



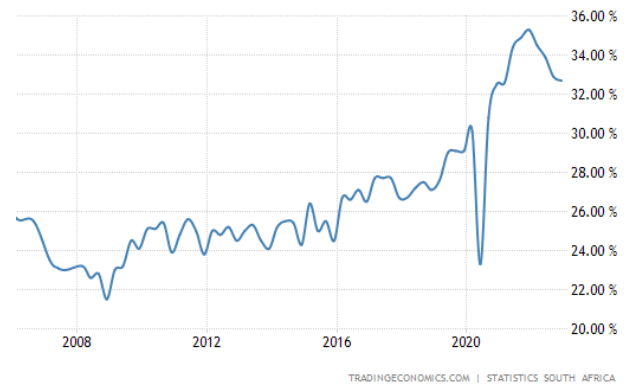
Largely missed by TV and the mainstream Press, South Africa took another downward dive this week which will inevitably further damage our already critically wounded economy. Canada's Fraser Institute, arguably the world's most authoritative arbiter of the mining industry, has rated us among the ten worst places for mining investment. And mining is our most important foreign exchange earner!

Notwithstanding the fact that we possess the most abundant mineral resource on the planet and until recently were acknowledged as the world's leaders in deep-level mining – with the finest linked universities – the Fraser institute has just informed 1 966 global mining entrepreneurs that it numbers us along with six other African destinations as the least attractive place to do business.

The survey said investors had expressed increased concern over the availability of labour, skills and poor infrastructure. And sitting squarely in the institute's sights is the same politician who is both blocking our energy transition process and is probably, single handedly the most to blame for load shedding.

Given that load shedding is responsible, according to the latest-published PwC economic outlook for an up to five percent reduction in South Africa's GDP – and noting that economists believe we need to achieve GDP growth of just six percent to mop up our unemployment – one might reasonably extrapolate those numbers to argue that Gwede Mantashe is the person most to blame for handing us the world's worst unemployment rate.

There were times when it was popular to create clay images of the folk most hated by the community and do nasty things to it; so imagine what a third of South Africa's population think of the discredited man whom President Ramaphosa keeps closest to hand. Note the unemployment rate graph on the right.



Indeed, so serious have things become that one of our most respected commentators, associate professor of governance at Wits University William Gumede was moved to write this week in his regular Sunday Times column that Ramaphosa now has the choice between ANC unity and a grid collapse. If he allows the latter the following social catastrophe would almost certainly see the party swept from power.

If that seems rather pessimistic from an authority not usually given to hyperbole, Gumede cites the example of the Lebanon in 2021 where a grid collapse led to a 90 percent currency collapse, food prices increased by 550 percent and there was a run on the banks.

Gumede wrote, if it happened here, "Violence and looting will sweep the country. Vigilante movements to counter such behavior will take over from police. South Africa will plummet into political instability and it is likely the ANC Government will fall as happened in Sri Lanka last year and Lebanon in 2021."

Remembering the 2021 July riots, most of us are unlikely to lightly dismiss Gumede's prognosis which stems from his observation that, despite energy experts assuring us that solar and wind power is the cheapest and quickest solution to our problems, he notes that many within the ANC leadership

“...ideologically oppose renewable energy believing it to be a Western conspiracy to prevent South Africa from using its coal.”

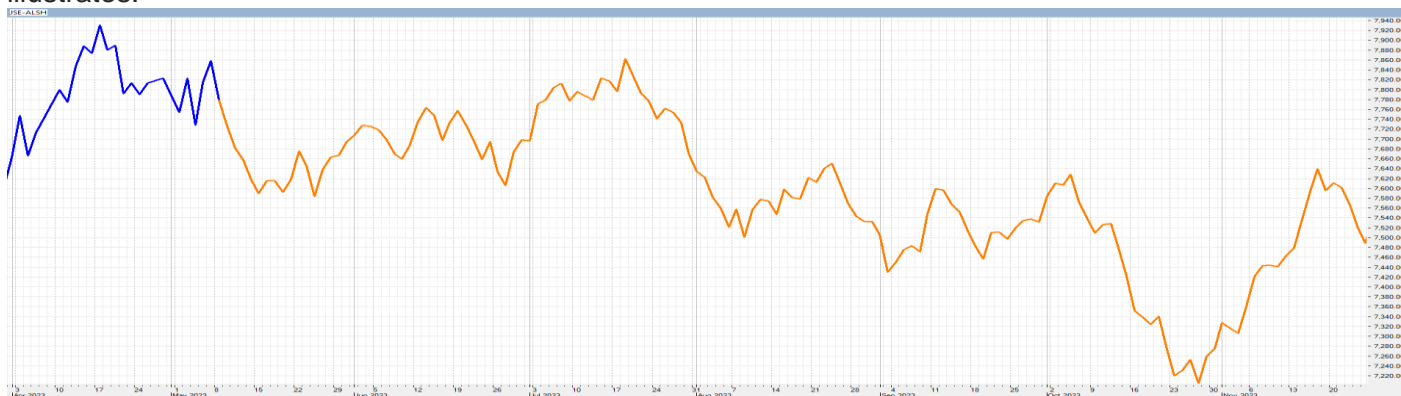
“They believe the crisis has been created by Western imperialist countries or the so-called Stellenbosch Mafia, supposedly powerful white businessmen, or because President Cyril Ramaphosa wants to privatise Eskom so his family and associates can benefit.”

“Such conspiracy theorists appear not to understand that even if Eskom had all the coal in the country, it does not have the capacity to use it because of obsolete infrastructure, lack of maintenance and new infrastructure that is not working because there was corruption behind establishing it. Combine this with incompetence, corruption and criminal syndicates controlling critical elements of the energy supply chain...”

Gumede’s considered opinion is that, “..the ANC Government which brought us this energy crisis is unlikely to resolve it with the same people, ideologies and corruption which brought it to its knees in the first place. This makes the prospect of a grid collapse very real.”

In order to prevent a grid collapse, Gumede believes Eskom will have to be written off because, “...the organization is too dysfunctional to quickly turn around, meaning solutions will have to be sought in the private sector, communities and private households.”

Chilling stuff and no wonder the outlook for the JSE All Share Index is as pessimistic as my following graph illustrates:



I don't know about you but I think that is a powerful argument for taking my own home off grid. Over a year ago I freed myself from the tyranny of load shedding by installing an inverter and a lithium battery. Today I sit with a quote for R120 000 to add 12 solar panels, an additional battery and the necessary switchgear which should under normal conditions provide me with more power than my average consumption of 53.68 units a day - which currently cost me R2.74.50 each and will shortly rise to R3.35 or R65 637 a year plus VAT @14 percent - to take the total annual cost to R74 826.

Work that out and you will see that my return on a R120 000 investment will be 62.36 percent. Alternatively, the best possible investment open to me is my own Prospects portfolio which, since March 2020 has been delivering a stunning Total Return average of 41.9 percent as the graph on the right illustrates.



So, going solar should offer me a 50 percent better return than the best available to me! Now many of my friends who have installed panels tell me one should not expect such high returns. But then I equally cannot hope that the Prospects Portfolio can possibly continue doing so well.....not in an ANC controlled economy in which, as Gumede fears, total governance collapse is a highly likely possibility.

Alternatively, offshore the arguably best global investment has been in Warren Buffet's Berkshire Hathaway shares which have seen a 19.8 percent compounded annual gain from 1965 to 2022, compared to 9.9 percent for the S&P 500 Index. Given that the Rand has simultaneously lost value at a compound annual rate average of 6.3 percent I might thus expect a Total Return in Rands of 26.1 percent.

The solar argument is thus surely convincing. I should, however, add that Durban ratepayers are taking the municipality to court over its proposed 21.91 percent electricity tariff increase – compared with Eskom's extraordinary latest 18.65 percent - and a 14.9 water increase which they believe are the highest in the country.

Huge opposition to municipal tariff increases is also coming from the very powerful SA Property Owners Association whose latest 2022 Infrastructure Report notes that rates now account for a 10.4 percent levy on ALL their members' income.

The month ahead:

New York's SP500: I correctly warned that a brief retraction was under way...likely until May 18 before the bull returns until the end of June.

Nasdaq: I correctly predicted weakness which I now see lasting until May 18 followed by modest gains until June 7 when another brief retraction until the end of August after which the recovery should accelerate into a long-term rising trend well into the New Year.

London's Footsie: I correctly predicted brief weakness which I still expect to last until May 19 and a second phase of weakness from mid-June to early-September.

France's Cac 40: I correctly predicted further losses until May 23 ahead of gains until the end of May ahead of a protracted decline until mid-August.

Hong Kong's Hangsen: The signs continue to be contradictory and so, while short-term indicators suggest weakness along with most global markets until May 25, I lean towards the longer-term indicators which predict continued gains until late October.

Japan's Nikkei: I correctly predicted that the recovery was now getting long legs which should last until the end of July.

Australia's All Ordinaries: I correctly predicted a brief retraction ahead of a long but volatile recovery starting around the 18th and lasting to mid-August which should mark the start of a 3-month decline.

JSE Top 40 Index: I correctly predicted a long volatile decline to late October.

ShareFinder JSE Blue Chip Index: I correctly warned of a decline to mid-May which I still expect to be over this week followed by gains until June 5 and then a very volatile period to August when protracted gains seem likely.

Rand/Dollar: I correctly predicted short-term weakness which I now expect to last until late July before a recovery begins to mid-November.

Rand/Euro: I wrongly expected gains until May 18 but correctly thereafter saw losses which I still expect to last until June 20.

The Predicts accuracy rate on a running average basis since January 2001 has been 86.92 percent. For the past 12 months it has been 93.3 percent.