Our Weekly Paid Newsletter
Richard Cluver Predicts
In our 36th year of service to the investing public of South Africa

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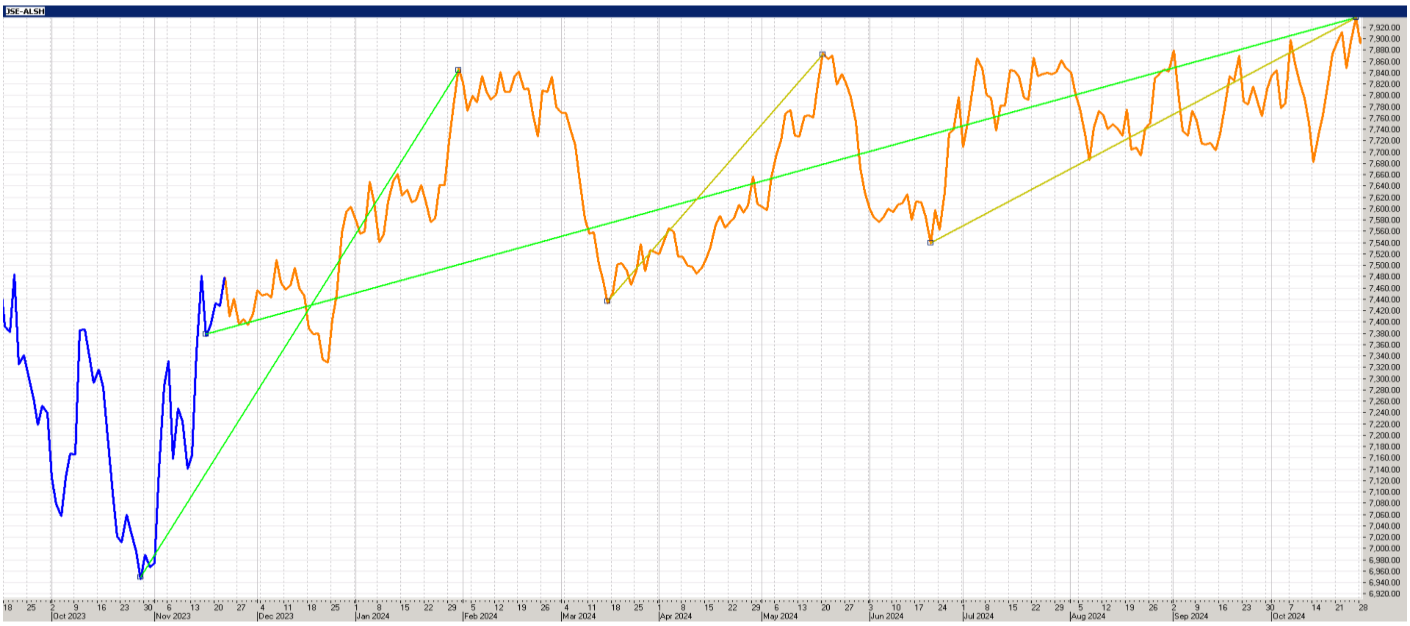
It's no surprise that readers have responded positively to my argument in this column last week that, despite the collapse of our state-owned entities and the extremely high cost of money which also results from catastrophic government failure, South Africa's private sector is delivering more than twice the returns of its US counterparts.

More to the point, because I also argued that an explosive investment recovery was very possible in the New Year, many of you have been asking the simple question, "**When?**"

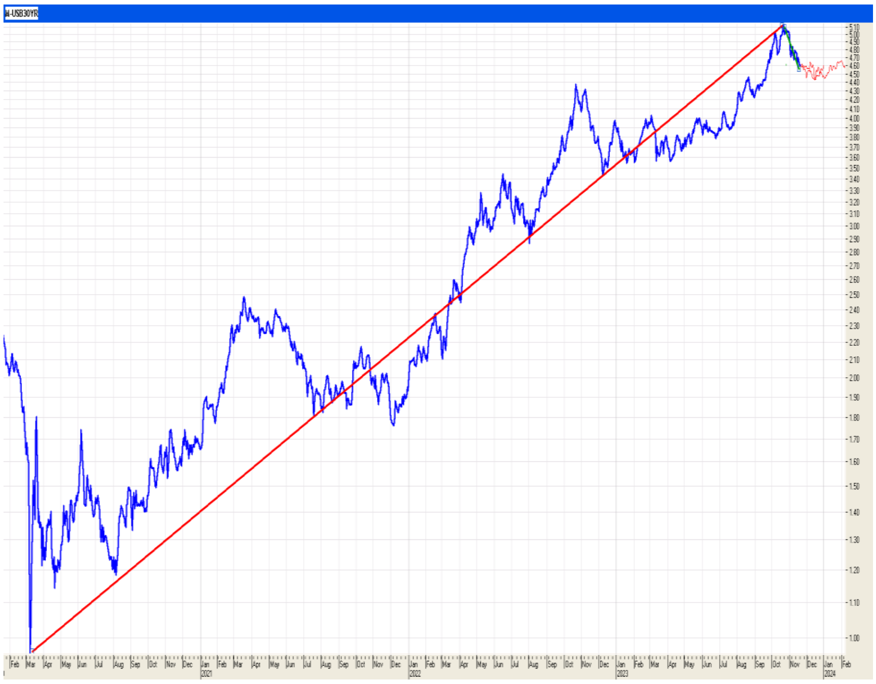
Since I explained why I think it could happen: if you missed last week's column the main reason was that several years of high interest rate austerity coupled with an economic crisis in China appear to have sucked a lot of surplus money out of the global monetary system which means that runaway inflation is no longer as great a threat as it was when the world emerged from the Covid lock-down.

Far more importantly, however, is the fact that leading nations are entering an election-year and so the political class is collectively leaning on central banks to pressure them into lowering borrowing rates. Britain's Chancellor led the way this week with considerable feel-good window-dressing, but the harsh reality is that a global electorate has seldom been as fed up with its politicians than now and so both good and bad political parties are likely to be swept away and no less so than in South Africa where it is hard to find anyone with a good word to say about the current lot!

So that is the background in a nutshell. But what about the timing of coming events and the likely impact upon your pocket? As you know I have learned to almost fanatically trust our artificial intelligence-driven ShareFinder market predictions which, if you track the statistics I have published at the end of this column every week for the past quarter century, are now nearly infallible. So let me start by noting that the following graph of the JSE All Share Index provides mixed signals for the year ahead: Note, the blue trace shows the past four months and orange what is likely until the end of 2024:



Regular readers know that the principal driver of market values in recent years has been the US Federal Reserve whose, until recently, rising interest rates have seen US long bonds delivering ever-higher yields….until the tide changed recently. That's the US 30-year T-Bond graph on the right.



Note the yield rising from 0.96 percent in March 2020 to peak at 5.12 percent last month.: that was a 5.3-fold interest rate surge which in turn collapsed most share markets globally as they inevitably knee-jerked – that's economics 101 and it neatly explains why the start of a bond yield decline is now already yielding positive results in ours and most other share markets.

So now return to my first graph and here note that my first light-green trend line is drawn from October 27 when the JSE began responding to the October 23 US long Bond yield reduction. ShareFinder predicts that the long bond yield decline will temporarily bottom around December 22 and, following this modest seasonal retreat, will begin declining again from the end of January well into the New Year. ShareFinder accordingly predicts in my opening graph, that the JSE will modestly retreat in sympathy from this week until Christmas but will then resume its recovery at an annualized rate of 48 percent compound until the end of January 2025.

From February 28, following a month of semi-sideways movement, the JSE appears set to temporarily fall out of harmony with US T-bond rates which, if ShareFinder is correct in that phase of its forecast, we might need to look to some unfortunate localized event to turn South Africans pessimistic until mid-March. Then, note my first yellow trend line, local optimism appears likely to resume until around May 20 when some new and rather more dramatic shock might temporarily overcome us. However, June 5 marks, in ShareFinder's thought processes, a first positive turning point heralding a much stronger recovery after June 20 whereafter the JSE is expected to resume its long-term upward trend at an annualized compound average rate of 16 percent. Overall, the dark green trend line sees JSE growth from now until next October at a compound average annualised rate of 16 percent.

Pushing the ShareFinder program further into the future than wisdom suggests is discreet, accordingly senses a brief decline from late January 2025 to late February followed by another retreat in October and November 2024, but thereafter the upward recovery appears set to continue well into 2025.

One can only speculate what localized events might influence the share market locally and I consequently hope that February-March projected share market decline does not presage something too unpleasant for ordinary folk. However, it should be noted that ShareFinder does not predict more than momentary weakness in the value of the Rand relative to the US Dollar and that is only likely to happen for a fortnight from March 11 with a second month-long bout of weakness from April 15.

Furthermore, on an annual basis ShareFinder sees the Rand gaining at compound 5.4 percent over the next 12 months, a rate which is likely to take us from our weakest level of R19.918 to the dollar on June 1 last to a projected R18.30. That might not seem like a lot but it represents an 8,4 percent likely lowering of all our import costs which, along with a substantial reduction of local mortgage costs, could dramatically improve the outlook of the average South African voter.

However, Rand strength might be over from next September until May 2025 though the currency weakness appears unlikely to be reflected by the JSE which, ShareFinder suggests, by May 2026 is likely to be well above all previous records. The market peak attained by the JSE All Share Index this year appears likely to be equaled in December 2024 with three all-time ever-higher peaks likely in 2025 and a major peak likely in May 2026…..but that is pushing artificial intelligence to worrisome extremes.

Interestingly, ShareFinder's projections for Wall Street see only modest gains from here on in with its ultimate peak likely at the end of January 2025 not attaining the level reached in December 2021. Britain's FT 100 Index has been falling since February this year and ShareFinder does not see any improvement in the coming year!

The month ahead:

New York's SP500: I correctly predicted a very brief pause in the upward surge which should continue until mid-December followed by a short, sharp decline in January, recovery into February and thereafter a weakening sideways trend.

Nasdaq: I correctly foresaw the start of an up-surge which is likely to be continuous until the end of January ahead of three months of weakness.

London's Footsie: I correctly predicted the brief recovery would end this week. Then, as I previously indicated, I see further strong gains from November 27 until Christmas ahead of a very cruel January. Though June and July might see strong gains the overall trend is likely to be negative all year.

France's Cac 40: I got this one wrong seeing weakness where there have been gains, but the peak is now very close and from Monday I see an overall decline until the end of March within a very volatile market.

Hong Kong's Hangsen: I correctly foresaw a brief recovery which I still expect to peak on Monday ahead of a decline until the end of March.

Japan's Nikkei: I correctly predicted the end of the brief recovery. Now I see gains starting again from Monday through to the end of December ahead of weakness until early May.

Australia's All Ordinaries: I correctly predicted gains from early in November and lasting to mid-June. Within it I warned of weakness which I expect to last until early December.

JSE Top 40 Index: I correctly predicted the start of gains which I still see lasting until mid-February followed by fresh weakness until June. Within that I see a modest retreat from month-end to December 21.

ShareFinder JSE Blue Chip Index: I correctly identified the start of modest gains likely lasting until mid-November followed by declines to mid-January which are now beginning.

Rand/Dollar: I correctly predicted weakness from October month-end until year-end. From January 26 to mid-September I then see almost continued gains.

Rand/Euro: Ditto the Euro. I correctly predicted the start of a long recovery beginning December 6 and lasting to the end of March. But watch out for a weak January!

The Predicts accuracy rate on a running average basis since January 2001 has been 87.06 percent. For the past 12 months it has been 91.3 percent.

JUSTICE MALALA: Behind the ANC’s mask

It’s a good thing that Ricardo Hausmann, the eminent economics professor and head of Harvard University’s Growth Lab, said what he said last week: South Africa will stay doggedly on the road to collapse unless it scraps the ANC’s cadre deployment and dumps BEE as we’ve practised it.

He was not saying anything new. Every South African knows that the collapse of Transnet, Eskom, SAA, our municipalities, and so much else, is because of these twin troubles. Just say “Jacob Zuma and Dudu Myeni at SAA” and you’ve told the whole story.

The problem is not the advice that this government gets. A few weeks ago, I quoted from a Centre for Development & Enterprise paper that gave excellent advice. Over the years many eminent economists have traipsed through the doors of the Union Buildings, tome upon tome in hand, to give of their best to the president and his ministers. They have come, they have enjoyed the inevitable drumsticks, and they have left. Except for the plaintive wailing of finance minister Enoch Godongwana in his budget, not a shadow of their advice can be seen anywhere in government policy and conduct.

“The deeper causes of the crisis can be traced to political gridlock, ideological choices, overburdening through preferential procurement rules, and political patronage,” says the Hausmann-led Growth Lab report.

Unless something dramatic happens at the polls next year, it will continue like this. Here’s why.

When you vote next year, there will not be a party called the SACP on the ballot paper. However, many of the ANC policy choices that have throttled this economy will be straight from the SACP’s manifesto. Over and above constantly blackmailing the ANC not to make the kinds of pivotal choices advanced by Hausmann, the SACP is unique in that its leaders make it into successive ANC cabinets and stay for, well, the rest of their lives, essentially.

Blade Nzimande, the former SACP secretary-general, has been in the higher education portfolio for so long he is in danger of becoming mummified. Thulas Nxesi, the employment & labour minister (don’t laugh), has survived through the Zuma years and is still in his job despite unemployment reaching crisis levels. Show me one bright idea from this man, except to wag a finger at business, and I’ll send you a copy of the FM in the post. There’s also Ebrahim Patel, the author of that great Zuma economic policy, the New Growth Path. They don’t get fired. They don’t resign. They are ministers for life.

Cosatu and its public sector affiliate, Nehawu, have for more than 10 years blackmailed the ANC into ever-higher salary increases for civil servants. Now the state is broke. And they want more. And they also want more seats in the cabinet. More ideological gridlock for you.

You may not know it, but there is a fourth member of the ANC’s alliance — the South African National Civic Organisation (Sanco). This ragtag group has split into many different factions (in January this year Zuma was voted in as leader of a faction of this formation in KwaZulu-Natal). You will always, always, find a version of Sanco at construction and other “give us 30%” types of mafias in South Africa.

These groupings — and others such as the offshoots of the ANC army, Umkhonto we Sizwe — all want cadre deployment, the narrow BEE of the ANC, and other destructive policies that are failing the country, to continue. They are making a killing from these policies.

Many of our cabinet members, provincial leaders and councillors declare that their only sources of income are their salaries. They lie. Many are marshalling government contracts and largesse to their wives, children and other relatives. Just look at the recent scandal involving Deputy President Paul Mashatile. A government agency he oversaw reportedly bent over backwards to give his son and his son-in-law millions.

Our problem is not that we don’t know what needs to be done. Hausmann and many others have given us more than enough roadmaps for us to get to a prosperous South Africa. The problem is political will. Due to its complicated internal and external arrangements, and its ideological commitments, the ANC is simply incapable of adopting any of these solutions.

If it wins decisively next year, we will continue this way.