



US financial writer, Sam Klebanov alerted readers early this week that the yield on the 10-year Treasury bond had shot above 5 percent in early trading on Monday—hitting its highest level since 2007 and rattling investors—before retreating a bit so everyone could chill out. Shares in New York and the rest of the world have since inevitably plunged!

Noting, he said, that a high return on long-term government debt sounds like something “...only a Wall Street wonk would fret about,” he added what most ordinary South Africans already know to their cost: that it can raise borrowing costs for everyone from home-buyers to small businesses.

Americans are only now waking up to the every-day reality of every South African with a home mortgage or hire purchase debt: to the grinding hardship of ordinary families everywhere who have been pushed to the debt brink and are now defaulting in their thousands.

Treasury yields have been rising steadily since March 2020 as illustrated in my graph on the right because investors have continued to correctly anticipate that US Federal Reserve Chairman Jerome Powell would raise interest rates to combat persistent inflation. Furthermore, ShareFinder predicts in red on the extreme right of the graph that in the short-term the rise will continue



Bond yields are used as the measure against which lots of other interest rates are set, so recent sky-high yields have contributed to the current eye-popping mortgage rates, which in the US has made home ownership 52 percent more expensive than renting, and they're part of the reason why ordinary folk everywhere on Planet Earth are struggling to make home and car payments because such costs are the highest they have been in 30 years.

It's what I warned was coming in my 2019 book **'The Crash of 2020'** the start of a Great Recession which has the potential to change everything that we have until now considered to be normal: the way our monetary systems work and the way we govern ourselves because, carried to its logical conclusion, it could cause democracy to unravel under the intolerable burden of global debt

Yields crossed the symbolically significant 5 percent mark this week because investors rushed to sell off 10-year bonds, making them cheaper (per the Econ 101 law of supply and demand which in turn boosted bond yields) since yields move in the opposite direction to the price.

The interesting question for market-watchers is why did Wall Street this week press “sell” on Treasuries? It's usually, says Klebanov, a sign of confidence in the economy, but some analysts are concerned that this time

around investors are shedding government debt “because they perceive the US as being a spendthrift as the deficit grows.”

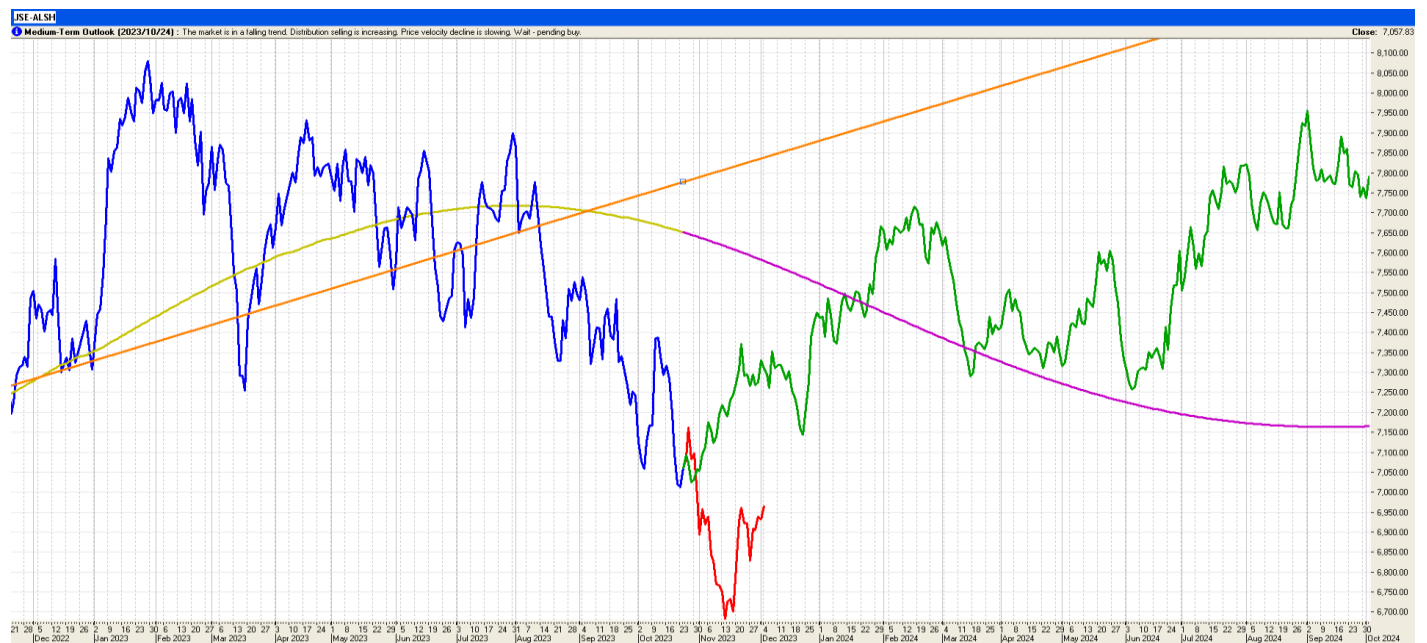
However, traditional psychology may also be at play. Influential billionaire investor Bill Ackman is believed to have single-handedly stopped this week’s bond market sell-off by saying he’d ended a bet on 30-year Treasury bond prices falling because he thought there was “too much risk in the world and the economy isn’t as strong as it seems.”

Ten-year bonds dropped back to 4.84 percent later in the week but overnight they ended above the critical 5 percent level again at 5.02 percent because the investment world remains jittery with all eyes remaining on US Federal Reserve Chairman Jay Powell. The signs of a resilient economy that Ackman dismissed have some investors believing the Fed will keep raising rates. But, ironically, if through-the-roof bond yields persist, they could keep the Fed from needing to hike rates since they too could slow the US economy.

Here at home, however, there is no mistaking the near panic among ordinary citizens ahead of next week’s ‘Mid-term Budget’ because there is no sign that our economically-illiterate politicians have any grasp of how serious South Africa’s financial problems really are: particularly since President Cyril Ramaphosa has just assured the nation that South Africa is not short of money.

In fact, most are aware that there is at least a R50-billion shortfall in the current budget and, with an election looming, grant-funding provisions running out and the ANC determined to introduce both a basic incomes grant and a crippling expensive National Health plan, we are obviously in trouble. Already strained family finances face the probability of further taxes.

Surprisingly then, ShareFinder’s usually very accurate cyclic projection indicators continue to see a recovery ahead for the All Share Index. However most of its supporting indicators remain negative:



Starting with the yellow long-term cycle analysis represented by the smoothly-curving yellow line, note this peaked at the end of July and, as it turns purple in projection it does not turn positive again for another year. The green, medium-term cycle projection, picks up on this week’s modest gains and senses a volatile recovery throughout the next 12 months.

Meanwhile the short-term (red) projection senses a recovery after November 14 and, finally, noting that the blue trace of daily All Share Index values fell through the 10-year (orange) trend line on August 11 and has remained below since, the probability of mean-reversion increasingly points towards recovery.

To complete the picture, I have also reproduced on the right the same above graph with the addition of the Mass and Velocity indicators beneath the main trace and you can thus see that both of these support the view that the market trend will remain downwards for the foreseeable future.

For those who are unfamiliar with them, Mass is our own in-house improved version of the ever-popular technical analysis tool; the On-Balance-Volume Indicator and Velocity is our own much more reliable version of price-momentum analysis.

Beneath them appears our projected Volatility indicator which by conventional means measures, in this case, the probability or steadily-rising market uncertainty from early January until the end of June: **which could be ShareFinder's projection of an election date around June 27.**



The month ahead:

New York's SP500: I correctly predicted some hiccups but did not imagine they would be as severe as this week's rout. Nevertheless I still see a recovery to late February. But watch out for another dip from November 13 and a much deeper dip in early January.

Nasdaq: Ditto the Nasdaq where I correctly foresaw the start of an up-surge which I expect to last until the second week of November followed by a retreat until December and then surge again to the end of January.

London's Footsie: I correctly advised of the likely onset of a very volatile period that will result in an overall decline well into the New Year. I now see continued declines until the end of November with a brief recovery from November 27 until Christmas ahead of a cruel January.

France's Cac 40: I correctly predicted that the overall decline could be expected to last until the middle of the New Year. Brief relief in mid-December is the best we can expect.

Hong Kong's Hangsen: I foresaw the start of a two-month recovery but the downward pressure in global markets has truncated that view and I now expect it to be over by the end of November ahead of a long decline to the end of March.

Japan's Nikkei: I continue to warn of a long-term weakening trend which I expect to last until next June. Within that I am expecting a brief recovery during December.

Australia's All Ordinaries: I have correctly identified Sydney as the one positive market in a bleak international scene with gains beginning early in November and lasting well into the future. But, as I warned last week...watch out for interim weakness from early-January to mid-March.

JSE Top 40 Index: I correctly predicted the start of gains until mid-February followed by fresh weakness until June. I correctly said that the current brief retraction in sympathy with most of the world markets would likely be over between the 24th and the 27th.

ShareFinder JSE Blue Chip Index: I correctly identified the start of modest gains likely lasting until mid-November followed by declines to mid-January when fresh gains should follow until mid-March within an overall rising trend for most of the New Year.

Rand/Dollar: I correctly predicted the start of long-term gains which I saw lasting until late-November followed by weakness until year-end and then further gains for most of 2024. Further brief weakness until the 7th as the latest, is likely a mere passing show.

Rand/Euro: Ditto the Euro. I foresaw the present weakness but advised it would not last. I continue to expect a long recovery until early March.

The Predicts accuracy rate on a running average basis since January 2001 has been 87.02 percent. For the past 12 months it has been 90.76 percent.