



Our Weekly Paid Newsletter

Richard Cluver Predicts

In our 36th year of service to the investing public of South Africa

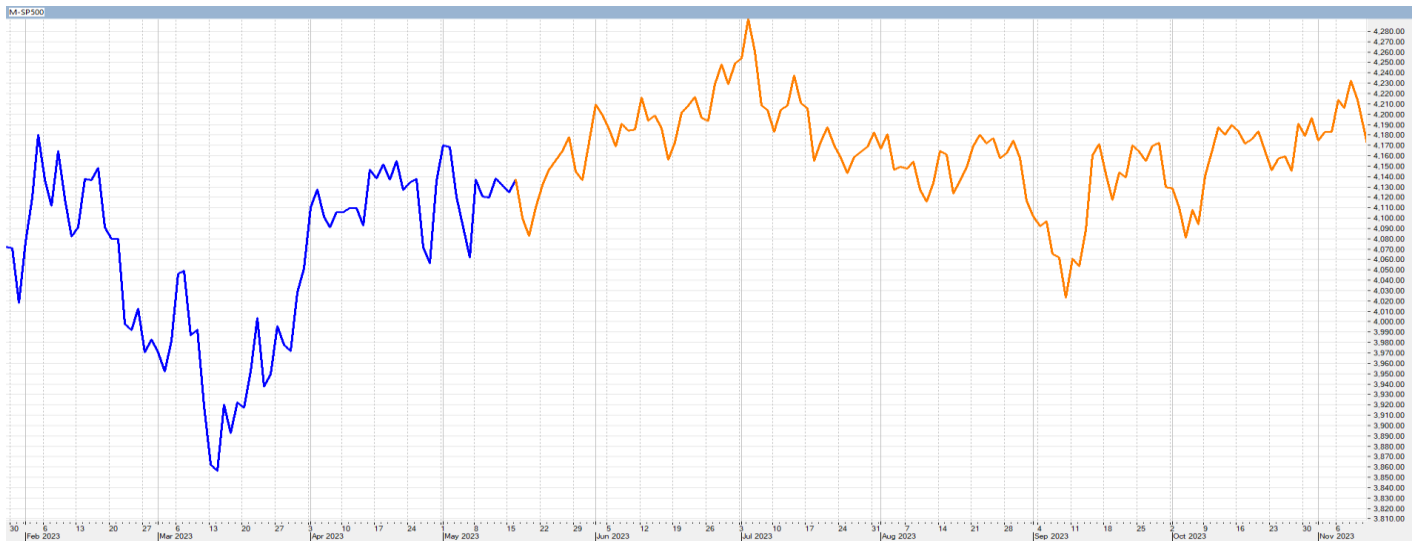


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19 May 2023

It's a troubling time for investors globally as the world's banking system tries to find a business model to replace the one that has served them well for the past 30 years....and now suddenly does not. And for South Africans grappling to understand why our government continues to spit in the face of our biggest trade benefactor, things just seem to get worse and worse.

But for the world's biggest share market, Wall Street's S&P500 Index, the fact that congressmen are as usual bickering about raising the US debt ceiling merely represents a pause in a longish-term recovery situation as the projection below suggests:

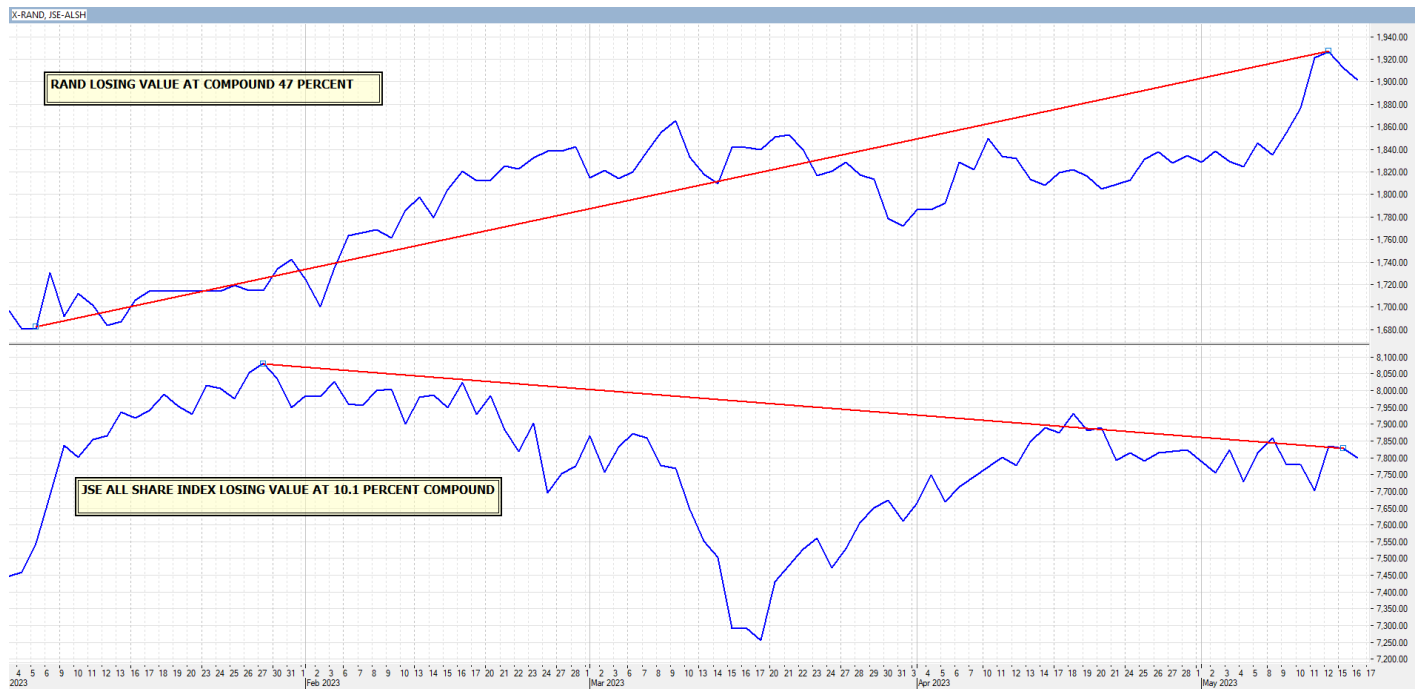


But here at home things are a little more unsettling because few of us can understand why the ANC is prepared to put the welfare – and family incomes of 60-million South Africans - at risk to support Vladimir Putin in his war against the Ukraine. From every vantage point, what Russia is doing is morally reprehensible, the International Criminal Court has declared Putin a war criminal and the USA has plainly warned us that we are putting our preferential trade agreements at risk by continuing to support Russia!

Ordinary South Africans are exasperated. Worse, our State President refuses to come out and plainly explain why our entire nation has to be dragged down because the ANC has ancient links with the long-gone Soviet Union....and worse, what we owe a one-time KGB supremo who has become a modern symbol of global nastiness.

Mr President, none of us understands and we truly deserve an explanation if you and your party are not going to be consigned to oblivion in 12 months time when the nation goes to the polls!

If you want graphic proof of the difference between US temporary hesitancy in the graph above and our growing economic uncertainty, please consider my next graph which illustrates how the Rand has been losing value at 47 percent compound since January and the JSE All Share Index has been losing value at 10.1 percent compound.



That says it all about the respective moods of the two countries!

I cannot, however, leave it there because readers should really try to get a copy of the latest edition of *The Economist* which carries a provocative headline that reads “Peak China.” For a long time global observers have believed that China was destined to overtake the USA as the world’s leading economic power. However, events of the last few years are beginning to cloud that view.

For the record, when I was working in Washington in the middle 1970s, informed thought-leaders there at that time believed that Brazil and South Africa would also be up there challenging the economic might of the US. So the experts are often wrong in their long-term projections!

The Economist notes recent events such as US moves to deny China access to their technology - one of the few U.S. policies to have achieved bipartisan support in Washington – among forces that have begun to dramatically change that outlook. But, says The Economist, even more important a factor has been decisions made in Beijing to rein in successful global tech companies like Alibaba, to stick to a COVID-zero policy and then suddenly abandon it, and to seemingly side with Russia in the Ukrainian war while continuing aggressive moves around Taiwan.

“It’s the posturing around Taiwan that has spooked Western business. Most big companies with investments in China have war-gamed what to do if such an invasion occurred. And as a result, many are now cutting back their China exposure.

“In our new poll of Fortune 500 CEOs, we asked them which of the following three statements is true for their organization:

1. *“We are reducing our exposure to the Chinese market because of concerns about political and reputational risk.”*
2. *“We are increasing our exposure to the Chinese market because of the business opportunity.”*
3. *“Our company is not involved with the Chinese market in a significant way.”*

“Forty-one percent answered No. 1, while only 20% answered No. 2 and 39% No. 3. That means companies with China exposure are now, by a factor of greater than two to one, trying to cut back. And their desire is only increasing over time: that 41% was 35% last year and 23% in 2021.

“Divorce won’t be quick. Many Western companies have spent decades sourcing their manufacturing goods from China and increasing their investments there. Rebuilding supply chains and unwinding investments will take time. But it’s one more reason to think the 21st Century may not be the Chinese century after all.

The month ahead:

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

Nasdaq: I correctly predicted weakness until May 18 followed by modest gains until June 6 when another brief retraction until the first week 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 expect to last until May 22 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 well into the New Year.

Hong Kong’s Hangsen: The signs continue to be contradictory but I correctly leant 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 August.

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 two-month decline.

JSE Top 40 Index: I wrongly predicted a long volatile decline to late October. Now, while I still see a lot of volatility, I see gains until early July before the next plunge until late October.

ShareFinder JSE Blue Chip Index: I correctly warned of a decline to mid-May which I expected to be over this week followed by gains until June 5 and then a very volatile declining period to August when protracted gains seem likely. Overall, for those who have the courage to ride it, I see gains from here into the New Year

Rand/Dollar: I correctly predicted short-term weakness which I expect to last until early June ahead of a long recovery until mid-November.

Rand/Euro: I correctly 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

AFTER THE BELL

with Tim Cohen

Tuesday, 16 May 2023

The markets in three words

Amgen, unemployment, nuclear

Russia and South Africa: countries out of time

My perspective on the Russian invasion of Ukraine is that it's a despicable, shameful war and that its perpetrators should be - and trust me will be - tried for crimes against humanity at some point. There is no justification, moral or even strategic, for the invasion. Russia twice confirmed in treaties Ukraine's border integrity and has run roughshod over these cruelly and without the vaguest logical reason.

But the journalist in me asks a different question: why did Russian leader Vladimir Putin actually do it? Why did he hit the go button? And why are so many Russians going along with his plan? And I wonder - in the midst of the ANC's obvious enchantment with this diplomatically abhorrent, economically-dysfunctional regime - whether we have made sufficient effort to honestly understand why it has happened? Both sides are reportedly losing an average of 200 people a day for longer than a year now. The body count is now over 350000. Apart from the Syrian war, this scale of human loss in an armed conflict hasn't **occurred in a century.**

Some of my questions were answered by, inevitably, a writer, in this case, Mikhail Shishkin, who has just written a book called Mr Russia: War or Peace. Shishkin is the only writer to have won the three big Russian book awards.

To say it's timely would be an understatement. The book starts with the famous old Winston Churchill quote; "Russia is a riddle wrapped in a mystery inside an enigma", which Shishkin disparages as a very Western view of Russia: people befuddled by the incomprehensibility of it all. **Like me!**

But Shishkin said in one of his several interviews about the book I listened to, **Russia is not incomprehensible at all; it's a country that has fallen out of time.** And it is hard to think of a better person to provide real insight than Shishkin. His father is Russian, his mother is Ukrainian, and he lives in Switzerland. That last bit is a crucial aspect of the mix because, as he points out, **silence in Russia is not a choice, it's a survival technique.** And that has a very long history.

If I understand it correctly, Shishkin's view is that there are two Russian peoples: the disillusioned and the disaffected, who are victims of a kind of "slave mentality" history that goes back to Tsarist times and beyond. And yet another Russia is struggling to emerge of people who embrace European values and do, in their own way, stand up against oppression.

Do dictators and dictatorships breed slave populations or do slave populations breed dictators, Shishkin asked in an article in the Guardian. "Ukraine was able to escape from this hellish circle, to escape from our common, monstrous, bloody past. For this reason, it is hated by Russian impostors. **A free and democratic Ukraine can serve as an example for the Russian population, which is why it is so important for Putin to destroy the country**".

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For Westerners, the hero of Russia was Mikhail Gorbachev, the moderniser and realist. For Westerners, Soviet leader Joseph Stalin is despised as the autocratic leader who killed millions of his own - and plenty of other - people. **But for Russians, Gorbachev is hated, and Stalin is still revered, at least by some.** The reason, says Shishkin, is that Russians believe in the notion of the “good Tsar” and the “bad Tsar”: the good Tsar delivers military victory, and Stalin, for all his other sins, delivered victory in the Second World War. Hence, he is loved. Gorbachev, for all his other virtues, delivered defeat in the Afghan war. Hence he is hated.

To be a member of the former camp, Putin has to deliver military victory - such is the way Russia is caught in a time trap.

“I see only one explanation: my country has fallen out of time. In the 21st century, the modern man himself is responsible for deciding what is good and what is evil. And if he sees that his country and his people are waging a despicable, shameful war, he will be against his country and his people. But **most Russians mentally live in the past, when people associated themselves with their tribe.** Our tribe is always right, and the other tribes are our enemies and want to destroy us”, explains Shishkin.

This may be true, or true-ish, or absolutely not true. **But it's important to realise that the country SA is cosyng up to thinks of history in a different way.** And what does that say about SA's ruling class? I think it says they too are a group out of time.

And you can see this not only in their revisionist history and outdated economics but in their affections and hero worship of a culture that has long passed its sell-by date.

History has an odd way of dealing with people out of time; it just rolls over them. It's brutal. It consigns them to, wait for it, history. **And there is great hope in that.**

Good investing,

Tim Cohen