



Our Weekly Paid Newsletter

Richard Cluver Predicts

In our 35th year of service to the investing public of South Africa



Volume: 35 - Issue: 14

14 April 2022

One of my favourite overseas reads is the US “Morning Brew” which gives one a refreshing view of how young Americans are viewing Wall Street and the world as a whole. Today the column contained the following interesting observation about Russian internet activity:

In response to a Russian law that made posting “fake news” a criminal act last month, TikTok banned all new posting in the country and blocked citizens from seeing content posted outside of Russia. But the ban has a [weak spot](#): Kremlin-controlled media outlets are still posting fresh propaganda promoting Russia’s war in Ukraine, helping Putin enforce his narrative that Russia’s invasion was justified.

- *From when the ban took effect to April 5, nearly 93.5% of all war-related TikToks in Russia were pro-war, and only 6.5% anti-war.*
- *Before the ban, [sentiment was](#) 42% against the war and 58% in favor, according to digital rights group Tracking Exposed.*

TikTok’s response: *On Tuesday the company provided an update on how it’s handling Russia, writing that it axed six networks and 204 accounts for attempting to influence public opinion. It also did a sweep to remove over 40,000 videos containing misinformation and label content that’s distributed by the government as such.*

Zoom out: *TikTok and Google’s YouTube are the only major social media platforms still operating in Russia. Facebook, Instagram, and Twitter were all banned last month.*

If you read my Prospects column today - sent out a day late because, as a result of the flooding in KZN, all of our fibre connections were down, electricity out and our inverter power exhausted, and so apologies all round to regular readers of the newsletter – you will understand I am as perplexed as you that Vladimir Putin is still in power in Russia and still able to delude the ordinary Russian public. But surely neither he nor the Ukraine campaign can last much longer.

Meanwhile the Wall Street Journal reported this week that, “Energy giant Shell PLC expects to book billions of dollars of accounting charges as it closes up shop in Russia. Meanwhile global businesses are tallying up tens of billions in losses from their Russian operations as they grapple with the impact of asset sales, shutdowns and sanctions, according to public statements and securities filings.”

“The cost to shareholders of Western companies’ exodus from Russia will become clearer in coming weeks, as companies make their first earnings announcements since the invasion of Ukraine.”

“More than 600 Western companies have said they would exit or cut back operations in Russia, according to researchers at Yale University.”

“Losses stemming from the pullout include the expected write-down, or complete write-off, of assets ranging from oil wells to car factories and consumer loans, according to statements by the companies.”

“The impact will be felt well beyond the big announcements that have already come mostly from energy companies. A fifth of the companies in the S&P 500 listed Russia subsidiaries for 2021, according to data provider Calcbench.”

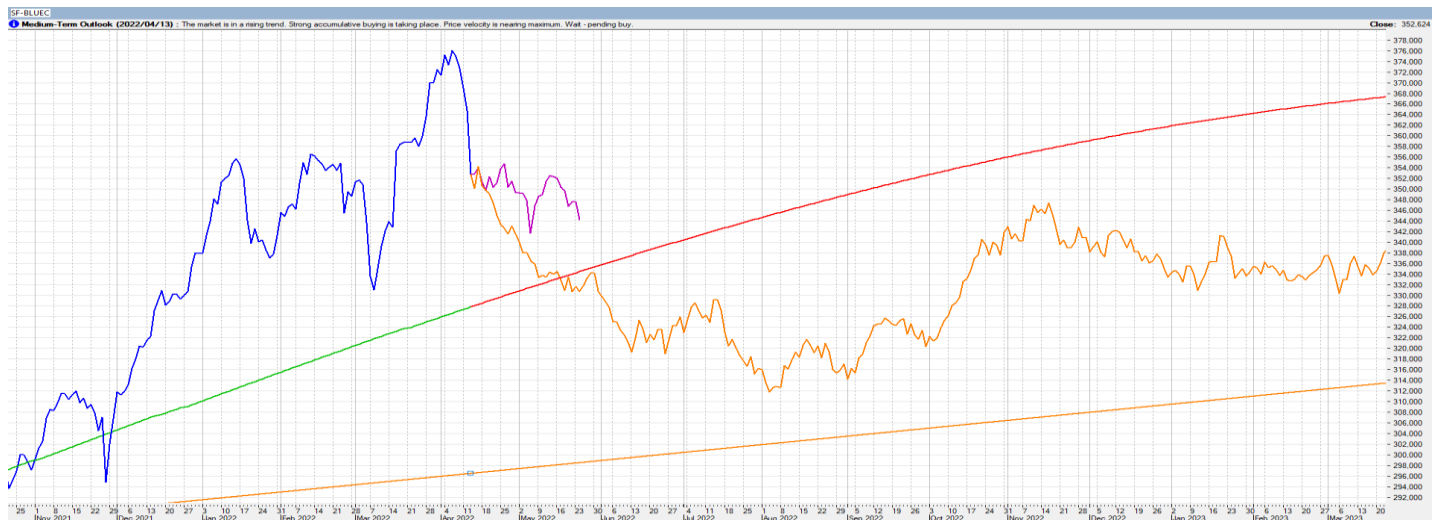
Small wonder then that market indices have turned negative all over the world as investors translate nervous views about the eventual Ukraine outcome into portfolio caution.

But the result of the Putin phenomenon has offered me a really observation of the inner workings of our usually unbelievably accurate ShareFinder market projection system. But first a quick refresher for those who do not understand how our ShareFinder artificial intelligence system works; prices are of course simply a string of numbers which the software analyses in order to seek out the wave formations that are always there. So let's start by looking at what the programme sees in respect of South African blue chip shares:



Let's start with the gently-curving green line which is built upon a 50-year data analysis that started its latest up-swing in January 2020. All things being equal we would have expected a long-term market recovery to have shortly begun. But of course in the long-term perspective there is always a time lag of a few months and so the market weakness which began in early 2018 actually reached its culmination in the Covid Crash which those of you who read my 2019 book 'The Crash of 2020' will recall ShareFinder accurately anticipated.

But let us now hone in on the right hand side of the graph which gives us ShareFinder's latest analyses:



Here we are considering ShareFinder's ultra-short-term projection wave that is depicted in purple and the medium-term one in orange. Importantly, though the green line (which turns red in projection) is still rising into the future, the orange and purple lines are falling and together they take dominance because in the immediate future they are the most reliable.

So why are some pointing in one direction and others the opposite direction? Well you need to consider the nature of waves. Imagine you are standing beside a pool of water and someone drops a huge rock into it. You

will expect to see a perfect semi-circle of waves flowing out from the impact point. That is the major long-term wave which is depicted in green.

But now, someone drops another rock into the water which creates its own set of waves. People who go down to the sea in small boats will understand the consequence of such localized waves because what happens is that when the peak of the latest wave encounters the peak of the first big wave, the two get added together and you get a far steeper wave and the effect for everyone on the small boat is they experience twice the rocking.

Furthermore, where the trough in the waves from the two rocks coincide, those troughs get deeper also. So imagine you have just rounded a headland where two ocean currents meet and you know you are in some trouble because the seas have just redoubled their fury. And then imagine what happens when a third rock hits the surface of the water and three waves coincide. Sometimes the third wave can temporarily negate the effects of the two earlier ones when a new trough meets the combined crests of the previous waves...and you think things are OK...until three crests coincide because each wave formation is moving at a different speed depending upon its origin and how big the rocks were.

When three crests coincide your boatman is in serious trouble. I know. I have been there sailing around Mediterranean islands where the venturi effect of towering cliffs can change a gentle swell into a fury for the unwary sailor who ignored the widely broadcast weather warnings which are generated by mathematical programmes very similar to Sharefinder.

What does all this mean? Well the green/red long-term wave says we should now be enjoying a comfortable market upswing, but the Covid wave with its supply bottlenecks is the orange wave that is disrupting things. Unfortunately too we now have the Putin/Ukraine purple wave to contend with and it has combined with the waning Covid wave which implies that South African Blue Chips will weaken sharply at least until May 5 when both look like having combined troughs to give us a brief recovery phase. But then both orange and purple wave crests combine once more to take us further down until May 25.

All in all, the outlook is thus negative for now until early August. However, if Putin capitulates before then you might expect the purple wave to tick sharply upwards as the optimists enter the market hoping to score quick profits.

The bad news is that the euphoria that such moves generate might evaporate next April because all three waves will be headed down by then unless someone drops another large rock into the pond to disrupt everything!

I hope I have not lost you all in this explanation. But then, not all of you are silly enough to put to sea in a small boat!

The month ahead:

New York's SP500: I correctly predicted an interim month-long decline ahead of a two month recovery from the end of April.

Nasdaq: I correctly predicted an interim month-long weaker phase within it.

London's Footsie: I correctly commented that short-term downward pressure was likely to continue throughout this month within a strong long-term cyclic up-wave which was creating a tug-o-war and so anything could happen in the short-term. I accordingly correctly favoured weakness. Furthermore the same conditions continue and again I favour weakness until early May.

France's Cac 40: I correctly predicted declines until mid-May followed by a brief up-tick to early June within an overall declining trend to the end of the year.

Hong Kong's Hangsen: I have been on track in predicting a brief market peak by the end of April with declines following to early July.

Japan's Nikkei: I correctly predicted the onset of brief weakness until late April ahead of gains until early July.

Australia's All Ordinaries: I correctly predicted that the brief recovery would be over by the 12th ahead of declines until August. Now I sense another brief up-wave from the 27th to mid-May but then down again until early August.

JSE Top 40 Index: I correctly predicted the decline would slow but continue until late April ahead of a three-month recovery until the end of July ahead of declines for the rest of the year.

ShareFinder JSE Blue Chip Index: I correctly projected a decline until the end of August.

Rand/Dollar: I correctly predicted gains which I continue to expect to last until the end of May.

Rand/Euro: I correctly predicted further gains starting around April 6 with brief weakness from the 14th-19th ahead of further gains until mid-June.

Predicts accuracy rate on a running average basis since January 2001 has been 86.61 percent. For the past 12 months it has been 94.68 percent.

Please note I will be taking a cruise ship break next Wednesday but will be back in the office on May 5