Our Weekly Paid Newsletter

Richard Cluver Predicts

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

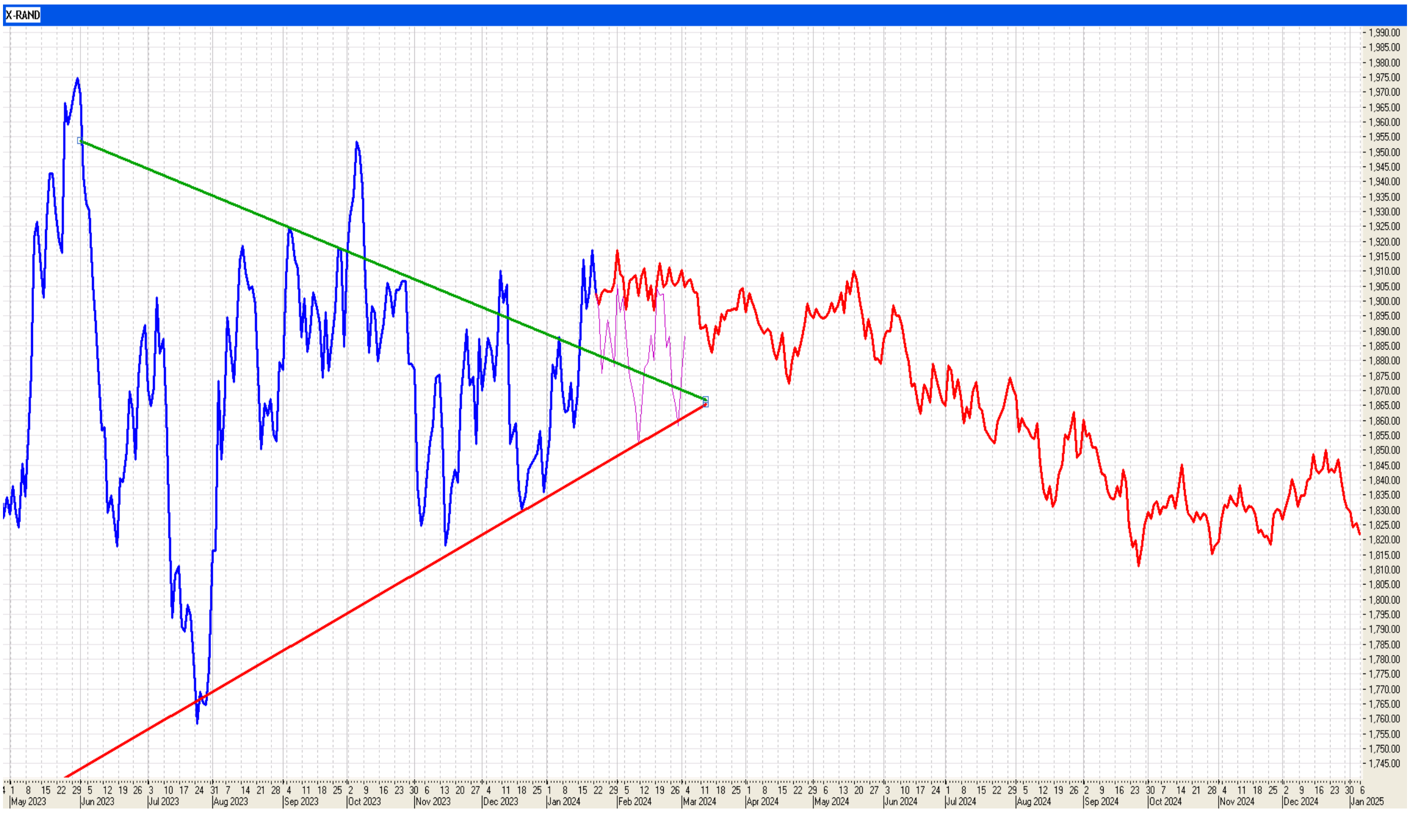
Volume: 37 - Issue: 4

26 January 2024

On January 12 I dealt with the issue of Capital Gains Tax balancing, focussing on four shares in a reader's portfolio which he was thinking of selling in order to create the losses he needed in his portfolio: Renergen, Purple Capital, Mustek and Karooo.

Since then the Rand has plummeted and the market as a whole has, just as I predicted, gone through its normal phase of weakness that happens so often in January. So how are those four shares looking? And perhaps of greater importance for those of us planning customary overseas holidays in the middle of the year, what is the outlook for the Rand?

As most of us are painfully aware, South Africa is facing it's probably most uncertain political phase since 1994 with the result that from R18.1077 to the US$ in mid-November, we have lately seen the Rand lose six percent, weakening to R19.2166 and, if the red AI-powered projection in the ShareFinder graph below is correct, we could see it weaken again to 19.1678 at the end of January before beginning a steady recovery to touch 18.5205 in July and even R18.1092 by the end of September.



Turning to Renergen which climbed all the way to R17.06 when the market opened in January, the share has since plunged to R11.95 and is still headed down. So it is worth reminding ourselves that Renergen was standing at R29.30 just a year ago and at the end of March 2022 it touched R43.90. So this is an extremely speculative share.

Published by ShareFinder International
http://www.sharefinderpro.com
richard@rcis.co.za

So, if you took my advice and sold when I recommended you do so two weeks ago, you will obviously be happy to be sitting with a decent amount of cash. What to do next? Well ShareFinder's projection suggests that Renergen could go as low as R8.87 by March 4 before recovering to R12.83 in late April. After that, however, the software projects a further decline to R7.58 in early July before soaring to R13.73 at the end of September when it would be wise to sell once more because, though ShareFinder previously projected a fall to R6.81, it has now worsened that projection to a precipitous fall to under R2 by next January:

In other words, if you plan to keep gambling on Renergen turning profitable in future, which I believe it will, technical analysis suggests that there is no need to hurry into buying back into this share. In my own case, because I have concentrated recently on increasing dividend income in the face of South Africa's politically uncertain future, I turned to a share that I have long eyed which, to me, seems ridiculously under-priced, Combined Motor Holdings which I bought this week when it touched a long-term support line at R26. It has since bounce up to R27. I know that 2023 has not been a good year for the car industry, but a current dividend yield of 14.65 percent is just too good to ignore.

Considering the dividend record of the past few years in the list on the right, even a reversion to the Covid trading year dividend figures would still make this share cheap.

Declaration date	Last date to trade	Payment date	Amount (c)	Prev 12 months amount (c)	Type
13 Oct 2023	11 Dec 2023	18 Dec 2023	116.8	308.8	Interim
03 May 2023	12 Jun 2023	19 Jun 2023	192	326.4	Final
18 Oct 2022	12 Dec 2022	19 Dec 2022	134.4	268	Interim
03 May 2022	07 Jun 2022	13 Jun 2022	180	268	Final
19 Oct 2021	13 Dec 2021	20 Dec 2021	88	180	Interim
04 May 2021	08 Jun 2021	14 Jun 2021	100	180	Final

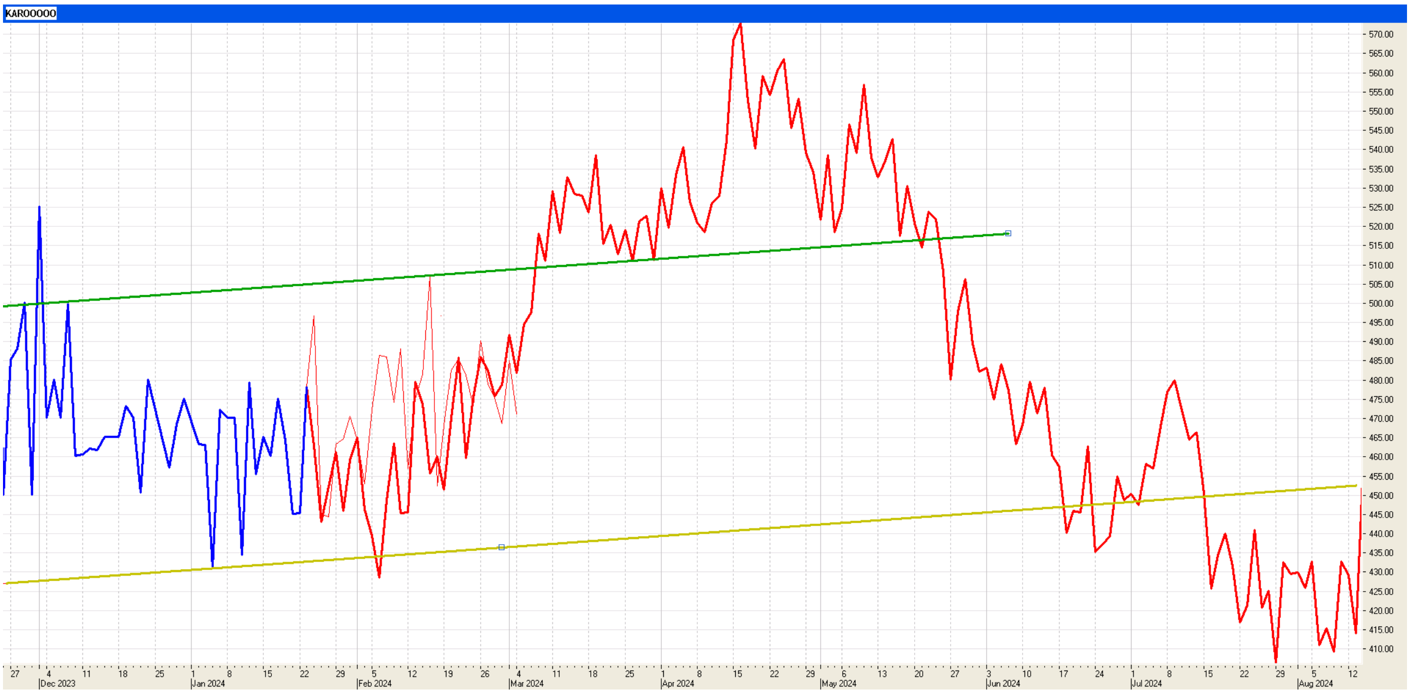
However, if ShareFinder is correct in its projections, I might come to rue that purchase because the AI-projection in the graph below sees the shares touching R22.06 this time next year:

Turning to Purple Capital which held its AGM on the 19th of January, two weeks ago ShareFinder was projecting the shares could rise to 73 cents ahead of the meeting and it was nearly correct for the shares touched 72 and, as ShareFinder also correctly predicted, they have since fallen back to 60 cents. Speculators were bidding as high as 64 cents late this week.

However, current buyers are, if ShareFinder's projection in the following graph is correct, on a hiding to nothing because, although a high of 77 cents seems possible in mid-May, the software senses a low of 37 cents by December.

Noting that the Purple Group profit after tax fell from R11.3 million to R2.4-million in the latest results, shareholders were obviously hoping for some reassurance from CEO Charles Savage at the recent AGM. He clearly talked the good talk but, countering that, the company's contentious implementation of a R25 monthly platform fee for "non-regular investors" has likely soured its customer base. I am glad to be out of this one!

Finally, of the two other shares I dealt with, Karooo and Mustek which I suggested were not speculative at all, I suggested that Karooo could fall to around R430 by mid February and I continue to hold that view, later projecting a high of R573 by mid-April as you can see in the following graph:



Turning to Mustek which has tanked under interest rate pressure, an easing of interest rates in the coming year can only benefit this good dividend payer. ShareFinder, however, continues projecting price declines for the rest of the year:

Meanwhile, noting my frequently-made argument that US T Bonds always predict the immediate health of investment markets, ShareFinder's projection of interest rate gains in the immediate future continues to presage political uncertainty. My final graph depicts further rate rises for 30-year bonds until February 9.

The US Federal Reserve's December projections suggested the possibility of three interest rate cuts this year but, although ShareFinder predicts that the market will start cutting yields as soon as February 9 and a majority of bond analysts expect the Fed to start cutting by March with regular cuts at almost every meeting after that, for a total of six cuts in 2024, there are political issues to consider which might make this view rather optimistic.

While the Fed would arguably never cite politics as a factor in its decision-making, but US politics are now so divisive that this issue will likely present Chairman Jay Powell and his colleagues with the dilemma of avoiding either raising or cutting rates during the campaign season in order to avoid accusations of political partisanship. Informed opinion is thus that the Fed will only cut rates at its May 1 meeting, and possibly again at the June 12 meeting, but thereafter do nothing more until November when the US presidential election is decided.

Meanwhile, in the year that will decide South Africa's right to continue participating in AGOA which allows us to deliver our produce duty-free into the US, I have several times questioned this country's wisdom in 'poking the bear' by bringing action against Israel in the Gaza conflict. Now, 210 US Congressmen have written to Secretary of State Antony Blinken expressing disgust at the action.

The letter adds, "The ANC continues to turn a blind eye to the bloodbath unfolding in Sudan; to the atrocities committed by the Museveni regime in Uganda; and to the collapse of Zimbabwe under Zanu-PF's reign of terror that has turned the bread basket of Africa into a begging bowl, with significant domestic consequences for South Africa.

"The ANC continues to ignore the plight of the Uyghurs in China, while it's business as usual with the Russian Kremlin, despite the mounting death toll in Ukraine. The oppression of women and girls in Iran and

Afghanistan — along with thousands of extra-judicial political executions in those countries — are but an afterthought for our leaders.

“It is therefore reasonable to expect that the ICJ matter would evoke complex reactions from our international partners given the ANCs track record.”

Loss of some of the benefits of US patronage, such as AGOA and the subsidies that pay for the immunisation of millions of AIDS victims in this country could cost the ANC dearly in this election year!

The month ahead:

New York’s SP500: I correctly predicted a recovery but now the signs are divided and in the short-term the market could go any way. In the longer-term, however, the signs are weakness from February 12 to the end of March followed by sustained gains for most of the year.

Nasdaq: I correctly predicted the recovery that is now under way is likely to last until the first week of February when a three-month decline appears likely the first phase of a year-long declining trend.

London’s Footsie: The recovery came a little sooner than I expected but is unlikely to last beyond this week. But I warned readers that the UK market was in for a VERY volatile year with lots of ups and downs in an overall declining trend. Now I see weakness for the first week of February followed by gains until the 15th and then declines until the end of February.

France’s Cac 40: I correctly predicted 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 correctly predicted the long-term decline since last January. Happily it will soon be over but this week’s brief recovery is NOT that beginning. I do not expect a protracted recovery until April but then it should be upwards until nearly the end of the year.

Japan’s Nikkei: I wrongly predicted the decline, but I believe this week’s up-surge is a mere side-show and now see declines until March 8 followed by two months of gains and then another month of declines before the real long recovery begins.

Australia’s All Ordinaries: I correctly predicted the start of losses until late-March but did not anticipate this week’s brief recovery which has confused the market. Now, while there is a short-term pressure for further gains until February 20, a longer-term cycle is speaking of declines through to late March before the long recovery begins.

JSE Top 40 Index: I correctly predicted a recovery which could last until March 5 followed by losses until nearly the end of April 25. Thereafter I see a volatile recovery to the end of September.

ShareFinder JSE Blue Chip Index: I correctly expected continued gains which I see lasting until mid-July followed by six weeks of declines and then another six of gains to a market peak in late September.

Rand/Dollar: This week saw the start of the long-term Rand recovery I have long predicted....and I expect it to continue to mid-March when fresh weakness could last until late May before the recovery resumes until the end of the year.

Rand/Euro: I correctly predicted brief which has now ended. Now I see gains until mid-March but thereafter I see weakness for most of the year.

The Predicts accuracy rate on a running average basis since January 2001 has been 87.13 percent. For the past 12 months it has been 91.85 percent.