Our Weekly Paid Newsletter

Richard Cluver Predicts

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

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Well, to state the obvious, we are on the final count-down to one of the most crucial South African general elections in living history and what I think all the polls are telling us is that change is coming............it's just that the majority do not seem to know exactly what change we want!

The issues facing us are quite clear. The philosophies of the ruling ANC have not served anyone in South Africa particularly well and so most of us want change......it's just that change means different things to different people.

Yes the majority got freedom 30 years ago from the oppressive race-based policies of the National Party, but a freedom that says public places are no longer segregated is hardly a freedom if you cannot even afford the bus fare to get there. And though it is nice that people of colour are today free to live in the formerly white suburbs, nothing much has changed because only a few people of colour can afford the price tags......and I am told that quite a lot of white folk now live in squatter *mjondolos* because ANC failure to deliver a thriving economy means that poverty is now no respecter of colour!

That's why I have so often heard young black people recently questioning how bad apartheid really was when back then most folk had jobs, relative freedom from crime, and freedom to look forward to. Of course none of the present younger generation understand what it must have been like to have to carry a 'Dompass' nor the horrors of heavy-handed police if you were caught on the streets after curfew!

I did not have to experience it either because I am white, but I saw many things that were simply not fair and a lot of things that were obscenely horrible so, no, I don't think anyone wants to go back there. But then, while I don't think anyone wants to go back to apartheid, I think most of us want to turn our backs on ANC-style socialism.

And the polls have long been very clear that only a tiny group want Julius Malema's kind of socialist fascism (sometimes labelled champagne socialism in which the leaders get the champagne and the rest get to live in soviet era style grey concrete homes that stink of boiled cabbage and failing drains).

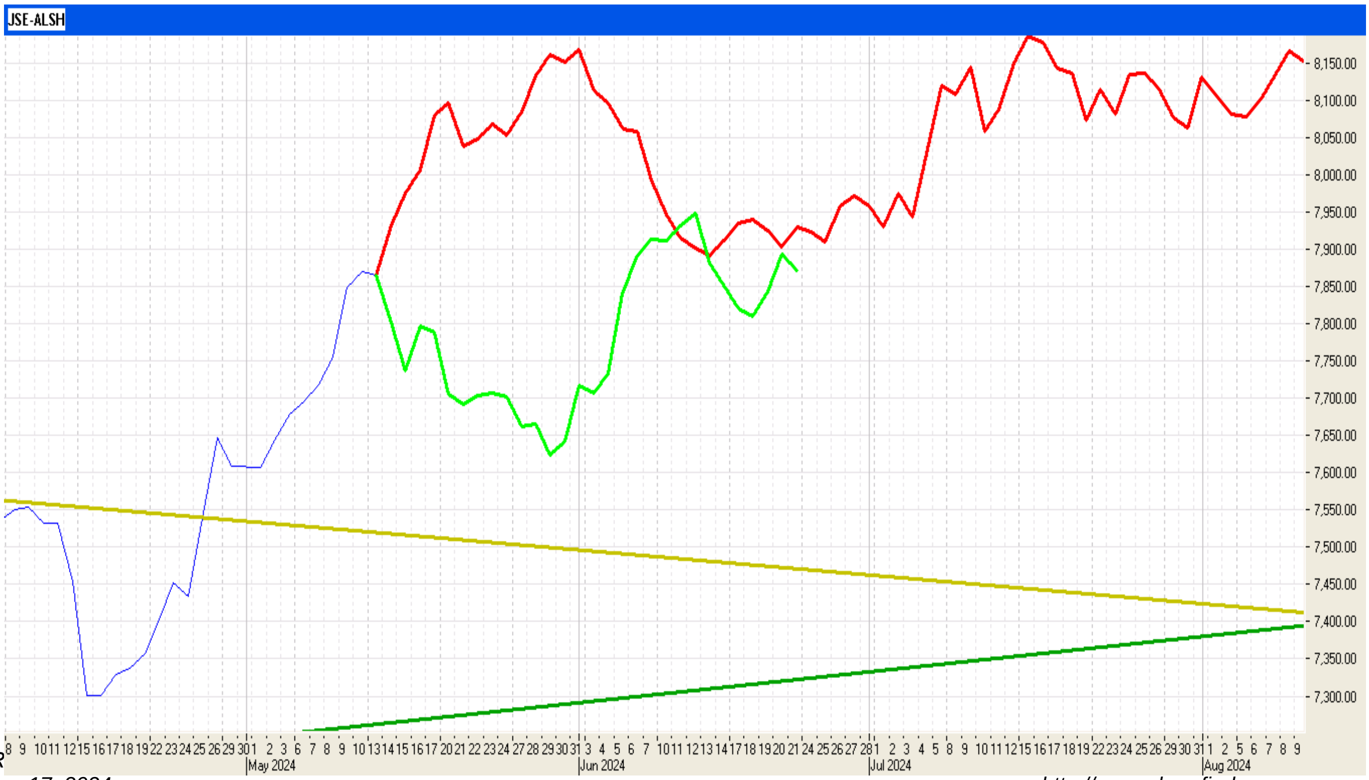
But beyond that, confusion reigns supreme because so many little parties are all saying the same thing in so many different ways. In essence though, we all agree that we need to change and that implies leaving behind economic socialism - which a century of experience all over the world has proved simply cannot compete with capitalism – in favour of a model which can deliver economic growth, jobs and the empowerment of everyone to uplift themselves.

If that observation is correct, then all the rest is noise – which politicians excel at – and that explains why ShareFinder's market projections have been so consistent seeing a South African economic recovery starting two weeks after the election when, as I noted in this month's Prospects newsletter, our constitution required a new government to be sworn in.

Furthermore market optimism is continuing to rise without hesitation, constantly underscoring the truth of what ShareFinder projected would happen.....so we clearly remain on track for a more optimistic future.

Here is the latest graph which you might wish to compare with the one I distributed on Wednesday:

Now I am going to expand that graph to show you a close-up of the present so that you can clearly read the scale along the bottom which provides dates. So note that the JSE All Share Index medium-term projection in red peaks on Friday May 31. Then it falls until June 14 before beginning a slow but steady upward trend which continues for years into the future. The green (short-term) projection which appears in red in Wednesday's graph, predicts the market will go in the opposite direction from about now and it begins its recovery rather earlier – from May 30 in fact – and here I must note that most of the time when these short and medium-term projections disagree, the green short-term one is likely to be the more accurate.



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What is important, however, is that both are headed upward as we move forward into June, which might be interpreted as meaning immediate market relief when the election result is published...probably on Friday May 31.

So let's move on to New York because, as we all well understand, when New York is doing well, most other markets follow unless there is some local event disrupting one's domestic market. So here in the following graph note that the S&P500 Index has been rising steadily since the end of October with one brief hiccup from the end of March to April 23 when investors were digesting new concerns that the war on inflation might take longer than originally hoped.

And though some weakness is being foreseen by ShareFinder from late July to late September, which is always something of a silly season because US summer holidays take place around then, the longer term trend remains upward until November when a much longer period of weakness is foreseen.

Most importantly, I have included ShareFinder's long-term projection. That's the smoothly-curving green line which turns red in projection. This is the long-term investor's best friend though I seldom publish it since it anticipates change much too soon for the purposes of someone trying to buy and sell shares in the immediate future and who is thus in need of more accurate shorter-term timing. But do pay attention to the fact that the long-term projection begins turning upward in October and so one must conclude that US share market weakness from October to April is likely to be an interim event.

If I were to guess what that the graphs are telling us I would say that the US Federal Reserve will NOT reduce interest rates until the second half of 2025 and that will curb the profits of a wide swath of US listed businesses which still carry too much debt as a hangover from the cheap money era which ended when the Fed buried 'Quantative Easing.'

Locally however, long before that, possibly as early as our mid-term budget in November, I expect our Minister of Finance (whoever that might be) to announce that the Reserve Bank will be sharpening our Inflation Target range from the present 3 to 6 percent to something far closer to three percent.

Since a big range of South Africa's budgeted expenses – like civil service pay increases, municipal rates and a myriad of statutory charges – are indexed to CPI, tightening our target will logically remove considerable costs from the 2025 budget and allow the Minister to spend far more heavily on infrastructure projects and that could in turn go a long way towards kick-starting the economy.

Economically, 30 years of ANC socialism - like an excessively overmanned and overpaid civil service together with the massive social wage - cannot go away overnight and so, regardless of who controls the government after mid-June, its going to be hard to find the cash to fund a growth economy in the immediate future. That said, however, South African assets are hugely under-priced at present and so one should not dismiss the potential kick-start of billions of new foreign investment money coming our way if South Africa is able to put together a convincing growth story over the next few months. And then there is corporate South Africa with excessive cash in its balance sheet also seeking investment security in future!

I am very optimistic......and ShareFinder's projections are very far removed from the stories the pessimists are putting out: of an ANC/EFF/Mk coalition which they fear will destroy the last vestiges of the dying horse that is the current SA economy.

I shall be out of town next week and so this column will resume on May 31.....please vote with your heads!

The month ahead:

New York's SP500: I correctly predicted gains which I expected to continue to the end of May followed by a dip until June 18 and then more gains to July 23 followed by weakness to late September.

Nasdaq: I also correctly predicted a recovery which I see lasting to mid-July ahead of a long decline well into the New Year.

London's Footsie: I also correctly predicted gains which are topping now ahead of a drop from about May 27 to June 26 and then a recovery to a mid-August peak followed by a long down- trend into the New Year.

France's Cac 40: I correctly predicted the start of gains that will likely be over this week ahead of weakness until mid-July followed by gains until early September and then losses to year-end.

Hong Kong's Hangsen: I correctly predicted the start of an extended recovery well into the New Year.

Japan's Nikkei: I correctly saw the end of weakness ahead of an extended but initially slow recovery until November.

Australia's All Ordinaries: I correctly predicted a recovery which I now see briefly ending at the end of May but then resuming again from June 7 to the 27th followed by declines to the end of September.

JSE Top 40 Index: I correctly predicted the start of a volatile recovery which will likely end on May 30 followed by a brief retreat to June 14 followed by gains until a volatile top is reached around August 9. After three months at the top, I see declines into the New Year.

ShareFinder JSE Blue Chip Index: I correctly predicted volatile gains to a May peak on the 23rd followed by weakness until June 4 then fresh gains to a volatile top between June 20 and August 7, then another dip until early September and then another market peak in early October.

Rand/Dollar: I correctly predicted a long-term recovery trend well into the New Year.

Rand/Euro: I correctly warned of weakness continuing until early July followed by two months of gains and then further weakness to year-end.

The Predicts accuracy rate on a running average basis since January 2001 has been 87.27 percent. For the past 12 months it has been 94.2 percent.

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http://www.sharefinderpro.com
richard@rcis.co.za