate of 47.7 percent and the purple line predicts 7.5 percent. Here is the projected part of that graph blown up so you can see it more clearly:

One share I have been watching is the SA-based car tracker Karooooo which recently listed on the New York market as part of its global expansion. Currently standing at R550, the following construction suggests that it might be possible to buy it at R500 in the foreseeable future. I should stress, however, that such a buy would be speculative because it lacks the long-term fundamentals which I usually require if I am to make a major investment:



Meanwhile, as the current debate rages about the completely unaffordable but politically imperative Basic Income Grant whose feasibility President Cyril Ramaphosa has called upon the government to examine together with its "…feasibility and affordability," an important US study has just been released.

While economists have convincingly argued that implementation of such a grant would severely dent our international debt status unless it was entirely funded from our rapidly-shrinking tax base, Ramaphosa's bête noir Minister Lindiwe Zulu has argued that: "We believe that the expansion of the social assistance framework is the key to common and inclusive economic participation, the reduction of inequalities and the real instrument of lifting a large number of South Africans out of poverty.

"Implemented side-by-side with employment creation and entrepreneurship support initiatives, the expanded social assistance framework can positively impact an individual's life as much as it can support households towards the levels of resilience with which they can protect themselves against the invasive and undesirable social ills.

Thus, the US research published this week in the *Proceedings of the National Academy of Sciences* is very important since it has shown that direct payments to low-income families appear to significantly affect the brain development of newborns.

Researchers recruited hundreds of low-income mothers of newborns and separated them into two groups. One group of mothers received $20 a month, and the other $333. Over the study period (which is ongoing until the children reach at least four years old), the researchers measured the infants' brain waves by strapping them into a baby-friendly, brain-scanning cap.

What they have found after one year is that the **babies** whose mothers received $333/month showed a greater prevalence of higher-frequency brain activity than the $20/month cohort. That brain activity is often, but not always, associated with better cognitive skills down the line.

The researchers say this is a game changer: "This is the first study to show that money, in and of itself, has a causal impact on brain development," study said co-author and Columbia University neuroscientist Dr. Kimberly G. Noble.

The month ahead:

New York's SP500: I correctly predicted gains would end on the 17th ahead of another retraction until today ahead of gains which I now see lasting until early July.

Nasdaq: I correctly predicted a retraction but thought it was now over ahead of volatile gains until June. Now I see further declines until February 10 before a sustained recovery begins.

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 volatile decline which I now expect to last the whole year.

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

Hong Kong's Hangsen: I correctly predicted the imminent end of the recent long decline and now I see gains until mid-May followed by a two-month decline followed by a protracted recovery.

Japan's Nikkei: I correctly predicted a decline which I expect to last until late April when a sharp recovery appears likely.

Australia's All Ordinaries: I correctly predicted a falling trend which I expect to last for most of the year.

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

ShareFinder JSE Blue Chip Index: I correctly predicted weakness to the end of the month ahead of another last rally and thereafter down until late August.

Rand/Dollar: I correctly predicted a recovery which should last until the end of June.

Rand/Euro: I wrongly predicted weakness until late March ahead of gains from then until late October, but I still believe weakness is now imminent.

The Predicts accuracy rate on a running average basis since January 2001 has been 86.49 percent. For the past 12 months it has been 93.95 percent.

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