



Our Weekly Paid Newsletter

Richard Cluver Predicts

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



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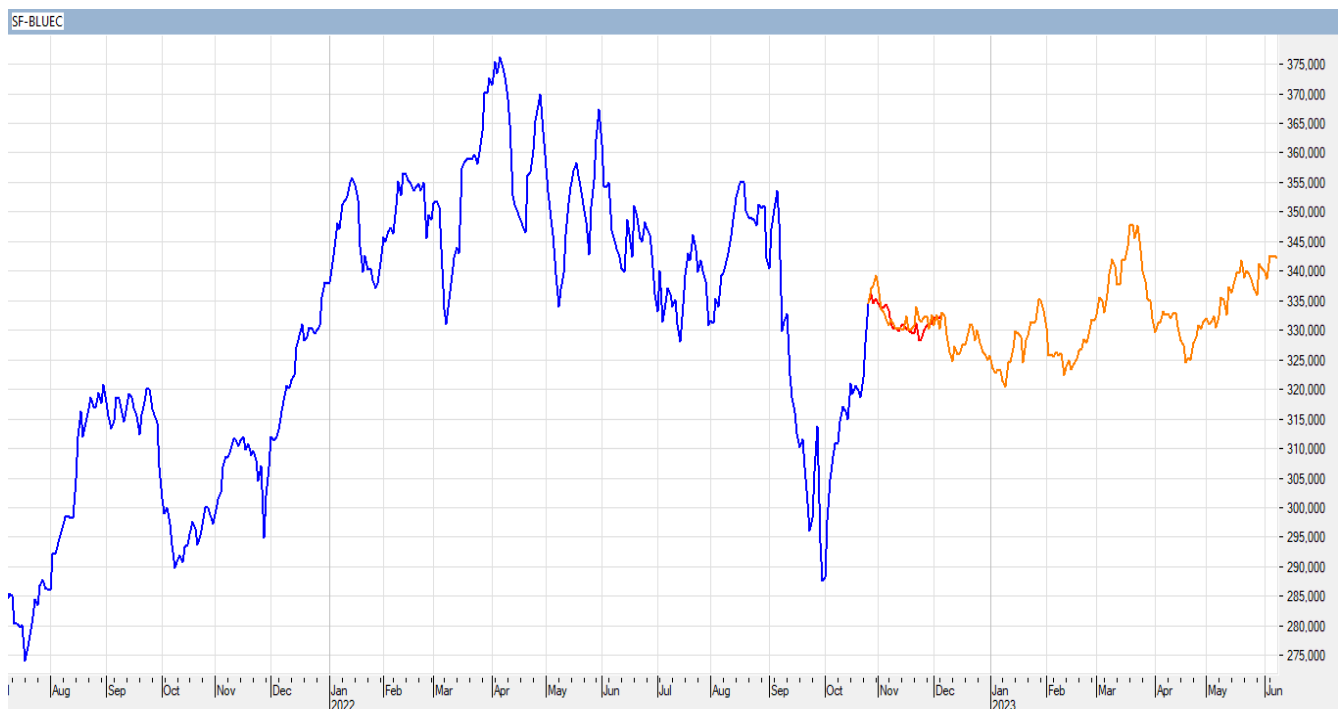
04 November 2022

As always I am indebted to Investec Wealth for its succinct daily snapshot of how world markets are trending and the major events that are shaping them. They noted on Thursday that, “ The Fed yesterday hiked rates by 0.75 of a percentage point, but reiterated that more hikes were on the horizon, even though there may be a slowing in the pace. ”

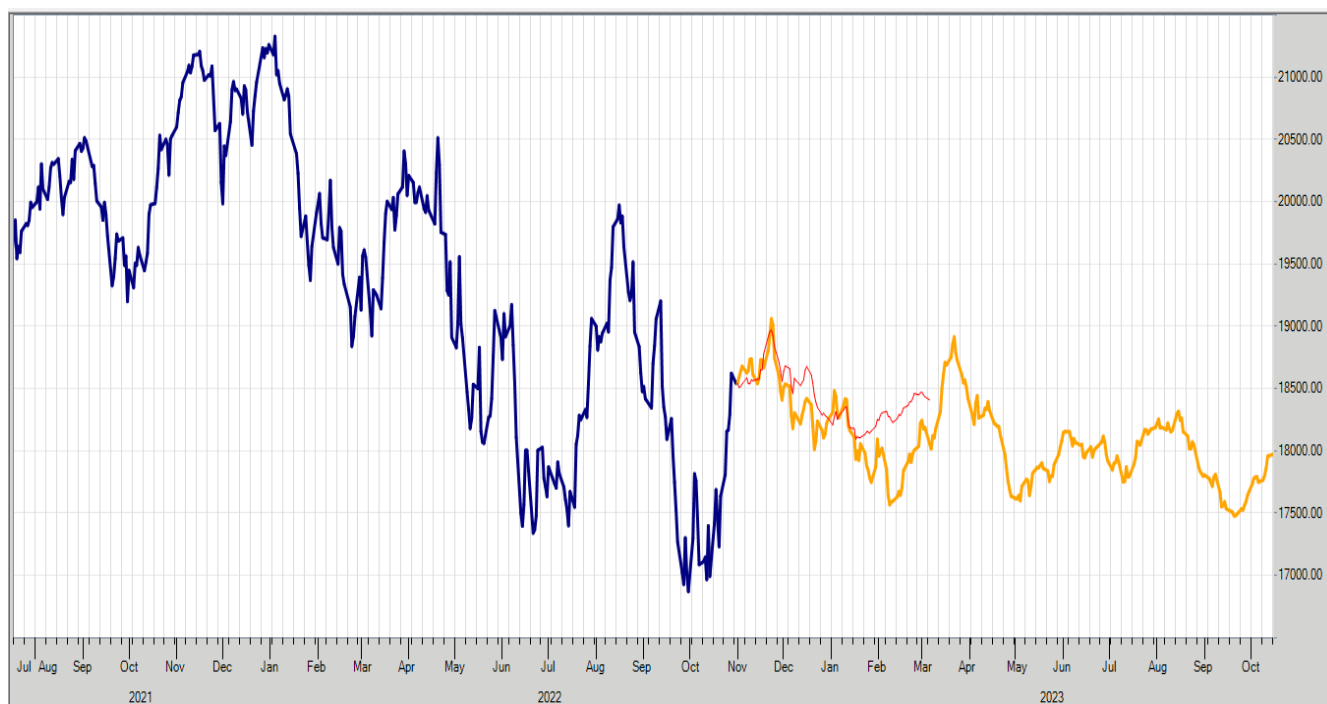
- After being steady at the time of the announcement, US equities moved lower after Fed chief Jerome Powell said the central bank still had some way to go in beating inflation.
- The S&P 500 fell 2.5%, the Dow 1.5% and the Nasdaq 3.4%. The 10-year Treasury edged up to 4.06%, from 4.05% previously.
- Shares in the Asia-Pacific followed Wall Street lower, with Hong Kong down almost 3% after a committee to discuss Covid-19 policies said China should "not in the least waver" from its current strategies.
- The JSE fell 0.4% yesterday, led down by a 1% drop in industrials

With that knowledge it was clear to me that the JSE would almost certainly be in for a muted day and that I should therefore hold off any selling plans I might have. And indeed the market did open with only a smattering of green on my watch list so I knew I could relax and get on with other more pressing issues on my agenda...such as writing this weekly column for instance.

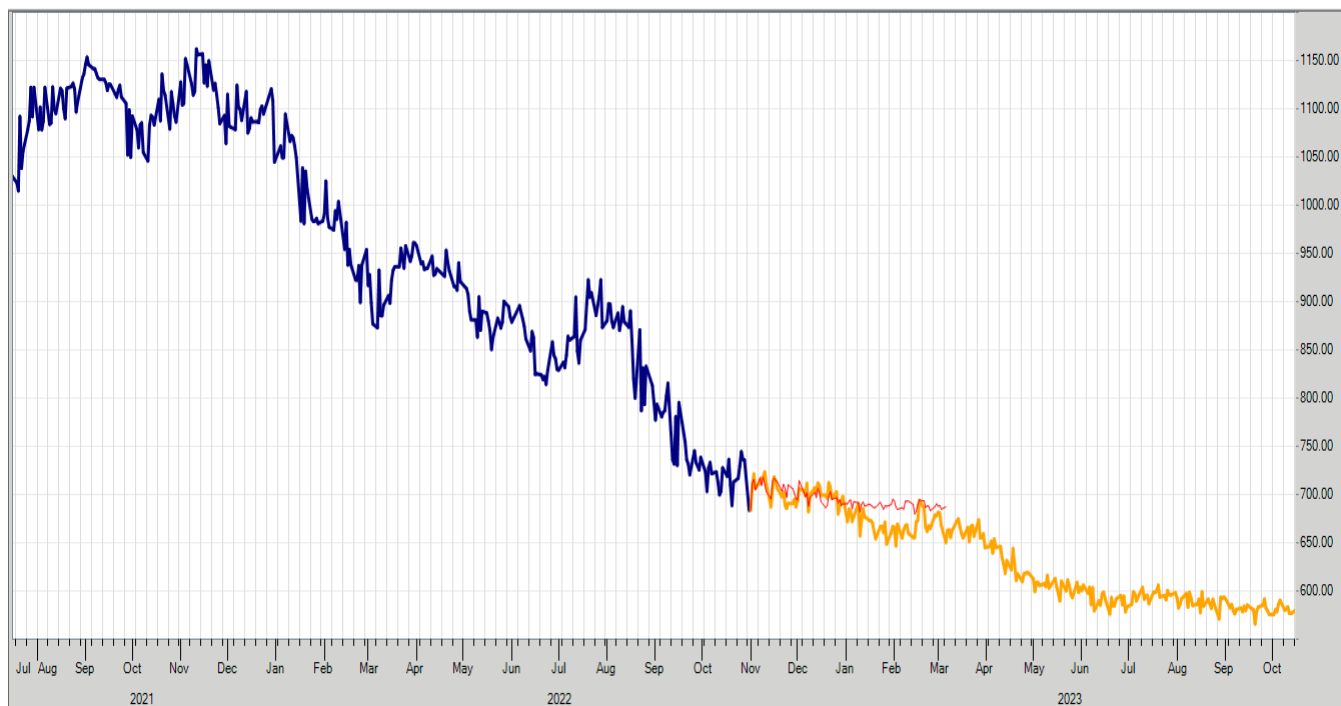
Uppermost on mine – and I guess most of your minds as well – is the question of when this bear market will end and, while there are distinct indicators that the worst of the declines might be behind us, the dead cat bounce of a recent recovery is likely over. Certainly that is what ShareFinder projects is likely for the local Blue Chip Index as you can see in my first graph below:



ShareFinder expects that local Blue Chips will trend downwards from here on until early January when it anticipates the next month-long recovery. It is a little more positive about Wall Street where it currently projects gains until November 23 before the next bear trend until February 10 as pictured below:



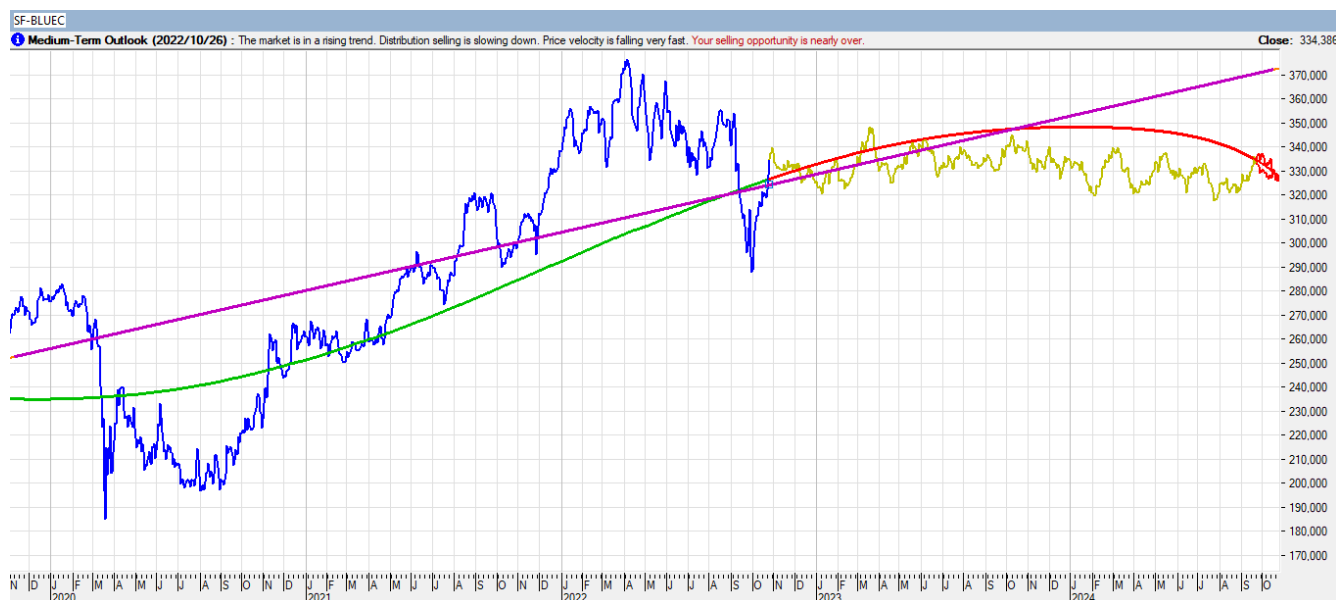
But it continues to take a jaded view of the UK market which is deeply reflective of the disaster that has followed Boris Johnson's misguided campaign which took Britain out of the EEC.....and to think the latter had his hand up as a potential come-back kid. Fortunately the Tories, with an eye to the polls which showed that an overwhelming defeat by the Labour Party is the undoubted consequence of their unmitigated stupidity in recent years, they opted for Rishi Sunak who knows a little about markets!



In case you need reminding of the rogues gallery who turned a once proud political party into a music hall comedy routine, you might consider the rogues gallery which followed Margaret Thatcher after 1990: from David Cameron - who so stupidly miscalculated British public attitudes that he failed to apply the usual two thirds majority clause to the Brexit referendum - to Liz Truss who, equally deaf to the warnings of the economists surrounding her opted for the right policies at the wrong time and paid the price of becoming the shortest-lived prime ministership in British history, here they all are:



However, returning to my main theme which begs the question about when we might hope to see an end to this sorry period of market decline and incipient global recession/depression, I have published below a long range ShareFinder projection which is far from encouraging because it suggests that a brief market recovery - that appears likely to begin in early January and will end in mid-March - could be the last peak in the next 24 months.



It furthermore suggests that the major portfolio adjustment opportunity that existed when our local Blue Chips were mired in total pessimism and smart investors were able to indulge in some swapping between under and over-performers has just ended!

To explain, that purple line is drawn by ShareFinder's 'least squares fit algorithm' and thus represents a 35-year market mean. I regard it as one of my most valuable indicators of overall market value for when aggregate prices are below that line the market is cheap and when it is above the mean it is expensive. The Blue Chip Index cut through that line on the up-side on October 25 and by that definition it is now, on average, over-priced.

What that means is that until the companies which are represented in the index deliver profit gains sufficient to make their shares attractive once more, the market is likely to trend sideways.....and that is precisely what ShareFinder is projecting in the graph above....and what economists expect until the disastrous ANC is finally removed.

On that note we had a by-election in my Kloof ward this week in which the DA got 5 920 votes and the ANC 219...halving their previous support

Individually there are still some mouth-watering dividend yields available on the JSE, scattered like beached whales among the flotsam that is the current marketplace. But they are getting fewer each day!

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 7 and then a decline until mid-February.

Nasdaq: I correctly saw gains ending with the end of the month and I now see an almost uninterrupted decline until mid-February within an overall decline lasting until September.

London's Footsie: I correctly warned that London was close to the top of an interim recovery which I now see peaking around November 14. 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 could see an outside possibility of it lasting until today. 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 saw 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... and I still hold that view.

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 9th until mid-December when the next up-cycle appears likely.

ShareFinder JSE Blue Chip Index: I correctly expected a bumpy ride upwards peaking last Friday and that is exactly what happened. Now I continue to expect declines until early-January.

Rand/Dollar: I correctly predicted brief gains. Now I see further weakness continuing through to early March.

Rand/Euro: I correctly predicted that the Rand was peaking and now see losses likely until the end of December.

The Predicts accuracy rate on a running average basis since January 2001 has been 86.8 percent. For the past 12 months it has been 94.86 percent.