



Our Weekly Paid Newsletter

Richard Cluver Predicts

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



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If you have read my latest Prospects newsletter you will be aware that I highlighted a change of heart within bond investors who, until recently, were thinking that inflation rates had generally peaked.

My first graph is thus an attempt to take the international investment market temperature as best one can by examining the trend of recent graphs. (*The thought crossed my mind that around two thousand years ago medicine men cut open a fowl and examined its innards in the hope that in so doing they might interpret the future. I hope my graphs are a little more reliable!*)

So my first graph tracks the behaviour of US 30-year sovereigns since the US Federal Reserve began its war on inflation 12 months ago. Thus you can see the steep rise in yields from 2.86 percent on August 2 2022 to 4.37 percent on October 21 when the market concluded that the first major skirmish of the battle was likely over. Thereafter the rate fell back to 3.42 percent on December 8 when price oscillations began to create the pennant formation I have highlighted by drawing two coinciding green trend lines as the market slowly came into equilibrium as daily trading became steadily less profitable and a ceiling was finally established at around the 4 percent level.

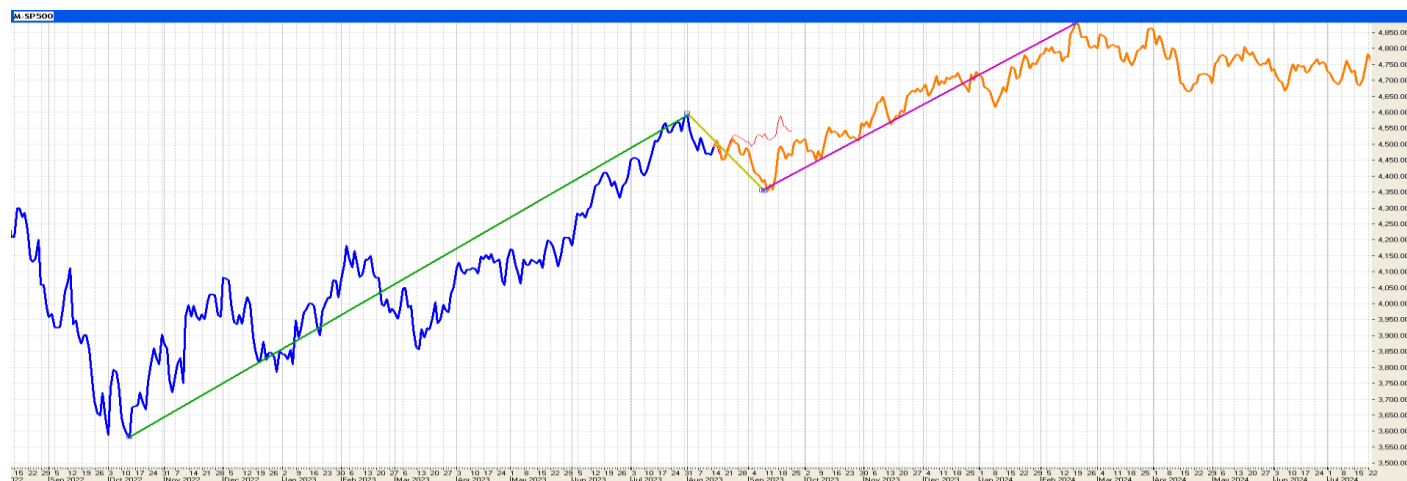


But then, around July 19 this year, the market became agitated once more with re-kindled fears that the Fed might not have done enough and, sure enough, last week the Fed announced that inflation had ticked up month on month from 3 to 3.2 percent. By Tuesday this week the yield on the 10-year Treasuries ended at 4.22%, having climbed to 4.26% at one stage during the day.

Last night it closed at 4.34% having touched 4.35% during the day and ShareFinder thinks it will go to 4.38% during the coming week.

Meanwhile the S&P 500 fell 1.2%, a five-week low and it is likely to continue on down. The Dow was down 1% and the Nasdaq was off 1.1%, all because retail statistics were released this week to show that Americans are still spending like there was no recession stalking the planet.

So let's turn to New York's most representative index of share market behaviour to note that, after climbing at an annualised rate of 36.4 percent from mid-October last year until the end of July, the S&P500 Index has similarly been declining since the start of this month but, if ShareFinder is correct, this is merely a pause for breath and, as the purple line suggests, growth is likely to resume from mid-September at an only slightly reduced 28.7 percent annualised rate at least until mid-February:



So let's go back to 30-year US long bonds to note ShareFinder's projection to note the likelihood that following the August pause, long bond yields are likely to retreat all the way back to 3.26 percent by next August:



What does all this mean for South African markets? Well of course we are already in the grip of what is likely to be one of our most turbulent political years ever. If you doubt that for a moment, consider the fact that the DA-led Cape Town municipality is continuing to poke the taxi bear while

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ANC Minister of Transport, Sindisiwe Chikunga, someone normally noted for her reserve, simultaneously launched a blistering attack on Cape Town officials during a media briefing in Johannesburg.....this after the township rioting had barely subsided! Politics trumps sanity!!!

So I think that ShareFinder is likely correct when it projects a volatile JSE in this projection of the JSE Top 40 Index. Nevertheless it thinks that a recovery at an annualized 15.5 percent is likely until next July:



The month ahead:

New York's SP500: I correctly predicted a retreat which I still expect it to last until mid September within an overall long-term recovery.

Nasdaq: I correctly warned of declines and now the market is bouncing along the bottom with an almost unrelenting recovery well into the New Year now in sight. However, short-term analysis sees the decline continuing into September.

London's Footsie: I correctly predicted an extremely volatile but declining period until the end of August which I now see extending into September followed by sporadic gains until year-end.

France's Cac 40: I correctly warned that a down-turn is under way again and is likely to last well into the New Year.

Hong Kong's Hangsen: I predicted the start of a recovery until late November ahead of a seasonal decline to late January. I believe it has been delayed in reaction to China and New York issues but likely to begin now.

Japan's Nikkei: I correctly warned of considerable volatility within a modestly rising medium-term trend which essentially goes nowhere to the end of the year when a longer-term decline seems likely. Now short and long-term signals oppose one another but weakness is probable to mid-September.

Australia's All Ordinaries: I correctly warned of weakness which I still expect it to last until late-September. A long-term recovery is likely to begin then, lasting far into the New Year.

JSE Top 40 Index: I correctly warned of a declining trend until the end of October....amid much volatility.

ShareFinder JSE Blue Chip Index: I correctly predicted a volatile slightly-declining trend but now I see gains starting at the end of the month until mid-November ahead of a two-month correction and then further gains well into the New Year.

Rand/Dollar: I correctly predicted gains likely to the end of the year.

Rand/Euro: I correctly predicted a recovery and I see it continuing until March.

The Predicts accuracy rate on a running average basis since January 2001 has been 86.97 percent. For the past 12 months it has been 91.49 percent.