



Our Weekly Paid Newsletter

# Richard Cluver Predicts

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



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28 October 2022

Readers of *The Investor*, which went out earlier this week, will have noticed a prominent story by former Wall Street bond trader Jared Dillan arguing that one of the greatest buying opportunities of his lifetime is now being presented by world stock markets following the carnage of the past few months.

Dillan commented, ".... it's safe to admit the market turnaround we've been waiting for is here. We're at the point of capitulation..... That's why a handful of investors and I are preparing for what could be the biggest trade I've seen in 20 years."

### Well is he right?

Certainly if you study the following ShareFinder graph projection, there is little hope of the current two-week recovery proving with hindsight to being anything more than another dead cat bounce within a steady down-trend which my artificial intelligence system considers is likely to continue for at least another year. Moreover, as regular readers well know, ShareFinder's projections have proved accurate with an astounding 94.86 percent average over the past 12 months and 86.78 percent average over the past 21 years. So one might reasonably accept such guidance. But there is more!

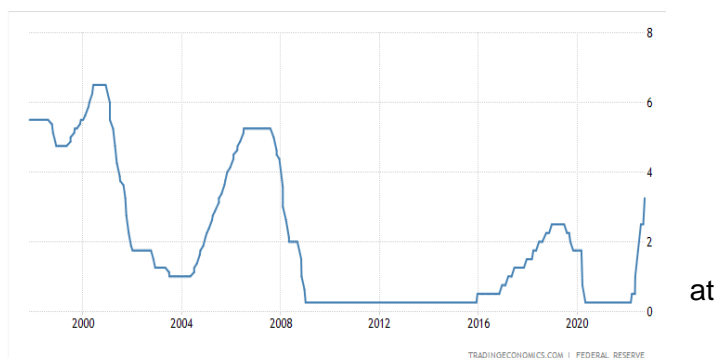


Note furthermore that the green/red long-term projection emphasises the extreme cycle of decline and projects a continuance throughout. The accompanying Mass Indicator in the lower graph also fully supports the projection with the observation that throughout the forthcoming year the pressure of disinvestment from Wall Street stocks is likely to continue unabated.

But it does not end there. Given that the latest US inflation rate is 8.2 percent as my following graph attests, the fact that the Federal Funds Rate – the equivalent of our own Reserve Bank lending rate – stands at a mere 3.25 percent makes it clear to even the most casual observer that the era of “Free Money” has far from gone away.

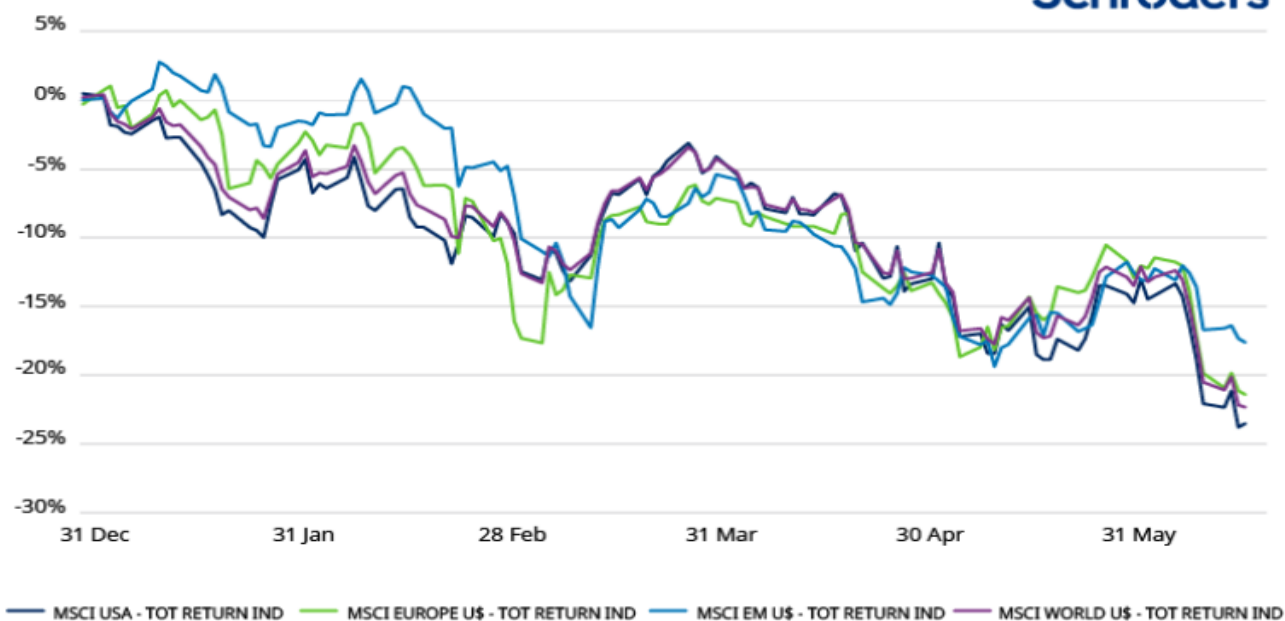


Though the steep rise of the Fed Funds rate in the graph on the right has been the single most important cause of the current, worst in 40-years, bear market, it is obviously only the beginning because simple arithmetic makes it clear that the REAL borrowing rate in the US is thus MINUS 4.95 percent. It has been a brutal year so far; the worst since the Great Depression nearly a century ago with capital destruction now standing more than \$9 trillion globally and far exceeding the financial crisis of 2008. The next graph tells the story completely:



## Stock Markets

Schroders

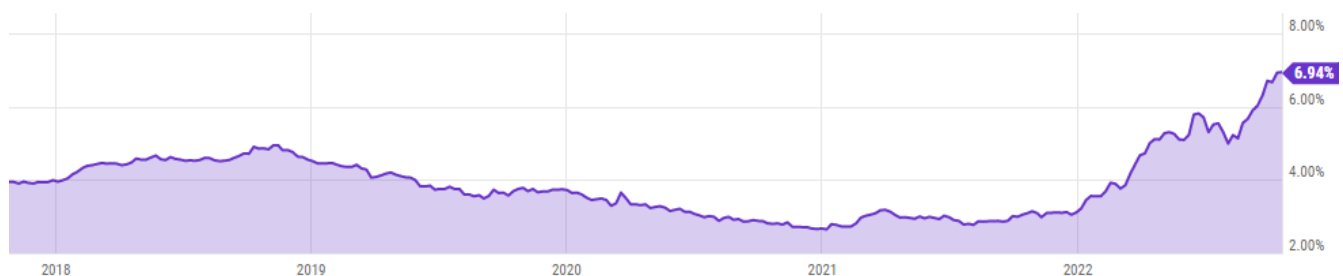


Sources: Schroders. Refinitiv data for MCSI indices correct as at 20 June 2022. 605377

Even more telling is this table which tells the story of all the bear markets since the Great Depression:

60/40 Portfolio: S&P 500/US 10-Year Treasury (Total Returns, 1928 - 2022)									
Year	Return	Year	Return	Year	Return	Year	Return	Year	Return
1928	26.6%	1947	3.5%	1966	-4.8%	1985	29.0%	2004	8.2%
1929	-3.3%	1948	4.2%	1967	13.6%	1986	20.8%	2005	4.0%
1930	-13.3%	1949	12.8%	1968	7.8%	1987	1.5%	2006	10.2%
1931	-27.3%	1950	18.7%	1969	-7.0%	1988	13.2%	2007	7.4%
1932	-1.7%	1951	14.1%	1970	8.8%	1989	26.0%	2008	-13.9%
1933	30.7%	1952	11.8%	1971	12.4%	1990	0.7%	2009	11.1%
1934	2.5%	1953	0.9%	1972	12.4%	1991	24.1%	2010	12.3%
1935	29.8%	1954	32.9%	1973	-7.1%	1992	8.2%	2011	7.7%
1936	21.2%	1955	19.0%	1974	-14.7%	1993	11.7%	2012	10.7%
1937	-20.7%	1956	3.6%	1975	23.6%	1994	-2.4%	2013	15.6%
1938	19.3%	1957	-3.6%	1976	20.7%	1995	31.7%	2014	12.4%
1939	1.1%	1958	25.4%	1977	-3.7%	1996	14.2%	2015	1.3%
1940	-4.2%	1959	6.2%	1978	3.6%	1997	23.8%	2016	7.3%
1941	-8.5%	1960	4.9%	1979	11.4%	1998	23.0%	2017	14.1%
1942	12.4%	1961	16.8%	1980	17.8%	1999	9.2%	2018	-2.5%
1943	16.0%	1962	-3.0%	1981	0.5%	2000	1.2%	2019	22.6%
1944	12.4%	1963	14.2%	1982	25.4%	2001	-4.9%	2020	15.3%
1945	23.0%	1964	11.3%	1983	14.7%	2002	-7.1%	2021	15.3%
1946	-3.8%	1965	7.7%	1984	9.2%	2003	17.2%	2022*	-21.3%

But to return to interest rates, of course ordinary folk have to pay a lot more than the Fed Funds rate. However the current mortgage rate in the US is still free money at 6.94 percent though it is up nearly three-fold since its January 2021 low of 2.65 percent and is beginning to crater the real estate business as we speak because folk, who bought to the limit of their ability to service such loans back then, can no longer meet their payments. And obviously it is going to get a whole lot worse:

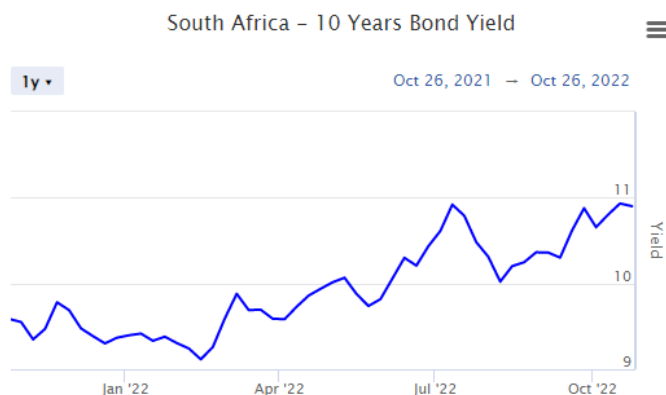


Importantly, what residents of other countries do not understand is that it is customary in the US for mortgage borrowers to fix their borrowing rates for a period of years ahead. This implies that the “demand-pull” nature of the US boom economy is likely to last longer than most expect simply because so much pain is delayed....but it also means that inflation is more deeply embedded in the US economy than elsewhere and it will thus take far longer to tame. That implies elevated borrowing rates for years ahead as the Fed tries to cool the economy.



But you only have to walk down any shopping street in small town USA to know that everyone is hanging out a “Help Wanted” sign. There is a serious shortage of labour. I am not joking when I tell you that I encountered many potholes in roads all over the US and Canada - not because of ANC-type municipal and state inefficiency but simply because there is nobody available to do such menial labour as fixing road surfaces! They are even being forced to try and tempt retired folk to come back to lend a hand...and that is locking in much higher labour costs.

So, turning to South Africa where we face a very real prospect of being grey-listed as a doubtful country to do business with given our banking system’s history of involvement in facilitating State Capture and more than a suspicion that some might have been complicit in routing money to international terrorism: we are going to have to pay even more than the current 10.86 percent ten-year sovereign bond rate to borrow money in international markets. Meanwhile, only Zambia (26.25%) Kenya (13.66%) Nigeria (12.1%) Pakistan (12.93) and Brazil (12.89%) have to pay more than us in order to borrow

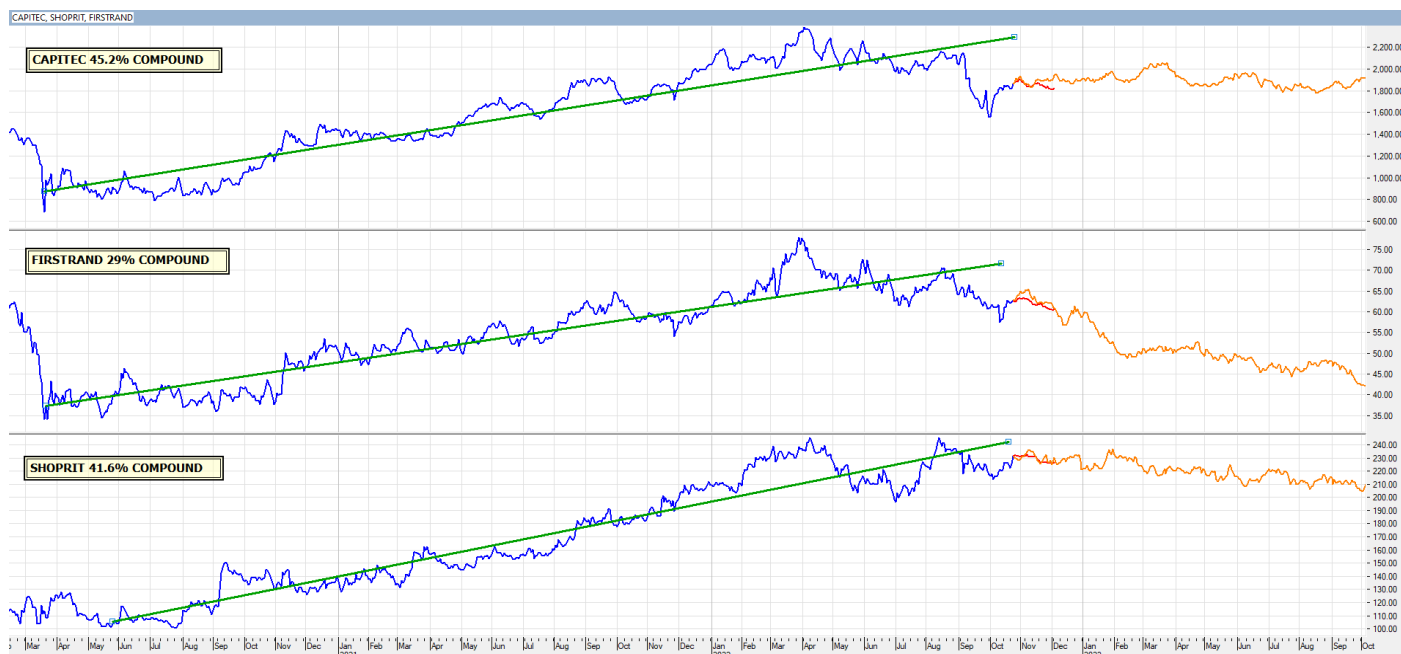


**It is arguably the single greatest cause of our economic stagnation in South Africa and Cyril Ramaphosa's ANC is entirely to blame!**

Here, furthermore, President Ramaphosa’s refusal to condemn Russia for its invasion of the Ukraine, is simply adding to the weight of international suspicion, the consequence of this is that our borrowing rates must inevitably soar further. Since rising interest rates are inextricably linked to falling share markets, it must be plain that the current bear market is set to continue for a long time.

This is not to say that some sectors of the economy do not benefit handsomely from elevated interest rates. Banks, for example, make most of their money from borrowing short and lending long and rising interest rates obviously widens their margins. Retailers, moreover, are similarly able to pass on wider margins and so you might, for example expect to do better in shares like Capitec and FNB which are already Banking sector front runners, and in Shoprite which has my money for the food retail sector.

My graph composite below makes it clear that all have been punished by the market lately and are standing well below their medium term (green) mean trend lines: which implies a buying opportunity.



Do note, however, that ShareFinder suggests in its red projections that ONLY Capitec is likely to keep on rising in price in the medium-term.

Here I need to add that, contrary to the projection for the JSE as a whole, the ShareFinder Blue Chips are also projected to keep on gaining though short-term weakness is projected from the end of this month until mid-February which will clearly offer some buying opportunities:



Have a good weekend!

## The month ahead:

**New York's SP500:** With the caveat that we are in a short-term "dead cat bounce globally, I correctly warned that the likely market direction would be downwards for the foreseeable future and I still expect New York to be in more of less continuous decline until at least next September. In the short term, however I see further brief gains until around November 11 and then a decline until mid-February.

**Nasdaq:** As per the SP500 I similarly predicted that the likely market direction would be downwards for the foreseeable future while in the short-term I have correctly seen gains likely ending later today ahead of an almost uninterrupted decline until mid-February.

**London's Footsie:** I correctly warned that London was close to the top of an interim recovery which I now see peaking around November 11. Overall however, I continue to expect declines until at least mid-February.

**France's Cac 40:** I was correct in predicting the brief recovery would continue and I now see the peak around now...with an outside possibility of it lasting until November 3. Thereafter I continue to expect further declines until mid-February.

**Hong Kong's Hangsen:** I correctly predicted a declining trend all the way until next April. In the short-term I see a slight sideways trend until early December before the carnage resumes.

**Japan's Nikkei:** I correctly saw a brief recovery which might end today followed by a retreat until mid-month and another recovery to early January before the next decline sets in until mid-year.

**Australia's All Ordinaries:** I correctly predicted gains which I still see peaking in mid-November followed by a decline to the next bottom in mid-January.

**JSE Top 40 Index:** I correctly predicted sporadic gains until early-November followed by a steep decline from about the 9<sup>th</sup> until mid-December when the next up-cycle appears likely.

**ShareFinder JSE Blue Chip Index:** I correctly expected a bumpy ride upwards which I now expect will peak today followed by declines until early-January.

**Rand/Dollar:** I correctly predicted brief gains until the end of November followed by further weakness continuing through to early March.

**Rand/Euro:** I correctly predicted gains. But the Rand seems to be peaking now with losses likely until the end of December.

***The Predicts accuracy rate on a running average basis since January 2001 has been 86.78 percent. For the past 12 months it has been 94.86 percent.***

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# ***How Xi Jinping's long shadow threatens SA***

**BL PREMIUM**

ANN CROTTY

**For the past 20 years, China has arguably been the biggest influence on SA's economy. It's not just Naspers that has benefited from the Asian giant's economic heft: the mining sector, retail and the government have all shared in the boom. But as a newly re-elected Xi Jinping prioritises national security over economic growth, it seems the party may be over**

Any doubts that the 40-year-long China party is pretty much over were laid to rest at the closing session of the 20th congress of the Chinese Communist Party (CCP) this past week, when former president Hu Jintao was unceremoniously hauled out of his seat next to President Xi Jinping, and escorted from the hall.

Given that the international media had just been allowed into the hall, this humiliating ejection of an evidently frail Hu was a choreographed message intended not only for the thousands attending the congress, but for the world as well. Xi, who has just been anointed general secretary of the party for another five years, is in total control. Unquestioned obedience to him and the CCP is now core government policy.

While Xi had, during the congress, acknowledged some role for private business and the role of the market in resource application, he left little doubt that the state would be commanding the dominant heights of the economy for as long as he is in charge. That's no small point of concern: already in power for a decade, Xi's latest appointment is for five more years — but he's expected to cling on for at least the next 10. He is 69.

Judging by the market response, investors aren't too happy. In Hong Kong, which is right on the frontline, shares dropped to the lowest level since the global financial crisis in 2009. In mainland China, markets held up a little better, but it's likely this involved some support from the government.

Monday's collapse in the stocks of Naspers and Prosus, which control 29% of the Hong Kong-listed Tencent, told the nerve-racking story. Together, both stocks tumbled by more than 15%, shedding an unprecedented R432bn on the JSE — a staggering loss of value for the wide swathe of pension funds that hold shares in the two companies.

On Tuesday, both recovered slightly, but nothing close to the bloodletting earlier in the week.

It's an illustration of why, with a powerful Xi at the centre, China has become too risky for many investors.





“This story has been two years in the making,” Sasfin’s David Shapiro tells the FM. He’s speaking, of course, about Xi’s clampdown in late 2020, when Alibaba founder Jack Ma was slapped down and prevented from going ahead with his listing of Ant Group.

At the time, few people realised where the Xi regime was headed. “Along the way we were given assurances, but the congress was the final straw,” says Shapiro, who describes Monday’s collapse as very tough for the JSE.

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Earlier gossip about a possible pushback from somewhere within the depths of the 100-million-member CCP was evidently little more than wishful thinking. After 10 years of remarkable political manoeuvring, the Xi gang has emerged in an impregnable position. It has secured the top positions across the party, the state and the army — a remarkable feat in light of the dominance of the Shanghai faction and the Communist Youth League faction for much of the past 40 years.

It is, an analyst told news service Reuters, “an emphatic statement of Xi’s dominance over the party”.

Put another way, Wen-ti Sung, a politics lecturer at the Australian National University, told The Guardian it’s an “unmistakable sign that the era of winner takes all politics is upon us”.

“Xi has reiterated several times that the performance indicator that matters above all in Xi’s new era is political loyalty. He felt no need to assign a spot to an alternative faction, which shows his priority is projecting dominance over magnanimity when he is facing international pushback.”

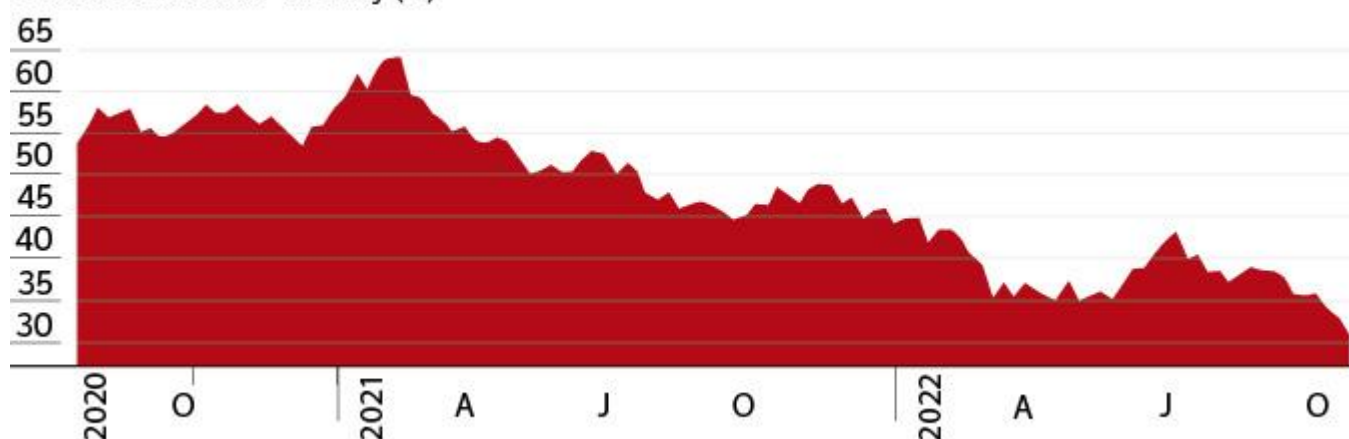
Inevitably, given that he’s here to stay, a cottage industry of Xi experts has blossomed, all trying to work out exactly who he is and what the next phase in China’s history might look like. At this stage, the rather vague conclusion seems to be that Xi is a hard-core nationalist who is deeply committed to the dominance — at any cost — of the CCP. National security, including economic security, will take precedence over economic growth.

This means the future might not look too much like the past.

Critically, the private sector is expected to play a much more constrained role in this environment of more constrained growth. And even more critical — here, at least — is what this means for South Africa.

## RED ALERT?

Satrix China fund – weekly (R)



Source: Infront

## SA’s China boon

“Richard Cluver Predicts”

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While “modern China” dates back to the post-Mao Zedong period of the late 1970s and 1980s under the leadership of Deng Xiaoping, South Africans really only became familiar with it in the past 20 years.

In these two decades “modern China” has arguably been the single-biggest influence on the South African economy. This is only partly highlighted by the fact that, over that period, trade between the two countries grew at an annualised 14.4%, to \$54bn in 2021.

China is South Africa’s largest trading partner (the US is second). At the same time, China’s trade with South Africa accounts for 21% of its trade with the whole of Africa; Nigeria is in second place with just \$26bn worth of trade with China.

It means China is a huge deal in South Africa’s life — and whatever happens to that country has major implications here.

The trade figures tell the big picture. Less noticed but more compelling is how this has played out at a micro level.

First, the really bad stuff: hundreds of thousands of low-skilled jobs in a slew of industries — clothing, textiles, glass and plastics — were destroyed in the early period of mass importation from China. This forced millions of people into a fragile, impecunious state of survival.

If you were an academic and not one of those newly unemployed, you might have taken some comfort from the fact that large numbers of low-skilled mining jobs were being sheltered by China’s strong demand for our commodities, or that the cheaper prices of imported Chinese goods created downward pressure on inflation.

The official China story makes much of the fact that economic growth and government policy mean an estimated 800-million fewer Chinese citizens are living in poverty today than would otherwise be the case. Less talked about are the 1,000-plus Chinese billionaires created in this deeply unequal society. And even less talked about is the likelihood that modern China has, in the past 20 years, been the single-biggest creator of millionaires and multimillionaires in SA — another deeply unequal society.

The Asian giant’s ability to mint South African millionaires has tended to focus on Naspers and its legendary \$32m investment in a little-known Shenzhen IT company called Tencent, back in 2001.

Tencent turned out to be the caricature of the “modern China” success story. This was the first generation of entrepreneurs whose amazing talent and energy had been unleashed by Deng’s market economy reforms. All they lacked were the funds to finance their ambitious plans for growth in a market that knew little about IT or the internet.

#### **WHAT IT MEANS:**

Helped by a mix of dynamism and intuition — as well as government-imposed restrictions on Western IT operators such as Google, Twitter, Amazon, Facebook and WhatsApp — Tencent, with Naspers’s backing, became a huge hit on its home turf.

But it wasn’t until a few years after Tencent’s 2004 listing on the Hong Kong Stock Exchange that its huge popularity turned into enormous profits and propelled the share price to unexpected highs. Inevitably, the share price of Naspers, as the single-largest shareholder, was dragged along after it.

For anybody owning Naspers shares, this generated a windfall of unprecedented proportions; recall that the share price had plunged to a low of R12 in 2001, when the dot-com bubble burst, making then Naspers CEO Koos Bekker’s insistence on being paid only in share options appear a tad misguided. But the share price recovered, slowly at first and then at a dizzying pace, until it reached a record high of R3,812 in February 2021.

A lot of people owned Naspers shares; not just South Africa’s Government Employees Pension Fund (GEPF), the largest shareholder, nor even just members of the Afrikaans community who had tucked barely performing Naspers shares away and forgotten about them years ago. Huge swathes of employees also

benefited. After all, if share options were good for the CEO, they were surely good for everyone. But, of course, the closer you got to executive level the more generous the share option packages were.

There probably weren't too many millionaire journalists created as a result of Naspers's China investment, but over the years scores of Naspers executives and directors — even those who had voted against the deal in 2001 — became multimillionaires thanks to China. A few, such as current CEO Bob van Dijk, became billionaires.

But Naspers is really only the poster child of the China spoils. So extensive has China's impact on the South African economy been since 2001 that it's difficult to think of any executive whose enormous wealth hasn't in some or other way been linked to China — even the already super-wealthy ones, such as Johann Rupert and Christo Wiese became a little richer thanks to China.

In the old days you had to own a few mines or have your name on a long-established mining business to make a fortune from digging up the earth. But that all changed in the early part of the 21st century. And it was thanks to the coincidence of two totally unrelated developments.

The first was the requirement to disclose executive remuneration packages, which were by then bursting with share options. Disclosure had the unintended effect of guaranteeing ever-increasing remuneration levels.

The second was the launch of what Peter Major, director of mining at Modern Capital Solutions, describes as the longest super-cycle in commodities the world has yet experienced.

"There would have been no super-cycle without China," Major tells the FM. There were two or three pullbacks during the 20 years, but they were brief affairs.

The second-biggest super-cycle was back in the 1970s, but that lasted just eight years, he says.

"This time around, everything except uranium took off — iron ore, coking coal, fluor spar, chrome, manganese, platinum, palladium and gold," says Major. "It's scary to think what would happen without China."

Trawl through the resources sector of the JSE and you'll get some idea of the lucky beneficiaries: executives at Glencore, BHP, Merafe, South32, Anglo, AngloGold, Anglo American Platinum (Amplats), Impala Platinum, African Rainbow Minerals (ARM), Northam and Sibanye-Stillwater, to name but a few.

Executives with shares, share options and share-appreciation rights stuffed into their remuneration packages banked the sort of money undreamt of by earlier generations of managers as share prices skyrocketed on the back of China's unprecedented demand for commodities to fuel its rapid industrialisation.

Assore's Desmond Sacco and ARM's Patrice Motsepe regularly topped the African billionaire list thanks to China's seemingly insatiable demand for their metals and minerals. Executives such as Amplats's Barry Davison, Kumba Iron Ore's Norman Mbazima, Anglo's Tony Trahar or Sibanye's Neal Froneman should have been able to score multimillion-rand rewards by cleverly riding the occasional troughs and frequent peaks of share price movements driven by China.

And, in a commendable break with tradition, just over 6,000 employees of Kumba's Sishen Iron Ore Company shared in the spoils of the boom in iron ore prices after the global financial crisis in 2009. In 2011 they each received a dividend payment of R576,045.

Between Naspers and the mining sector, China has been the major driver on the JSE for much of the past 15 years, says Anchor Capital CEO Peter Armitage.

Though Armitage is disappointed by the tone of the recent CCP congress, he cautions against too pessimistic a take on China's future.

“For the past 15 years commentators have been writing off China, but they overlook the huge ability the government has to direct economic growth,” he says. “China isn’t over, but its growth will be slower.”

And, as Armitage points out, the China boom wasn’t *just* about Naspers and mining. The retail sector also saw its fair share of China-made multimillionaires. It stands to reason, given that almost everything purchased in our shops — other than food — seems to have a “Made in China” sticker on it.

Mr Price was one of the first big clothing retailers to get the hang of sourcing huge chunks of its merchandise from China at knock-down prices. While that helped to devastate the local clothing industry it proved to be enormously profitable for shareholders, including entrepreneurial founders Laurie Chiappini and Stewart Cohen, as well as most of the group’s top executives.

Edgars was also quick to organise the logistics needed to suck up the China advantage, boosting profits sufficiently to pay enormously generous share option-enhanced remuneration packages to all its top executives. In 2005 alone, CEO Steve Ross made more than R100m on his share options as Edgars soared on the back of low-priced Chinese imports.

Unfortunately, not even the China advantage could protect Edgars from the existential damage caused by Bain Capital’s highly leveraged buyout in 2007.

Independent retail analyst Syd Vianello says once one of the retailers perfected the China sourcing model, all the others were forced to follow. He tells the FM the retail industry was competitive enough to ensure a good portion of the benefits of lower prices were passed on to consumers, “but retailers still managed to make a heck of a lot of money”.

The growth in social grant payments and increasing access to consumer debt — part of an international trend — combined with the historically low China prices to generate bonanza conditions for retailers and their executives.

It wasn’t just clothing retailers, says Vianello, alluding to all manner of white goods, electronics and even pharmaceuticals.

Sadly, Massmart didn’t manage to do quite so well with its huge sourcing from China. Quality of management is evidently a crucial factor.

And not even sourcing much of its product from China could save Steinhoff’s shareholders from the damage wreaked by CEO Markus Jooste’s accounting habits.

Again, it wasn’t just the executives and the private sector that enjoyed the spoils of the China miracle. As the single-biggest shareholder on the JSE, the Public Investment Corp (PIC), which manages investments on behalf of the GEPIF, saw its assets under management balloon to R2.5-trillion in its 2022 financial year. The seemingly guaranteed rise in China-related equities enabled the PIC to report growth no matter how distracted its management was or how many value-destroying unlisted investments it made.

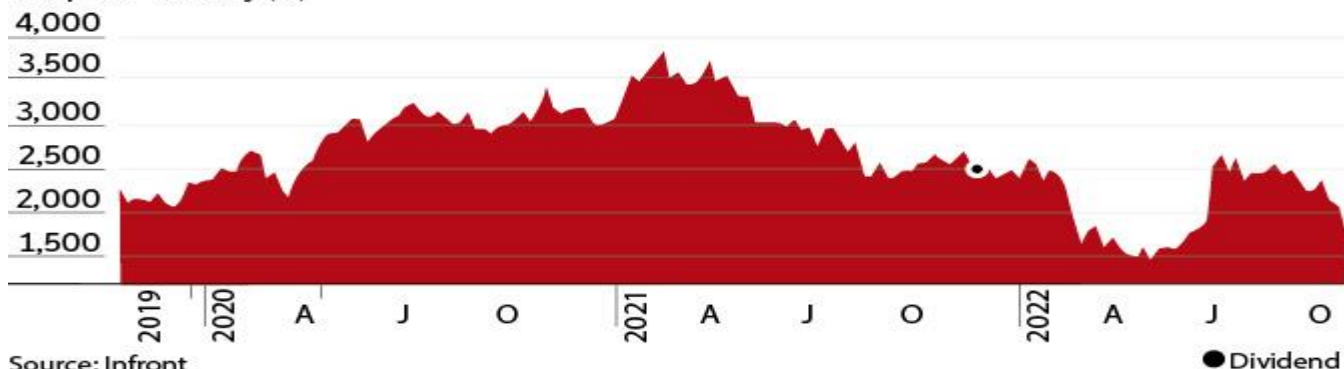
Finally, of course there’s the biggest beneficiary of all: SA’s government coffers. In fiscal 2022 alone, tax revenue was a stonking R182bn more than budgeted, largely due to mining companies that benefited from a boom in commodity prices. And that benefit continued to roll on through calendar 2022.

Of course, not all commodity demand can be tied to China, but as Major says, there would be no super-cycle without China. Which is why he, like most China-watchers, is now nervous.

“No-one had forecast the post-Covid run we’ve just seen,” Major says. “But now it looks like the sector is heading into a long dark winter.”

## RAPID SELL-OFF

Naspers – weekly (R)



### A new world order?

How long and how dark that winter will be depends largely on the extent of rupture between the increasingly hostile US leadership and the increasingly assertive and nationalistic Chinese one.

Globalisation appears on ice for now. But what will replace it?

One analysis, from Capital Economics, talks of a “fracturing” of the global order and the emergence of US- and China-aligned blocs that will fundamentally reshape economies and markets.

“Fracturing will affect everything from cross-border financial flows and transfers of technology to labour and product standards and supply chain security,” the London-based research house says in a recent report. “Central to this analysis is the idea that geopolitical considerations will play a far greater role in formulating policy than they have for a generation.”

The potentially good news for South Africa in this grim projection is that the country escapes alignment with either of its two biggest trading partners, and that it continues to enjoy near-monopolies on key commodity supplies.

If the government can play its hand well — which, admittedly, it hasn’t tended to do in the past — South Africa could maintain a reasonably stable economic environment. Or not.

Whatever happens, it will be, as Armitage notes, “a very different world that my kids grow up in”.

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# If a Tree Falls in a Forest...

by Jeff Thomas

**In the late eighteenth century, Bishop George Berkeley posed the question,**

*"If a tree falls in a forest and no one is there to hear it, does it make a sound?"*

Since that time, generations of university philosophy professors have required their students to consider the question. Countless classroom time has been taken up in pondering it. In many cases, students would be required to write a report containing their answer and they might even be graded on it.

Of course, this is the world of academia, which consists almost entirely of theory, not practical application. But, in the functioning world, it makes not the slightest difference whether the tree makes a sound or not.



The lumberjack who actually encounters the tree is unconcerned with the philosophical question. He only cares that he has a tree he can cut.

He represents those who produce, rather than those who theorise.

And so it is with the field of International Diversification. It can be described as taking place in three stages:

### **People Leave an Empire Quietly**

Typically, when a country (or empire) has been corrupted by its leaders to such a degree that it's reaching its sell-by date, some people begin to see the writing on the wall. Although many remain at home, complaining bitterly that their leaders are selling them out, a smaller number of people recognise that the country has passed the point of no return and make the choice to leave the dying leviathan rather than go down with it.

We're presently passing through such a period in which a significant number of people will be leaving the countries of their birth, particularly those countries that were once referred to as the "Free World."

But, this is nothing new. For millennia, countries and, indeed, empires, have self-destructed with regularity and, in each case, those who realise that the livability of those countries is about to end, begin their exodus. At first, they're few in number; then, as the writing on the wall becomes increasingly visible, more leave. In the final stage of exodus, major events occur, making it blindingly obvious to a large percentage of the population that their place of residence is about to become considerably less livable.

In this final stage, there's often a flood of people who attempt to exit; however, it's often the case that, just prior to this time, two things occur:

First, the leaders of the country that's in decline pass legislation that's designed to keep their minions *in* and, second, those countries that previously welcomed a small number of new residents realise that they may soon be faced with a *flood* of arrivals. They then pull in the "welcome" mat and close the door to further grants of residency.

And, so, those who leave early and leave *quietly*, tend to be those who are successful, repatriating themselves to one of the countries that's relatively freer at that point in time. They then set up shop, begin to invest and produce, and take advantage of that greater freedom.

### **The Exodus Is Not Noted as Having Importance**

Typically, when the period is written up later in the history books, little note is made of the exodus.

Why should this be? After all, those who leave are often the best and brightest – those who had the vision to see the future. Not coincidentally, such people also tend to be those who come up with the new ideas; pushing technology, investment and production forward. These people therefore tend to be those who *create* the prosperity that *makes* a country great.

So, why is this important occurrence so seldom noted?

Well, at the time, everyone is wrapped up in the excitement of events that are unfolding in a major way. The news media tend to focus on the events themselves, and the fear, anger and confusion that are generated. The exit of a relatively small percentage of productive people is not as compelling as those who are storming the Bastille or those who are promoting themselves as the next leaders, based upon promises of radical change.

The exodus, therefore becomes a marginal event, not worthy of concern or discussion.

## No Lesson Is Learned

When the history is written, the focus is on the more exciting events, the names of the primary figures and the devastation that has occurred. And those who read that history, learn only what's been made available to them.

In studying history, we see mentions of the productive class making an early exit in each instance, but in almost every case, this is treated by the historian as a footnote.

This is most unfortunate, as when, for example, much of the merchant class quietly exited Rome in its latter days, it did not merely represent the loss of a body of reliable taxpayers, it assured that, when the most productive citizens had gone, there would be no one to rebuild Rome after its decline and fall.

The result was that Rome *never* returned to its former glory. And this held true for the Ottoman Empire, the Spanish Empire, the British Empire, and so on down the line.

The flip-side of this is that, when the leavers arrived at their new destination, they then did what they're best at – building, investing and producing. This acted like a shot in the arm for their new countries, helping them to rise up even as their former country was crumbling.

And so, we're presently witnessing the next iteration of that repeating occurrence.

Thousands of people are exiting the former Free World for the opportunity to expand, invest and produce elsewhere on the globe. Their numbers are on the increase and yet, the exodus goes without notice.

Like a tree falling in a forest, it occurs, for the most part, unheard. Most likely, the academics of the future will pay it little mind, yet, in any era, whenever one country or empire falls, another invariably rises to take its place. And this happens, in part because a new destination offers the freedoms that are ending in the previous location and, in part because a "brain drain" from the former jurisdiction to the new one takes place.

For the sake of history, it's unfortunate that this ever-repeating occurrence receives minimal notice.

But, for the individual, it's especially unfortunate, as the historic certainty of it informs us that it's those who vote with their feet at such a time that create and receive the direct benefits of the next renaissance.

Editor's Note: We're headed into one of the most dangerous times for savers, retirees, and anyone who has assets.

The political and financial risks to your capital are the largest they've ever been in our lifetimes—what you do next could mean the difference between suffering crippling losses and coming out ahead with your wealth intact.