Our Weekly Paid Newsletter

Richard Cluver Predicts

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

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Surprisingly the most economically and politically profound event of recent times has had remarkably little impact upon world markets.

Moving beyond the mind-numbing Ukraine battleground statistics which are on their own immense: over 62 000 people killed since the invasion began in February last year - that's an incredible 130 deaths a day - and an equal number of injuries, 140 000 buildings destroyed and 17-million people displaced for which you and I as fellow South Africans are being held equally accountable because Cyril Ramaphosa's government is seen as aligned with Russia………. the unprecedented mutiny in Russia has the potential to radically re-align world politics and re-set markets!

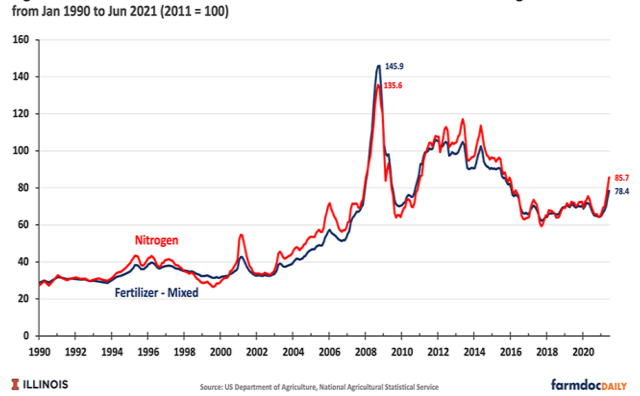
You and I have also felt the war in our pockets. My first graph illustrates what happened to crude oil prices which spiked to $131.80. The fact that they have since fallen back all the way to a recent low of $72.61 and closed yesterday at $74.11 might seem to suggest that the world has learned to live with the war, but the real reason is the fact that the global community is in financial recession.

To be fair the economic slow-down is more the consequence of central banks' war on inflation. But then that is a chicken and egg argument because the banks have massively over-stimulated the world economy for the past 30 years which meant that an inflationary tidal wave was coming our way anyway. However the war certainly accelerated it, forcing the banks to act more aggressively than they might otherwise have.

But then, noting that Russia and the Ukraine are the source of a significant proportion of the fertilizers that we consume, take a look at the next graph to see how prices have spiked recently:

To be fair though, the third graph on this page puts that price spike into context when considered over the past 30 years, suggesting that it should be easily absorbed were it only one of the factors that are blighting the lives of our farmers.

Figure 1. USDA Fertilizer Index for Prices Paid on Mixed Fertilizers and Nitrogen Fertilizers from Jan 1990 to Jun 2021 (2011 = 100)



Load-shedding is clearly the big one which is interrupting irrigation pumps. And then, just to pile another un-necessary agony into the food chain, Ramaphosas' merry men are talking up the idea of re-allocating water rights exclusively to black owned

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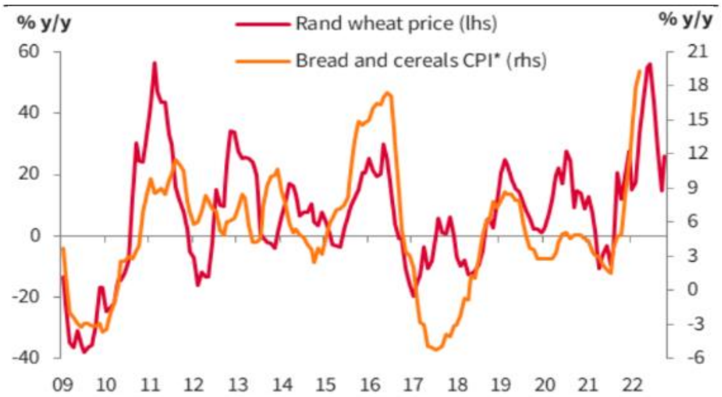
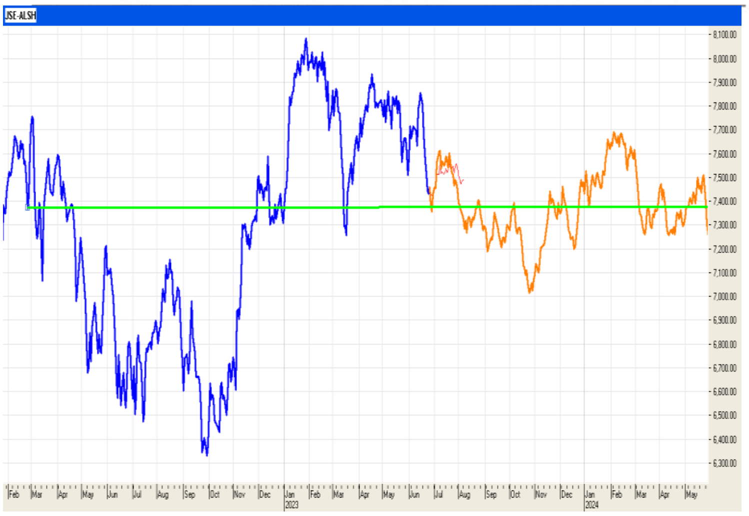
farms!

But then consider this graph detailing the costs surge of bread and wheat (the most basic foodstuff) since a considerable proportion of our wheat comes from the Ukraine. Remember Queen Marie Antoinette's words, "Let them eat cake" and what followed that!



Add to that the figures out this week from the Bureau of Statistics telling us that, relative to a year ago, employment has fallen by 97 000 jobs……the unemployment rate has effectively doubled in the past decade!

So it is all pretty pessimistic stuff right; and that gloom continues when most of us turn to the trend of our own investment portfolios and our own ability to withstand this onslaught. And the trend since January has been pretty depressing…………until you put it into context!

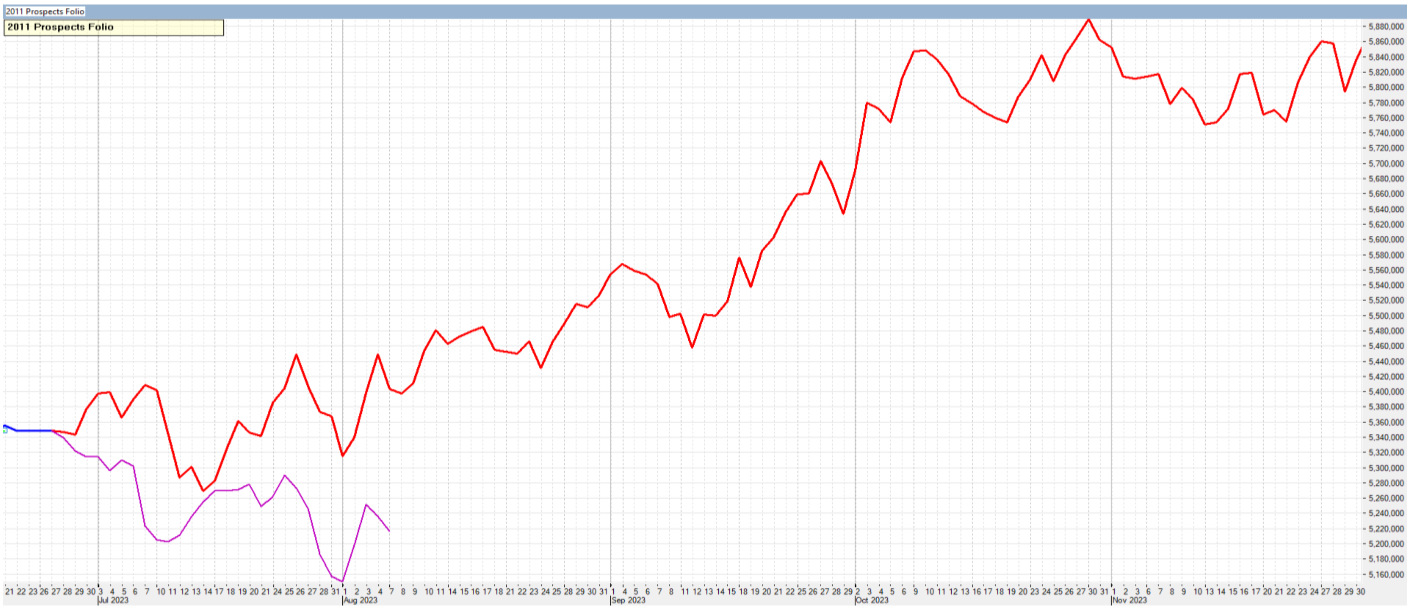


Consider then the JSE All Share Index which I have graphed since the outbreak of the war in the Ukraine to give it context. Though it has been falling since the end of January this year, the green line makes it clear that we are still a tad above the level the JSE was standing at when the tanks first went in:

Since, furthermore, I know from your regular communications with me and my staff that the majority of you have portfolios which closely follow my Prospects Portfolio, it is important to note that despite a decline since February, it is still in a significantly better position than it was at the outbreak of the war, having delivered to this week, a compound annual average gain of 12.9 percent since February 22 last year as highlighted by the green trend line. At other times I would not get too excited about compound 12.9 percent, but the fact is that the portfolio is swimming against the tide so 12.9 percent is quite good!

Year	Dividend	Value
0	242,123.88	5,347,505.63
1	311,267.20	6,124,439.94
2	400,155.79	7,013,439.00
3	514,428.30	8,030,666.99
4	661,333.62	9,194,619.62
5	850,190.69	10,526,460.40
6	1,092,979.69	12,050,405.45
7	1,405,101.95	13,794,163.84
8	1,806,356.98	15,789,441.37
9	2,322,198.44	18,072,517.09

Far more important, although the mauve short-term-projection in my next graph suggests that weakness is likely to continue until the end of July, the red medium-term projection senses the probability of a recovery beginning from July 14 with strong gains thereafter until the end of October when another brief retraction is sensed:



But back to Russia: I note that most respected commentators are effectively holding their collective breath about the events of last Saturday. Yevgeny Prigozhin's extraordinary 800 km dash, which took his army to the outskirts of Moscow, is arguably the most significant event since the Russian revolution a century ago.

The Guardian has reported the director of the Russia Institute at Kings College London, Prof Sam Greene as arguing that, "*Putin's recent flare of public statements indicates that he is eager to project a sense of unity, after the biggest crisis in his 23 years in power."*

The reality is, however, significantly different. Putin has been deeply weakened and it is accordingly impossible to imagine him continuing to hang onto power within a society which, in desperate need for a sense of relevance and direction in the aftermath of the collapse of the Soviet Union, bought into his 'Strong Man' image and promises of restoring the imperial power of the Tsars.

Additionally, that the Ukraine has since been strongly pushing back the Russian army from its dug-in lines of defense, must inevitably weaken Putin further. And Prigozhin has delivered a mortal blow to Putin's justification for the invasion.

What, furthermore, does one make of the heavily-armed Wagner group army setting up camp in Belarus? How can Putin explain that threat on his immediate border? What, furthermore, does one make of the US this week formally advising African heads of state that it would be unwise to entertain doing business with the Wagner Group which is, for example, said to have "totally captured" the Central African Republic and at least two other African countries?

What, finally, will Cyril Ramaphosa's cabinet reaction be if their "friend" in Moscow should fall?

Certainly, I believe that the events of the past week are an important plus from the perspective of ordinary folk everywhere whose sense of right and wrong has been severely dented in recent months!

The month ahead:

New York's SP500: I correctly predicted continued gains until at least the first week of July and thereafter expect losses until early September.

Nasdaq: I correctly predicted a retraction which I expect to last until the first week of September.

London's Footsie: I correctly predicted a brief upward spurt ahead of declines which should begin now and last amid considerable volatility until late July.

France's Cac 40: I correctly predicted a short recovery which I hoped would last until the end of July within a longer-term declining trend set to last well into the New Year.

Hong Kong's Hangsen: I correctly predicted the start of a recovery which appears likely to last until November.

Japan's Nikkei: I correctly predicted a very volatile upward trend that was likely to be more sideways than upwards so that year-end is likely to barely surpass the June peak.

Australia's All Ordinaries: I correctly predicted a brief recovery within an overall declining trend likely to last until the end of October. Now I see a 50/50 chance of further gains until the 27th ahead of weakness until early-August.

JSE Top 40 Index: I correctly called the end of a short recovery within a down trend likely to continue until the end of October.

ShareFinder JSE Blue Chip Index: I correctly predicted a brief bounce lasting until the end of this month followed by a volatile slightly declining trend to the end of August ahead of protracted gains well into the New Year.

Rand/Dollar: I correctly warned that short-term indicators were suggesting some weakness until the end of July.

Rand/Euro: I wrongly predicted gains until the end of February. Now I expect the losses to continue until the end of July before a long-term recovery gets under way.

The Predicts accuracy rate on a running average basis since January 2001 has been 86.93 percent. For the past 12 months it has been 92.03 percent.

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