



Richard Cluver Predicts

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

Our Weekly Paid Newsletter



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I have begun writing this column today, Wednesday, in part because tomorrow is a public holiday in South Africa, but more particularly because the US Federal Reserve is holding a crucial meeting today and I do not want its outcome to influence my thinking.

What is clear is that the world is closer right now than many of us imagine to something like the dystopian future that the horror science fiction movie-makers like to frighten us with.

Here in South Africa the one person in political leadership who offers us a reasonably stable future, Cyril Ramaphosa, is clearly in imminent danger of being swept aside by the forces of darkness while, internationally, the era of Pax Americana is faced with a challenge of increasingly shaky monetary policy which might signal the imminent end of an era that has been the reasonably secure background to all of our lifetime experiences.

Now I am not a particular defender of either of these forces which currently shape our lives, but I am quite attached to the status quo because it is the only one I think I understand. I have, for example, never had to worry about things like the welfare and security of my family within an unstable totalitarian dictatorship, though some might argue that most of my own lifetime experience has been lived under something approaching that since I wielded little other than editorial power over the leadership of the apartheid era and even less over that which has developed under the ANC version of democracy. But I have understood where I stood under both and have managed to prosper; some will say prosper significantly which would imply that both have benefited myself and those who have done me the significant honour of regularly paying for my opinion.

But I am quite unprepared for a new era in which, as one authoritative journalist this week posed the possibility of Julius Malema grasping the presidency.....or at least becoming the dominant king-maker.... in the immediate future. I am also unprepared for a new global reality in which China's Xi Jinping gets to decide the daily rules which govern my life.

But above all I am today acutely aware that neither idea is completely ridiculous. So the big investment issue this Wednesday at noon is whether the Fed has the courage to raise interest rates above the half a percent it has previously telegraphed in order to head off soaring consumer price inflation which, at 8.6 percent, is the worst the US public has had to endure in the past 40 years.

Few of the generation who are now in the driving seat of the economy – few working couples saddled with the everyday issues of paying the rent, securing a decent education for their children and, most importantly, putting food on the table for the next generation – have any practical experience of how to cope with galloping inflation. Nor, if the Fed decides to attack inflation with higher than expected interest rate hikes, whether today's young leaders will have much job-security in the resultant steep recession.

Meanwhile, here at home in a South Africa still getting used to the fact that the ANC era of social reform - of the world's most munificent system of grants, pensions and civil service overmanning which was all made possible by the legacy of the financial conservatism of the apartheid era – is no longer sustainable. The potholes in our streets are the visible proof that the social reform bank account is empty and the hyenas calling for Ramaphosa's blood are in fact fighting over the dry bones of a carcass already picked dry. The country is effectively broke and the few with both talent and significant taxable assets are fleeing.

So how, given this glimpse of how bad things could soon be, do investors position themselves? Well of course you could do worse than buy a lot of Kruger Rands. As my following graph illustrates, Krugers are imminently portable, have risen consistently in price at compound 8.7 percent annually and, as my least

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squares fit trend line illustrates, are almost exactly correctly priced right now. By implication the world is not as concerned as I am about our future as it was during the early stages of the Covid pandemic when it rose some 44 percent above the long-term trend to peak at R3630.41 on August 7 2020 before falling back to just R2451.44 the following April. But if you go for gold just remember that the JSE on average has delivered compound 10.6 percent with a 2.4 to 3 percent dividend on top: that's over 56 percent better!

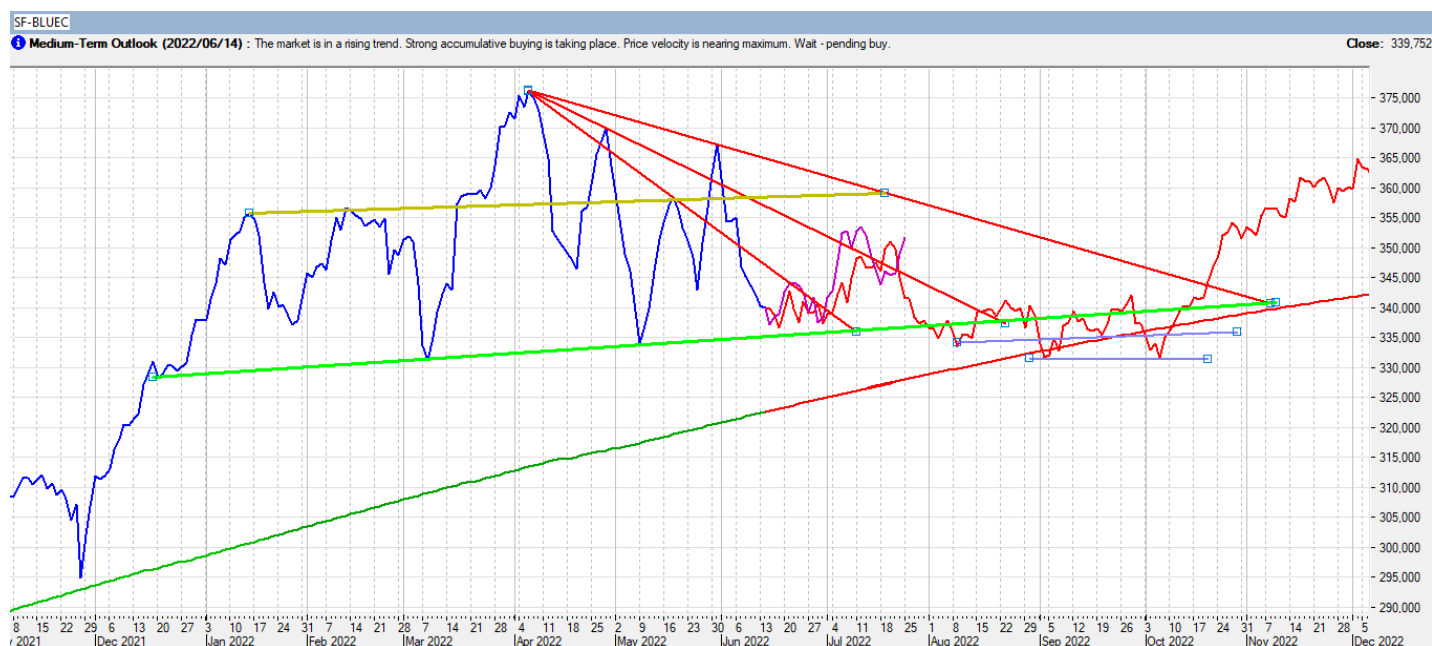


Furthermore, global markets are in chaos right now with the world's broadest measure of share market confidence, Wall Street's S&P500 index down a massive 22 percent with no end in sight:

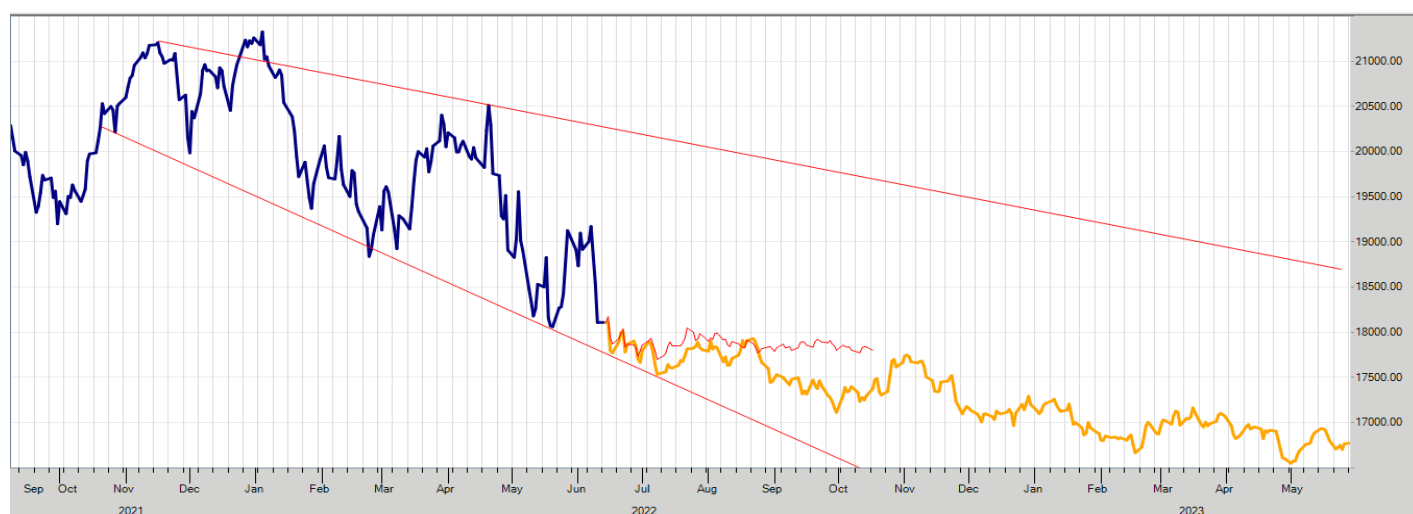


In stark contrast to the Wall Street pessimism, however, is my following graph of JSE Blue Chip shares which, until quite recently were putting in a very solid performance right up to April 6 and, note that green support line, remain in a rising trend. Furthermore, local Blue Chips have delivered compound 14.5 percent plus a 2.4 to 3 percent dividend. That's more than twice the return offered by Kruger Rands over the past half century!

So, while the blue line of the daily index value is falling to again test that green support, ShareFinder's artificial intelligence projects in red (medium term accuracy) and mauve (short-term accuracy) that the green support line is unlikely to be breached until the end of July when two further (blue) support lines are in any case in place only five points below. And, most importantly, the red projection line is seen to convincingly break upwards in October to test a parallel yellow trend line created through four graph-turning-points: technical analysts will tell you that represents a very convincing challenge which ShareFinder suggests will offer us a prosperous Christmas! And it is, finally, underpinned by the supercycle of the green/red long-term projection.

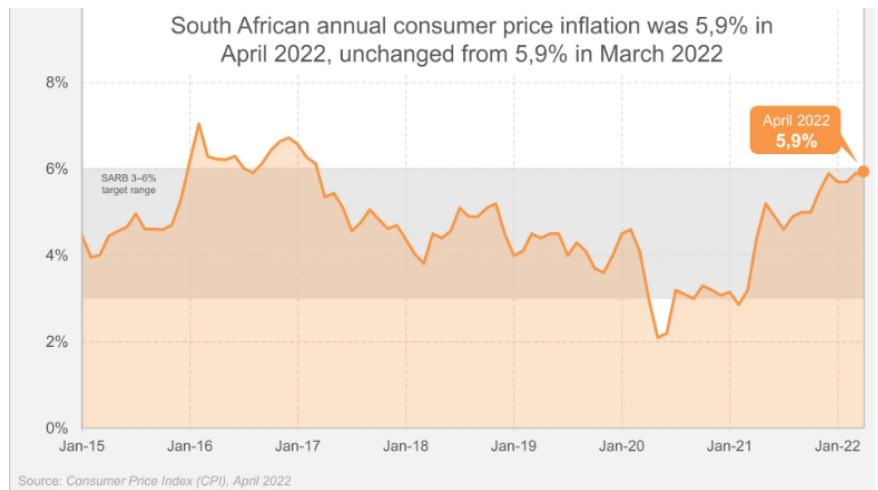


So there are indeed grounds for local optimism if ShareFinder is as correct as usual. Moreover the JSE Blue Chip graph is, surprisingly and in marked contrast with the following equivalent Wall Street version which is unrelentingly pessimistic into the future. That is notwithstanding Wednesday's powerful up-turn prompted by signals that the European Central Bank is in crisis mode because one of its key members, Italy, could be looming towards default because of the inevitable impact of rising interest rates upon its borrowings. Market watchers are accordingly suggesting that the ECB will be seeking new innovative ways to avoid further rate hikes and talking about a unique meeting between the ECB and the Fed to try and create a new "Crisis Tool."



Well make of that what you will. I believe it is crunch time because global inflation numbers are a ticking time bomb which, if they are not tackled head on now, have the potential to destroy the delicate fabric of social order in many third world nations like Nigeria where inflation touched 9 percent this week. And here at home at 5.9 it's just another of a series of pending crises. South Africa is no place for sissies!

Meanwhile, if you think that the idea of mischief makers prepared to exploit the delicate fabric without any concern for the masses who die in insurrections like last year's Durban riots are confined to Jacob Zuma's family, it's time to consider the wild world of Vladimir Putin! As you are reading this Germany is preparing to deploy troops with the European Union's peacekeeping mission in Bosnia for the first time in a decade as concerns mount about instability from the Ukraine war spilling over to the Western Balkans. Bosnia is hundreds of kilometers from the fighting, but faces an increasingly assertive Bosnian Serb separatist movement that analysts say has at least tacit support from Moscow.



The month ahead:

New York's SP500: I correctly predicted the start of a short recovery which I wrongly expected to last until the end of the month. Nevertheless a bounce has begun which could last to the end of July!

Nasdaq: I predicted June's early gains would likely to be over by the second week of June ahead of a prolonged phase of weakness. I was correct and now I see no let-up in the next 12 months.

London's Footsie: I correctly predicted losses starting early in June ahead of a brief recovery likely beginning now. Overall, however the dominant trend remains down into the New Year.

France's Cac 40: I correctly predicted a downward trend until the end of July when a six-week recovery is likely ahead of longer-term declines until the New Year.

Hong Kong's Hangsen: I correctly predicted the brief recovery was over until mid-July. Longer-term I see gains until the end of September before global uncertainty begins to bite once more taking the market down until next March.

Japan's Nikkei: I correctly predicted declines until the end of September.

Australia's All Ordinaries: I correctly predicted declines which I now expect to last until January. However, in the medium-term I now see a sideways trend until October.

JSE Top 40 Index: I correctly predicted that the brief recovery was over. Now I expect gains until the end of October ahead of declines for the rest of the year.

ShareFinder JSE Blue Chip Index: I correctly projected the end of the decline ahead of a brief recovery until mid-July and then another decline until the second week of August. However I do not see the bottom until early October.

Rand/Dollar: I correctly predicted short-term weakness to mid-June when another last-gasp recovery is due until the end of the month ahead of weakness until the first week of August when further gains seem likely.

Rand/Euro: I correctly predicted a second phase of weakness that could last until the end of July ahead of three months of gains.

The Predicts accuracy rate on a running average basis since January 2001 has been 86.69 percent. For the past 12 months it has been 94.94 percent.

President Andrew Jackson and an Outrageous Crime Inflicted on the Next Generation

by Nick Giambruno



With over \$30 trillion in debt and counting, it's hard to believe the United States government was ever debt-free. But it happened once—in 1835—thanks to President Andrew Jackson. He was the first and only president to pay off the national debt completely.

One biographer says the former president viewed debt as a "moral failing," a sort of "black magic." When he became president, Jackson was determined to rid the US of its national debt. After all, debt enslaves you to your creditors.

Jackson knew that being debt-free was essential to independence. This outlook resonated with many Americans back then. With that in mind, Jackson attacked the institutions and powerful people who promoted and enabled the federal debt. This included the banking elites and the Second Bank of the United States, the country's central bank at the time and precursor to today's insidious Federal Reserve system.

While campaigning against the evils of national debt and central banking, Jackson miraculously survived an assassination attempt when an assassin's two pistols both misfired. Shadowy interests tied to the central bank were almost certainly behind the effort.

However, Jackson survived and went on to "End the Fed" of his days. He successfully bested the central bank—and the powerful interests behind it—and shut down the Second Bank of the United States. He also repaid the federal debt in full, which was no easy task.

Jackson couldn't squeeze the American people with a federal income tax to repay the debt. It didn't exist at the time and would have been unconstitutional. He also couldn't simply print currency to pay off the debt. Perpetuating such an insane fraud—which the Fed does on a massive scale today—likely never entered his mind. Instead, Jackson had to rely on tax revenue from other sources, mainly import tariffs and excise taxes, to pay down the debt. He also drastically cut federal spending and frequently vetoed spending bills.

Jackson's determination worked. By January 1835, the US was debt-free for the first time. Unfortunately, it didn't last much more than a year. After that, the US would never again be debt-free—not even close.

Revenge of the Central Bankers

After Jackson succeeded in ending the Second Bank of the United States, anything associated with a central bank became deeply unpopular with the American public. So, central bank advocates tried a new branding strategy. Rather than call their new central bank the "Third Bank of the United States," they went for a vague and boring name. They called it "the Federal Reserve" and managed to hide it from the average person in plain sight. As a result, over 100 years since its founding, most Americans have no idea what the Federal Reserve is or what it actually does.

Ironically, Jackson's face has been on the \$20 "Federal Reserve Note" since 1928. So in a sense, this symbolic move is central banking advocates giving the middle finger to one of their most steadfast opponents. After all, the Fed is really the "Third Bank of the United States." No doubt, Jackson would have been disturbed at having his face on its fake confetti money.

In any case, most Americans today have no idea who Jackson is, what he did, or why he did it. To the extent he is ever mentioned, the media, academia, and the rest of the establishment unjustly besmirch him as—you guessed it—a "racist." That's exactly what the Deep State—the permanently entrenched bureaucracy—wants. It doesn't want the average citizen to understand why Jackson shut down the central bank and (temporarily) freed Americans from national debt bondage. Doing the same thing today would be a mortal threat to their power.

This is one of the reasons the establishment will try in the coming years to replace Jackson on the \$20 bill with the more politically-correct Harriet Tubman... pushing Jackson further down the memory hole.

Trillions and Trillions

You often hear the media, politicians, and financial analysts casually toss around the word "trillion" without appreciating what it means. A trillion is a massive, almost unfathomable number. The human brain has trouble understanding something so huge. So let me try to put it into perspective.

If you earned \$1 per second, it would take 11 days to make a million dollars. If you earned \$1 per second, it would take 31 and a half years to make a billion dollars. And if you earned \$1 per second, it would take 31,688 years to make a trillion dollars. So that's how enormous a trillion is.

When politicians carelessly spend and print money measured in the trillions, you are in dangerous territory. And that is precisely what the Federal Reserve and the central banking system has enabled the US government to do. It took 146 years after Jackson fully paid off the debt in 1835—or until 1981—for the US

government to rack up its first trillion in debt. The second trillion only took four years. After that, the next trillions came in increasingly shorter intervals.

Today, Congress has normalized multi-trillion dollar federal spending deficits. The US federal debt has gone parabolic and is over \$30 trillion.

If you earned \$1 per second, it would take over 950,640 YEARS to pay off the current US federal debt. And that's with the unrealistic assumption that it would stop growing.

The US federal government has the largest debt in the history of the world. And it's continuing to grow at a rapid, unstoppable pace. The debt will keep piling up as the US government continues to pay for political promises. It's virtually inevitable.

The federal debt also represents an outrageous crime inflicted on the next generation. They are the ones who will be stuck with this massive unpaid bill from today's spending, and it will turn them into indentured serfs. It's doubtful Congress considers this even for a second. They are always eager to send scores of billions to faraway foreign lands or the latest boondoggle.

Of course, this is not a groundbreaking revelation. People like Ron Paul have warned Americans about the dangers of the federal debt for a long time. It's just that nobody has heeded these warnings. And no one has taken serious political action to address the problem. Nor is anyone likely to.

In short, the US government is approaching the financial endgame and can no longer disguise its bankruptcy. The Fed cannot stop its extreme money printing, nor can it raise interest rates in any meaningful way. If we step back and zoom out, the Big Picture is clear. We are likely on the cusp of a historic shift... and what's coming next could change everything.

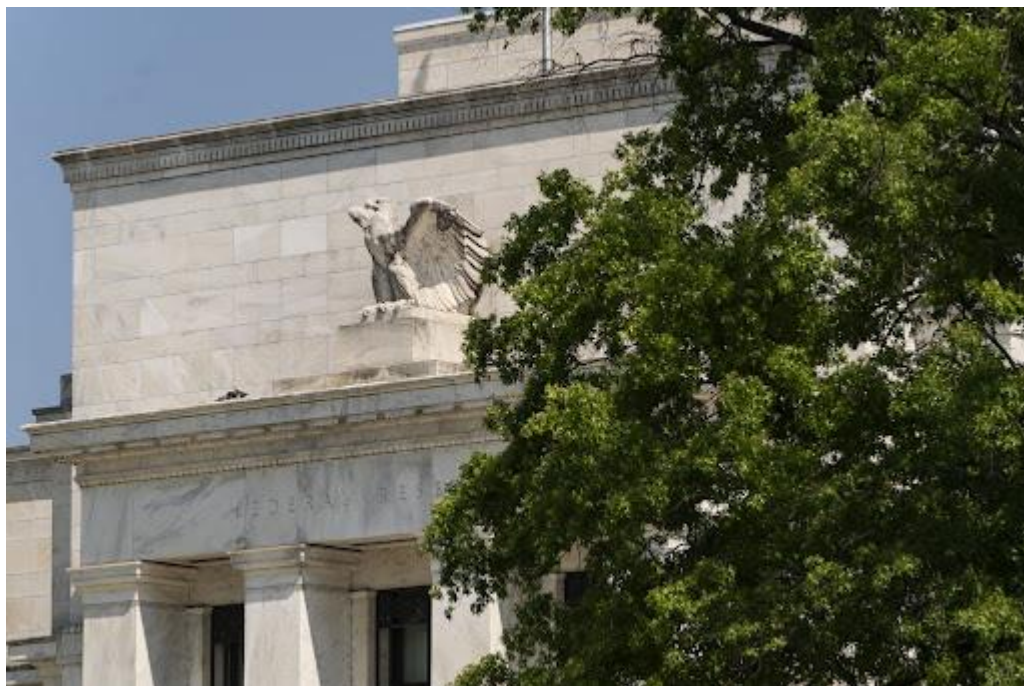
When the next crisis comes—and I think it could be imminent—the US government will have no choice but to drag everyone down with them as they make a desperate wealth grab. We will likely see incredible volatility in the financial markets as thousands of businesses go bankrupt and inflation spirals out of control.

It could decimate your life savings, 401(k)s, IRAs, pensions, and Social Security. But I'm not just talking about a stock market crash or a currency collapse... It's something much bigger... with the potential to alter the fabric of society forever.

Fed hikes benchmark rate by 75 bps to cool rampant inflation

It's the biggest increase since 1994, and central bank officials signal they will keep raising rates aggressively this year

15 JUNE 2022 - 20:20CRAIG TORRES



Picture: BLOOMBERG

Washington — Federal Reserve officials raised their main interest rate by three-quarters of a percentage point — the biggest increase since 1994 — and signalled they will keep hiking aggressively in 2022, resorting to drastic measures to restrain the rampant inflation they failed to forecast.

Slammed by critics for not anticipating the fastest price gains in four decades and then for being too slow to respond to it, chair Jerome Powell and colleagues on Wednesday intensified their effort to cool prices by lifting the target range for the federal funds rate to 1.5% to 1.75%.

They projected raising it to 3.4% by year-end, implying another 175 basis points of tightening this year.

The median official saw a peak rate of 3.8% in 2023, and five officials forecast a federal funds rate above 4%; the median projection in March was for 1.9% this year and 2.8% next. Traders in futures markets were betting on a peak rate of about 4% ahead of the release.

The Fed reiterated it will shrink its huge balance sheet by \$47.5bn a month — a move that took effect June 1 — stepping up to \$95bn in September.

The Federal Open Market Committee (FOMC) “anticipates that ongoing increases in the target range will be appropriate”, it said in a statement on Wednesday after a two-day meeting in Washington. “The committee is strongly committed to returning inflation to its 2% objective.”

The central bankers also revised their outlook for the economy from the soft-landing scenario of March to a bumpier touchdown, underscoring the tough task Powell faces as he tries to tame inflation running about three times the Fed’s 2% target without causing a recession.

Having just won Senate confirmation to a second four-year term, Powell must also re-establish the Fed’s inflation-fighting credibility with investors and with Americans who are furious over the soaring cost of living.

Inflation gauge

The Fed aims for 2% inflation measured by the commerce department’s personal consumption expenditures price index, which rose 6.3% in the 12 months through April, near a 40-year high. Policymakers now forecast the gauge to advance 5.2% this year, up from 4.3% in the March projections, based on the median estimate of Fed governors and regional presidents.

They forecast GDP growth to slow to 1.7% this year compared with a 2.8% expansion projection in March. Unemployment could rise to 4.1% at the end of 2024 from 3.6%.

The FOMC vote, which included newly sworn-in governors Lisa Cook and Philip Jefferson, included a dissent from Kansas City Fed president Esther George, who preferred a half-point increase.

Powell will testify before Congress over two days next week, where he can expect to be challenged over his central bank’s performance.

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