Our Weekly Paid Newsletter

Richard Cluver Predicts

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

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Earlier this year, with the prices of investment hedges spiking nearly vertically all over the world, I posed the question to readers of this column, “Is mankind entering yet another era of massive social and economic disruption which could threaten the wellbeing, wealth and comfort of millions worldwide?”

It was perhaps the scariest question any investor wants to hear, particularly for the elderly who clearly understand that financial risk is not something to lightly contemplate when one is too old to be able to secure gainful employment in order to re-build lost savings.

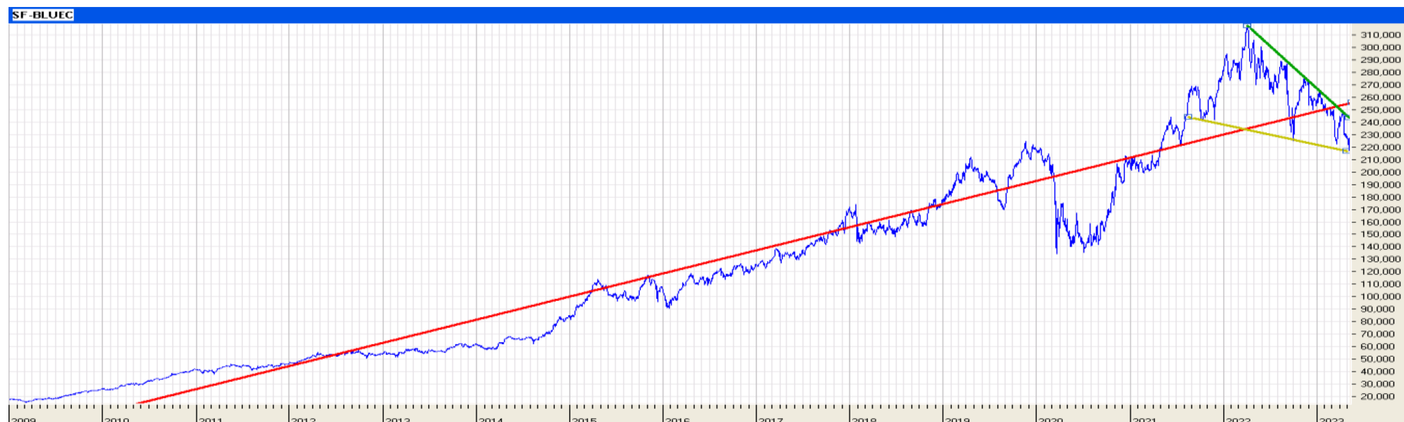
And this week’s EEC election swing to the Far Right and the forthcoming snap French election has heightened those fears!

So how has that since played out? Let’s re-cap. That ultimate store of monetary value, gold bullion, had shocked markets by going into price overdrive and rising as illustrated in the following left-hand graph at a compound annualised 111 percent. Now look to the latest gold graph on the right, noting that although somewhat diminished by the dramatic price up-surge in March and April, the green trend line still denotes a very powerful annualised 26.3 percent continuance:

Then there were US 30-year Long Bonds whose yields had been gaining at an annualised compound 44.6 percent. On the left below that’s the February-end position I published at the time of the article and, on the right, the latest version which it is important to note is actually accelerating to a latest slope reading of 45.5 percent. So, notwithstanding respected market analysts taking the view that the war on inflation being waged by the world’s central banks might be nearing its end, the market clearly disagrees!

I have also always argued that, up there with gold bullion and sovereign bonds, investors should rank Blue Chip shares as the ultimate store of wealth in times of global financial concern, so note below that the rise of New York listed Blue Chip yields has continued to advance unwaveringly in recent years at compound 9.9 percent.

Sadly, the reality of South Africa's failing economy presents a starkly different picture of JSE Blue Chips which have been in decline since April last year because foreign investors are departing in droves in the face of our political uncertainty. Note the falling pennant formation at the right of the graph and the ominous fact that the yellow support line was being challenged on the down-side:

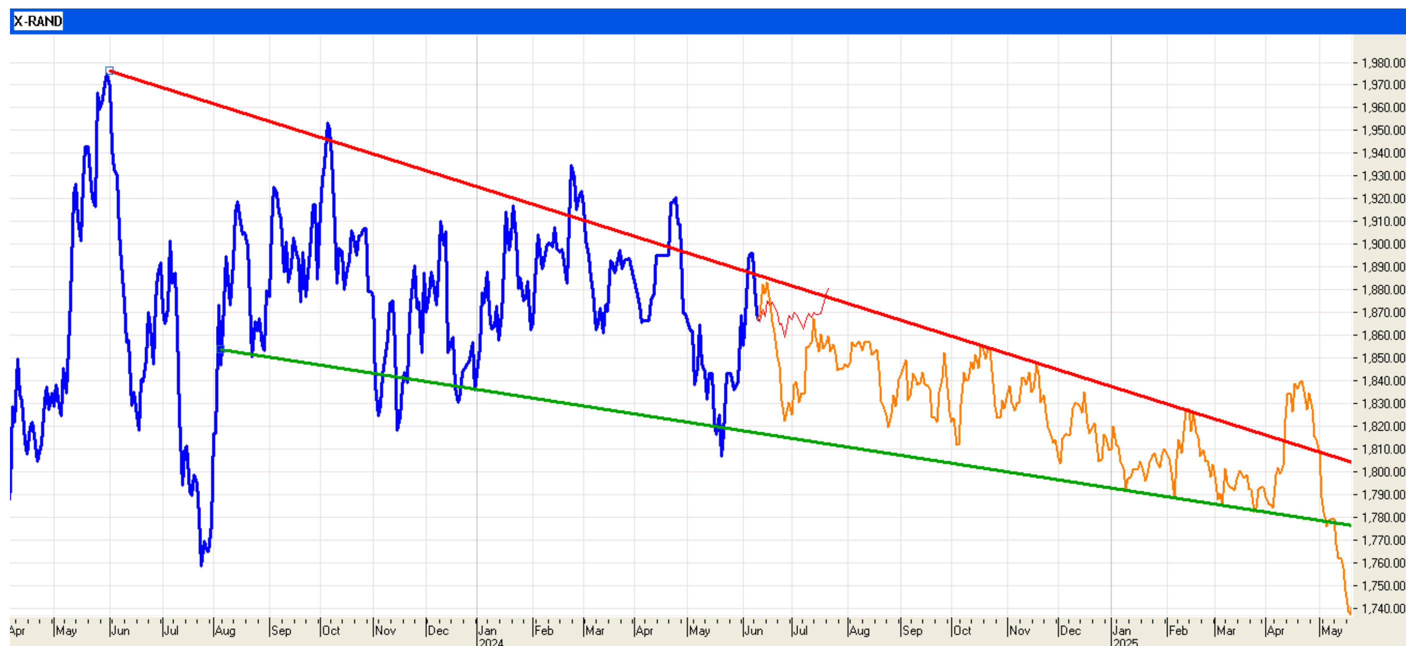


So let us examine the current position in closer detail:

Here you can see that the post-election market crash ShareFinder had long predicted happened on schedule and, while it has still to benefit the All Share Index, Blue Chips are already recovering and ShareFinder predicts in red that a long recovery is likely to get under way.

However, though noting that ShareFinder's projections, though 95 percent accurate in direction, tend to be less accurate in movement magnitude, it is apparent that ShareFinder does not for now see the recovery getting above the red long-term trend line in the immediate future.

Supporting that trend is the direction of the Rand relative to the US Dollar. For over a year ShareFinder was predicting that the Rand would enter into a long-term recovery trend and that move got tentatively underway a year ago and, if ShareFinder is correct in its red projection, the gains are likely to continue well into the New Year.



So, in conclusion, though most South Africans are somewhat jittery about the direction our politicians are leading us, ShareFinder has long been confident that the worst is behind us. From an investment point of view at least, things look to only get better for South Africa!

But not necessarily for the US where the Dollar tumbled on Wednesday after data showed that consumer prices rose less in May than economists had expected, adding to bets that the Federal Reserve might begin cutting interest rates as soon as September. Headline inflation was flat on the month, below expectations for a 0.1% gain. Core prices rose by 0.2%, below economists' projections for a 0.3% increase.

The month ahead:

New York's SP500: I correctly predicted a brief dip to June 19 before the next recovery begins lasting to late July.

Nasdaq: I also correctly predicted a recovery which I now see lasting to July 26 ahead of a decline to the first week of September followed by gains to the end of October and then a very long decline well into the New Year.

London's Footsie: I also correctly predicted weakness which I now see lasting until early August when a brief recovery to a mid-August peak is likely to be followed by a long down-trend into the New Year.

France's CAC 40: I correctly predicted weakness until mid-July followed by gains until early September and then losses to year-end.

Hong Kong's Hangsen: I correctly saw the current weakness continuing, probably to a double bottom in June and July that will form a springboard to an extended recovery into the New Year.

Japan's Nikkei: I correctly saw an extended recovery which began in April and should last to mid-November with brief weakness starting now into a sideways trend until late August before recovering until late November.

Australia's All Ordinaries: I correctly predicted brief weakness with the recovery resuming from June 10 to the end of the month within a long decline into the New Year.

JSE Top 40 Index: I correctly called the start of a brief retreat which is now over ahead of gains that should last until the end of October. Thereafter I see declines until April 2025.

ShareFinder JSE Blue Chip Index: I correctly predicted volatile gains from now to the first week of August when I see a month-long dip. Then from September 12 I see gains until October 7, Thereafter I see another dip until early December when the next recovery is likely until early February. Now, however, ShareFinder is telegraphing weakness in the Blue Chips from next February to February 2026.

Rand/Dollar: I correctly predicted a long-term recovery trend well into the New Year and I continue to forecast it until at least next May.

Rand/Euro: I correctly warned of weakness continuing until early July followed by two months of gains and then further weakness to year-end. I failed, however, to anticipate this week's surprise Rand gains following the French election surprise, but it is unlikely to last.

The Predicts accuracy rate on a running average basis since January 2001 has been 87.3 percent. For the past 12 months it has been 94.75 percent.

Abysmal ranking of Transnet ports underscores long haul to fix key logistics operations and infrastructure

The ports in Cape Town and Ngqura (in the Eastern Cape) were the world's worst performing and least competitive in 2023, ranking 405th and 404th, respectively. A total of 405 ports were assessed in the US, Canada, the Middle East, Asia, Australia, New Zealand, the Pacific Islands, Europe, Central and South America, the Caribbean Region and Africa.

South Africa's ports, operated by state-owned transport group Transnet, are in the spotlight once again for all the wrong reasons. They have been ranked at the very bottom in terms of global operational efficiency and competitiveness.

This is yet another indication that the recovery of Transnet's logistics operations is set to be a long haul after being hobbled by years of negligence, lack of maintenance and corruption.

Using data from 2023, the World Bank and S&P Global Market Intelligence tracked the performance of 405 ports in the US, Canada, Central and South America, the Middle East, Asia, Australia, New Zealand, the Pacific Islands, Europe, the Caribbean and Africa.

These ports were ranked in terms of efficiency through the Global Container Port Performance Index. The measure of efficiency looked at capacity or space utilisation at port terminals, costs paid by customers to move their goods through ports, and container loading and waiting times.

Ports in South Africa have been found seriously wanting as they ranked at the very bottom of the index.

The ports in Cape Town and Ngqura (in the Eastern Cape) were the worst performing and least competitive in 2023, ranking 405th and 404th, respectively. In other words, these two ports were ranked last and second-last out of the 405 that were assessed.

The Port of Durban, South Africa's largest and busiest (handling 60% of the country's container volumes), was ranked 399th.

Durban's port is important for the economy as it lies on international shipping routes between the East and West. The port is also linked by rail and road infrastructure to Gauteng and extends to other major trade corridors.

The highest-ranked South African port on the index was that of Port Elizabeth (now Gqeberha), which was ranked 391st. However, the port remains near the bottom of the list.

In 2022, at least 348 ports were ranked on the index. At the time, Cape Town still did poorly in the 344th position, with Gqeberha ranked 291st and Durban 341st.

A well-functioning port system is a crucial cog in any country's economy.

Transnet's ports are responsible for moving steel, agricultural and automotive goods, among others, that are produced in South Africa and exported around the world.

When Transnet is dysfunctional, businesses in South Africa operate inefficiently and the country's exports suffer in the process.

Well-run ports are also important for Transnet to attract global customers that would land their goods in the country. After all, more than 80% of global merchandise trade (by volume) is transported via sea routes.

However, Transnet's financial and operational problems have meant that it has neglected investments in its ports to improve them, resulting in global logistics companies choosing more efficient ports in other parts of Africa to offload their cargo.

The Somali ports of Berbera and Mogadishu were ranked 103rd and 176th, respectively.

The Port of Conakry in Guinea came in at 208th.

Industry response

Transnet customers are not surprised that the state-owned entity's ports are lagging in terms of efficiency. The agricultural industry, for instance, relies on Transnet's port in Cape Town to export harvested fruits.

Tru-Cape Fruit, the largest apple and pear exporter in South Africa, accounts for about 20% of national exports.

Roelf Pienaar, the managing director of Tru-Cape Fruit, said the poor ranking of Transnet ports is worrying because their inefficiencies "should be considered a significant barrier to trade".

"An efficient and resilient port is key to the success of our industry," said Pienaar, adding that Tru-Cape Fruit was only midway through the current season's exports.

Towards the end of 2023, the fruit industry bore the brunt of inefficiencies at the port in Cape Town. The facility is crippled by ageing infrastructure, lack of equipment and low productivity levels.

The port's terminals were congested last year, causing a slow and costly start to the deciduous fruit season, which normally runs from November to March and provides an important boost to South Africa's economy.

However, the backlog of vessels resulted in a more than 10% decrease in fruit export volumes – billions of rands were lost.

The City of Cape Town has responded to the port's poor ranking, saying that "the inefficiencies at our port not only impede the flow of goods but also significantly hamper our economic growth".

Transnet is a responsibility of the national government.

"The port is a crucial nexus for the products and services of the private sector, and its performance directly impacts our economy," James Vos, the Mayco member for economic growth, said in a statement.

He said the ball is in Transnet's court to partner with private sector players to invest in the port to boost its performance. Transnet is already working with the private sector in some areas, including at its port in Durban.

Transnet has started the process of selecting private sector players to upgrade and operate container terminals at ports over long periods (up to 25 years).

Although Transnet is not relinquishing full control of its ports, or embracing a privatisation model, its request for help is a tacit admission that it can no longer do the job alone.

Transnet is also in the process of replicating this private sector participation model at the Ngqura container terminal in the Eastern Cape and at the Richards Bay port in KwaZulu-Natal.

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The state-owned enterprise (SOE) is expected to implement similar arrangements at its 13 other terminals at ports including Cape Town, Saldanha Bay, Gqeberha, East London and Mossel Bay.

To make Transnet ports more competitive in the interim, the SOE's group CEO Michelle Phillips said in a recent media briefing that the company plans to upgrade its port equipment, including ship-to-shore cranes, ship loaders and unloaders, mobile harbour cranes, trailers and haulers.

This would be done at problem ports in Cape Town and Durban.

In doing so, Transnet plans to enter into long-term contracts with original equipment manufacturers (OEMs) – contracts of at least 10 years to "improve reliability and render the equipment more reliable".

The upgrade of equipment such as cranes started in April last year and will continue until August 2024. Orders for equipment have largely been placed with OEMs. **DM**