Our Weekly Paid Newsletter

Richard Cluver Predicts

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Inflation is on everyone's mind everywhere on Planet Earth, in part because of a flawed global monetary system which makes almost every nation state a slave of the US Federal Reserve and its money-printing irresponsibility.

In this month's issue of **The Investor** I explained how, in addition to the Fed's obligation to fight the monetary inflation its own excesses have caused, excessive government borrowing here and abroad pushes up interest rates which directly impact the mortgage and hire-purchase repayments ordinary folk are saddled with.

These are hidden taxes which ordinary folk are obliged to pay. They are thus directly the result of the irresponsibility of the political class and they are destroying the lifestyles of people because up to two thirds of the money we work so hard to earn is effectively flowing directly to government. That, for example, is why even comparatively wealthy contemporary families cannot afford the luxury of a stay-at-home wife…..and the social impact of that phenomenon upon this generation of children has yet to be counted!

So let's turn to next week's incipient shock, the fact that South African petrol prices are expected to climb by around R1.60 per litre, while diesel will likely jump by a significant R2.80 per litre.

Business Tech reported this week that, "While the rand ended last week firmer against the dollar at R18.62/$, the local unit started August in a much stronger position (around R17.90), pointing to a weakening trend overall. This has led to an under-recovery in local fuel prices of around 30 cents per litre. Oil, meanwhile, has also trended far higher throughout the month, ending the week at around $85 a barrel – far higher than the $78 a barrel at the start of the month."

According to the CEF, this has led to a significant under-recovery in prices of between R1.30 and R2.40 a litre.

So note that taxes make up 32% of the petrol price in South Africa. This changes each month, however, as the fuel price comprises taxes, levies and basic costs – that last of which, changes month to month. The table on the right, provided by Business Tech, sets out how the petrol price was calculated in February when a litre of 95 unleaded petrol cost R21.03 at the coast and R21.68 in the inland regions where 93 unleaded retailed at R21. It is expected to retail inland at R23.84 in September and at R23.12 at the coast.

Cost	95 Petrol (per litre)
Basic fuel price	R11.22
General fuel levy	R3.94
Road Accident Fund levy	R2.18
Transport cost	67.90 cents
Slate levy	17.54 cents
Retail margin	R2.41
Customs and Excise	4 cents
Petroleum products levy	0.33 cents
Wholesale margin	56.60 cents
Secondary storage	28.80 cents

News 24 has calculated that the world average fuel price is R23.34 so perhaps we are not so badly off though. On the right is the full expected fuel price spread for September:

Fuel Type	Aug '23 Inland	Aug '23 Coast	Sept '23 Inland*	Sept '23 Coast*
Petrol Unleaded 93	R22.43	R21.71	R23.84	R23.12
Petrol Unleaded 95	R22.83	R22.11	R24.28	R23.56
Diesel 0.05%	R20.21	R19.48	R22.81	R22.08
Diesel 0.005%	R20.52	R19.81	R23.13	R22.42

*September figures are forecast figures and not official.

So what does the future hold? My graph below illustrates how, following the Covid global shut-down, crude oil prices spiked upwards. From an April 2020 low of $19.97 they climbed at a compound annual rate of 176 percent to peak in April 2022 at $87.26 before beginning a steady decline as defined by the green 'Tram Lines' falling at compound minus 28 percent until they bottomed this March at $72.52 at which stage OPEC started to take a serious hand in the matter by cutting oil production which has caused the current upward spike. But do note ShareFinder's red AI projection which opines that crude prices will stabilize around the $85 level:

So far as South African motorists are concerned then, with regard to oil imports, some price stability thus likely lies ahead. Furthermore, I have run the same analysis so far as the Rand/Dollar exchange rate is concerned which allows you to see that South Africa appears to have broken out of its exchange rate malaise (as ShareFinder long predicted it would at around this time) and is likely to continue strengthening.

So, in short, local fuel prices are probably peaking now and, with an election coming, the Minister of Finance might think it prudent to cut fuel taxes somewhat…….though that is probably an optimistic view since there is likely to be, as I recently warned readers, at least a R100-billion hole in the 2024 budget.

The month ahead:

New York's SP500: I wrongly predicted a retreat which I expected to last at least until mid September within an overall long-term recovery. However it was merely delayed in coming and should get under way today with weakness likely at least until the 12^{th}.

Nasdaq: I correctly warned of an almost unrelenting recovery well into the New Year.

London's Footsie: I correctly predicted gains followed by a sideways trend which should last to the end of October followed by three months of weakness.

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. In the short-term there could be gains from mid-September but they are likely to be short-lived.

Hong Kong's Hangsen: I correctly predicted a modest recovery until late November ahead of a seasonal decline to late January. At best, however the New Year seems likely to offer a sideways trend.

Japan's Nikkei: I correctly warned of weakness at least until mid-January.

Australia's All Ordinaries: I correctly warned of weakness which I still expect it to last until late-September. A recovery is likely to begin then until late November.

JSE Top 40 Index: I wrongly foresaw a declining trend until the end of October....amid much volatility. Now, though I see weakness from late September to late October, we are now likely in a very volatile long-term recovery until mid-year 2024.

ShareFinder JSE Blue Chip Index: I correctly predicted a declining trend until now followed by gains until mid-November ahead of a two-month correction and then further gains well into the New Year.

Rand/Dollar: I correctly warned that current weakness would last to month-end followed by gains from month-end to the end of February.

Rand/Euro: I correctly warned of the onset of losses all the way until year-end.

The Predicts accuracy rate on a running average basis since January 2001 has been 86.95 percent. For the past 12 months it has been 90.58 percent.

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