



Our Weekly Paid Newsletter

# Richard Cluver Predicts

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



Volume: 35 - Issue: 39

15 December 2022

For many, the festive holiday season is already well under way and even my most dedicated readers are, I suspect, likely to have little time for column-reading for the next few weeks. This then is my last Predicts column until Friday January 6.

Accordingly, I have undertaken what I usually try to do at year-end. I have pushed ShareFinder's artificial intelligence to project the likely trend of the markets through until 2025 which will serve to underpin my recent thinking that one needs to concentrate upon maximising income generation for the foreseeable future.



The projected trends make for fascinating consideration. The current inevitable end of year market decline will not surprise anyone. It is a seasonal thing. However, as we head into an increasingly complicated political year with the possibility of an early election looming ever greater, it is perhaps exactly that thinking which might drive JSE Blue Chips steadily higher until mid-October.

More so, however, the subsequent projected decline until May 2025 is the event which troubles and surprises me for such an extended bear market could, if the projection proves correct, spell prolonged pain for South Africans until one compares it with a projection of Wall Street's leading market indicator, the S&P500 Index in respect of which ShareFinder ALSO predicts a continued decline until at least mid-2025.



However such pessimism does reinforce my recently-changed strategy to exchange growth stocks for those which are maximising income generation for the foreseeable future. My reasoning should be quite easy to understand. The world is being forced into a recession which central bankers optimistically keep on telling us should be short-lived and, already this week in the face of a lower than expected increase in the US inflation rate, economists are cautiously beginning to talk about a “soft landing.”

A deepening bear market suggests that the already mouth-watering dividend yields we are seeing on the JSE are likely to increase. For those who have surplus cash in the New Year there are likely, in other words, to be some bargains among the Blue Chips!

Given the extent of the mound of debt that the world has created in the past two decades, I find it impossible to believe that an inflation quick fix is possible. In case you did not manage to read my Prospects Newsletter, let me remind you of the comments by world-acclaimed economist Nouriel Roubini, who highlighted the fact that, globally, total private- and public-sector debt as a share of GDP rose from 200% in 1999 to 350% in 2021.

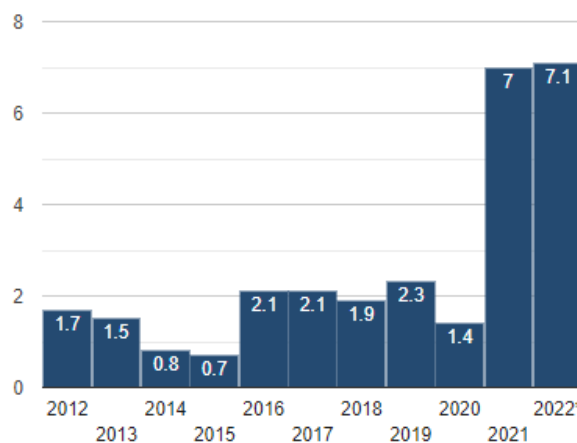
He said, “The world economy is lurching toward an unprecedented confluence of economic, financial, and debt crises, following the explosion of deficits, borrowing, and leverage in recent decades,” adding that, “In the U.S., it is 420%, which is higher than during the Great Depression and after World War II.”

It does not require great insight to realize that this will affect the Developing World more deeply than major economies because the former are mostly heavily in debt and so the rising interest rates that stem from the war on monetary inflation will curb governments’ ability subsidise the lifestyles of their cash-strapped citizens.

Furthermore, Third World countries like South Africa generally earn their foreign exchange requirements from the export of agricultural and mineral product because, given the size of their populations, they are usually unable to reap the competitive economies of scale which First World industry enjoys. Furthermore, since the Developing World is also generally defined by a substantial gap between rich and poor with the majority generally living close to the global bread-line – and often below it – the poor tend to use their voting majority to demand socialist benefits such as heavily subsidised basic living requirements. As a consequence, their wealthy minorities often suffer both from above average taxation and, led by their politicians who need a scapegoat for their ineptitude, the scorn of the masses.

That is why the label ‘White Minority Capital’ tends to be heaped upon our entrepreneurial class in this country.....as if it is some sort of crime to create profitable businesses which are the sole long-term sustainable engines of job-creation. If you are a reader of this column you probably fall into this latter category which also makes it likely that you have more than once thought seriously about emigration. Indeed you very likely have children already living abroad so you already have a secured beach-head and might in the future opt to join the one million taxpayers who have left the country in the past five years.

Chart: United States Annual Inflation Rates (2012 to 2022)



Source: IIF, BIS, IMF, National sources

Thus, it is important to take to heart an understanding of why South Africa is likely to become increasingly politically unstable since, as I have frequently reported to you, a calculation by economist Dawie Roodt suggests that every South African taxpayer carries the social burden of 20 families. If a million taxpayers have left the country in the past five years it implies that the tax base can support 20-million fewer families!

That is why the next year or two of global recession are likely to give us ever-deepening political instability as the US Federal Reserve continues raising interest rates. Noting that we already pay the third-highest rate of interest among global borrowers, the Government will find it increasingly difficult to continue recycling debt and the ratings agencies are likely to put us on lower gradings of junk which will make further borrowing crippling expensive.

Meanwhile, in case you have forgotten, we stand in grave imminent danger of being grey-listed by the IMF because of our failure to adequately account for cash flows to sanctioned countries. Furthermore, while the Ramaphosa administration continues to fly in the face of US sanctions on Russia and other rogue states, how can we hope to see our membership of the AGOA agreement being maintained? And lest we forget, AGOA allows South African goods to enter the US duty-free as an incentive to play ball with them politically.

So how do we explain to the US that last week we allowed a sanctioned Russian freighter to unload cargo in our Simonstown naval dockyard in the dead of night?

So, surprisingly, ShareFinder suggests that a modest bull market lies ahead for most of the New Year. Hopefully it is as correct in this as it usually is for the implication of a rising market, other than simply being an echo of Wall Street, implies that politically things might turn out better than present expectations.

I fervently hope so!

***Meanwhile, let me take this occasion to remind readers of our December/January “Great Experiment” half price sale. People due to renew subscriptions to ShareFinder services later in the year are, furthermore, not excluded. You can renew now at the discount price and receive a credit against the residual value of your existing sub!***

**May I finally, on behalf of everyone at ShareFinder International, wish you everything you would wish yourselves over the festive season. It’s been a tough few years and we all deserve a well-earned break!**

# The month ahead:

**New York's SP500:** I correctly predicted the market would go down-hill and I continue expect it to be negative until late-February.

**Nasdaq:** I correctly predicted a brief up-surge followed by declines starting today until mid-February.

**London's Footsie:** I correctly predicted declines which I expect to last until late February.

**France's Cac 40:** I correctly predicted the market trend would be downwards until late February.

**Hong Kong's Hangsen:** I correctly predicted a market peak followed by a relentless decline which has now begun and is likely to last until late April.

**Japan's Nikkei:** I correctly predicted gains until early January ahead of a decline until early May.

**Australia's All Ordinaries:** I correctly predicted declines which I expect to last until mid-February.

**JSE Top 40 Index:** I correctly predicted the market would peak at the end of December followed by a steep decline until October.

**ShareFinder JSE Blue Chip Index:** I correctly predicted declines until early-January. Long-term, however I see gains until October ahead of a bear market until mid 2025.

**Rand/Dollar:** I correctly predicted weakness to re-emerge and last until early-March.

**Rand/Euro:** I correctly predicted a resurgence of strength through to mid-January.

***The Predicts accuracy rate on a running average basis since January 2001 has been 86.85 percent. For the past 12 months it has been 94.63 percent.***



# A new Richard Cluver book

If you are planning on a relaxed holiday season with the opportunity for some serious reading, then Richard Cluver's latest E-book might be just what you are looking for.

Explaining the genesis of his latest offering, Richard writes: "This study began with the working title 'Apocalypse'. But later, as I came to understand the immutable cycles of renewal which have marked our species since the very beginning, I began to glimpse the new springtime that was overtaking us and I renamed it 'Apocalypse Averted.' Finally, I have begun to sense the truth about mankind's ultimate destiny and so I have renamed it a third time. I have simply called it 'Hope.'

Beginning as a sequel to his 2019 work '**The Crash of 2020**' which predicted a Black Swan event originating in China which would devastate the world and set in motion the economic crisis that is even now unfolding, Hope is an attempt to trace mankind's journey from hunter-gatherer in the Cradle of Mankind to apex life form and the challenges we have faced along the line: how we dealt with them and how we are likely to solve the major crises we now face, finally posing the question, 'Are we about to evolve into Gods?'

Underlying it all is the imponderable question of why, after ten million years of living as a hunter-gatherer whose lifestyle provided for all his needs in return for just two hours of work a day, around five thousand years ago mankind abruptly abandoned that life and committed himself to the back-breaking 14-hour work-day of the farmer and the inevitable attendant problems of modern society where today global warming and nuclear war offer us annihilation and where political and monetary mismanagement have bound our species into unconscious slavery from which science is pointing ever more strongly to our final evolution.

An intriguing attempt to answer many of mankind's most pressing contemporary problems, the fittingly-titled book points us towards a bright future which, if Richard Cluver is correct in his extrapolation of current social trends, another evolution will lead us to an imminent future in which, in his words, mankind is: "...about to become Gods!

***Hope is available as an E-Book at a cost of \$5 from [www.sharefinderpro.com](http://www.sharefinderpro.com) or free for those participating in The Great Experiment – Mentioned in the November 2022 edition of 'The Investor'.***

