



Our Weekly Paid Newsletter

Richard Cluver Predicts

In our 37th year of service to the investing public of South Africa



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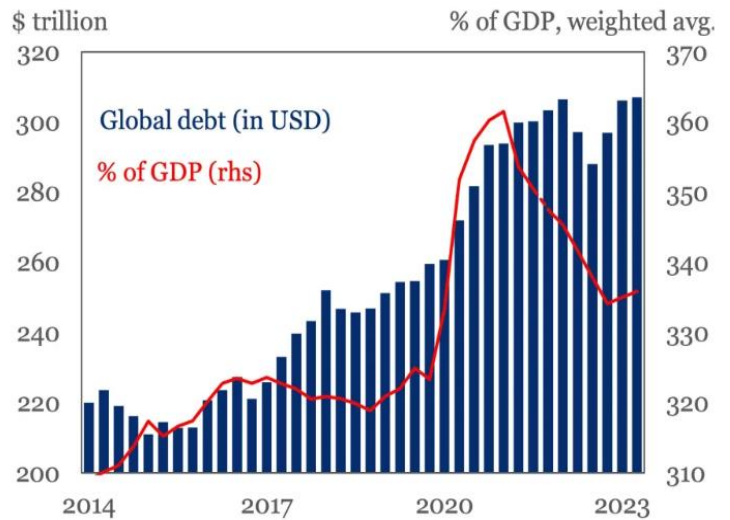
The Festive Season is a time for we humans to over indulge, rest more than usual and, for most, a time to reflect upon a year passed which most folk I know have labelled one of the most challenging on record.

Over many dinner parties and in quiet reflective moments of imbibement with close friends, the common cause has been financial worry in the face of galloping household costs interlaced with even worse concerns about the political future both for South Africans, and equally so for the changes coming to their children who have emigrated and are fearful of the future of their newly adopted homes.

My explanation, as I have so frequently documented, has been the ever-growing cost of government which, in the face of an inability to raise taxes beyond limits imposed by the well-known Lasser Curve, has seen debt piled upon debt until many governments are nearing Day Zero: when the sum of collected taxes will be insufficient to service their debt! With citizenry everywhere feeling the resultant financial pinch, it is hardly surprising that we are beset by government coups and, worse, regional wars erupting.

According to the Institute of International Finance, global debt hit an all time high at \$307-trillion in the past year and was expected to end the year at \$337-trillion. Developed markets were responsible for about 80% of the new debt, with the US, Japan, the UK, and France contributing the largest shares. Meanwhile, debt in emerging markets was led by China, India, and Brazil.

In the face of that graph and the pain that ordinary folk are feeling everywhere because of the elevated rates of interest they are having to pay to service their debts, the next graph on the right, courtesy of the SA Reserve Bank, might offer some comfort in noting that for most of the period of ANC government, interest rates were much higher.



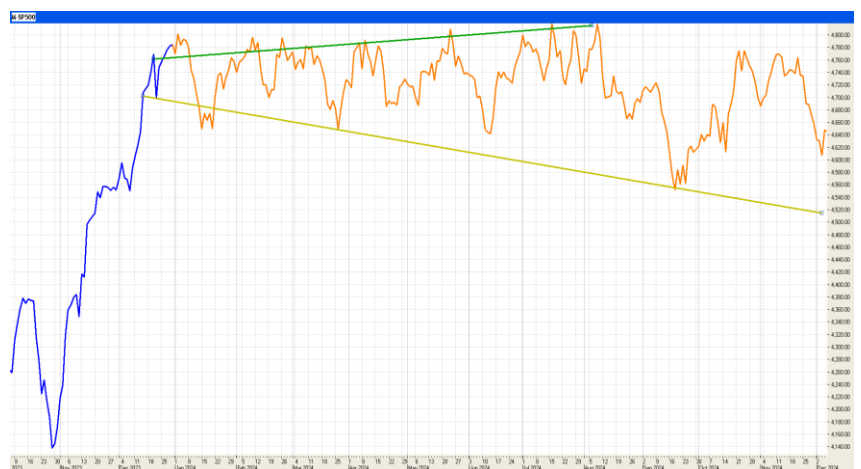
Source: IIF



However, the elevated levels of global debt make it clear that, despite short-term expectations that the “War of Inflation” is likely to see some rate moderation in the coming year, it is hard to imagine interest rates will be significantly reduced in the long-term. That is why I expect subdued global share markets. Furthermore, although there is currently a degree of optimism driving the JSE All Share Index upward, ShareFinder does not expect the optimism to continue much beyond mid February as the graph on the right suggests. From mid February to the first week of June, ShareFinder’s AI-powered projection system senses a down-trend followed by gains until late October:



In sharp contrast, ShareFinder sees a broadening trend for Wall Street’s widest measure, the S&P500 Index with a pronounced decline beginning around August 8 as my second graph projection illustrates:



There is, in other words, considerable indecision about the year ahead and with global indebtedness and the seemingly intractable warfare situations in the Ukraine and Palestine clouding our global outlook..... and with more than a few experts fearful that further theatres of conflict might open up in areas like Iran and the South China Sea....it is difficult to see much hope for a panacea of peaceful prosperity.

Locally, from as far back as mid 2019 when I penned my book ‘The Crash of 2020,’ I was growing very concerned about ANC economic leadership in SA. Thus I decided back then to begin adding as much foreign-sourced income as possible to my personal portfolio by investing locally in high-dividend-yield shares which earned much of their profits abroad. That decision has yielded considerable benefits. I know that shares like British American Tobacco (8.42%), Anglo American PLC (4.65%) and Combined Motor Holdings (14.78%) are not everyone’s cup of tea, but the considerably enhanced dividend income these have steadily produced has given me the latitude to consistently pick up bargains during the past year as prices fell and yields rose.

Ironically too, since every year I look to dispose of a few shares which have delivered me tremendous growth over past years - balancing those sales with the odd loss-maker in order to avoid Capital Gains Tax has more than once seen me sell high and buy back exceptionally low. I did it in December 2019 when I sold off Sasol shares at R300, only to buy back an even bigger holding when they subsequently fell to a mouth-watering R21 in the following March before riding again to R430 over the next two years.

This year I sold off Anglo at R540 and bought a considerably greater quantity when, I must confess to my delighted surprise, they subsequently fell to R395 a few days later.

In neither case could I claim any special insight; merely my determination to avoid un-necessary capital gains taxation. But in both cases it left a good feeling!

Furthermore, readers are surely aware of the exceptional performance of my three overseas Prospects Portfolios. The New York portfolio ended 2023 worth \$2.82-million from an original \$1-million in August 2019. The London Prospects Portfolio ended 2023 worth £2.47-million from an original £1-million invested in December 2019 and my Australian Prospects Portfolio ended 2023 worth \$2.72-million from an original \$1-million invested in December 2019

But the one investment which has made me feel exceptionally happy this festive season had nothing to do with the share market. In August I installed 12 solar panels at a cost of R36 763. Over the past four months they have collectively delivered electricity worth R4 398 which works out at an annual yield of 36 percent. That beats even the exceptional compound 28 percent average growth rate of the Australian Prospects Portfolio and its current 3.6 percent dividend yield which gave it a Total Return of 31.6 percent.

Note, I had previously installed batteries and an inverter as insurance against load-shedding and so I have left that cost out of the calculation. So do not run away with the idea that you could get such a high return on its own. But then what is the price of peace of mind when all my neighbours lights were going out during a favourite TV programme.

Here an aside, when I commissioned my yacht Tasman in England in June 1994 I installed two small solar panels to maintain her batteries in the winter months when she is in storage. They are still working so I imagine the dramatic investment returns I am getting from my new panels are likely to continue many years into the future making them, arguably, the best investment I have ever made!

Meanwhile, the nifty app that came with them also calculates that since then I installed those panels they have saved the planet 1 442 kilos of CO₂ and 38 kilos of sulphur dioxide. So I can also feel good about doing something about global warming.

But to return to my personal share portfolio, were it not that they already dominate my personal portfolio, I would this year be buying far more Capitec shares. Other SA shares I am personally following closely are BHP, Exxaro, Tradehold, Dischem, Glencore and Pan African.

Finally, may I and my team offer you everything you would wish yourselves in this coming year!

The month ahead:

New York's SP500: I correctly predicted continuing gains until late December followed by a dip which began on December 29 and is likely to last until late September.

Nasdaq: I correctly predicted continued gains until Christmas followed by a dip I still see lasting until January 22 followed by a brief gain to February 2 when a three-month decline appears likely as part of a year-long declining trend.

London's Footsie: I correctly predicted a continuation of the brief recovery until Christmas ahead of a very cruel January. Thereafter I see a brief but **very volatile** recovery until August and then down-hill for the rest of the year.

France's Cac 40: I correctly predicted the start of a decline starting immediately in the New Year and lasting all of 2024. The first down-hill phase should last until April followed by gains until the end of August, but overall it is likely to be a losing market.

Hong Kong's Hangsen: I have so far correctly predicted that the long-term decline since last January is likely to continue until the end of March when a long-recovery is likely to start.

Japan's Nikkei: I correctly predicted gains until the end of December ahead of declines which have begun on time and I expect them to last until mid-May followed by a long recovery.

Australia's All Ordinaries: I correctly predicted the market was peaking and still see losses until mid-March. Thereafter I see gains until the end of June and then another decline until November.

JSE Top 40 Index: I wrongly predicted strength until mid-February. Now I see losses until the end of January followed by a recovery until February 22 then losses to April 25 and then a volatile recovery to the end of October.

ShareFinder JSE Blue Chip Index: I correctly expected a brief retreat which I expect to be over by January 25 followed by gains to the end of September.

Rand/Dollar: The recovery that began in early October is likely to continue until the end of September but with exceptional volatility throughout.

Rand/Euro: I correctly predicted brief weakness which I still expect to last until January 25 followed by gains until mid-March.

The Predicts accuracy rate on a running average basis since January 2001 has been 87.11 percent. For the past 12 months it has been 91.85 percent.