Our Weekly Paid Newsletter

Richard Cluver **Predicts**

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

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Barron's - arguably the "must read" bible of every Wall Street professional - this past week published its 'Great Fund Face-off', a comparison of the winners and losers among NYSE listed funds and it made the startling claim that in recent years 'Managed' funds have been consistent losers to the Exchange Traded Funds.

However, to Barron's obvious surprise, the winner of the race this past quarter has been a managed fund which is beating all others in Morningstar's large blended fund category. The winning fund is COG Partners' US Select Quality Equity Fund' which achieved a 18.9 Percent five-year annualised return which Barron's noted is ".....well ahead of the 15 percent of the S&P500 ETFs and beating all other competitors."

Reinforcing the Barron's argument is the S&P Dow Jones Persistence Scorecard which tallies how many previously top-performing funds continue to beat their peers. Thus, of the 179 large cap funds with performance in the top 25% of their peer group in calendar 2019, only 59.25% stayed in the top quartile in 2020, but that number dropped to just 6.7% in 2020. Meanwhile in the past ten years the Vanguard S&P500 ETF has beaten 90% of large blend funds.

Now, of course, because it is simply a virtual fund which Prospects subscribers emulate as they see fit, the Prospects New York 2019 portfolio is neither registered nor traded on Wall Street and so it completely escapes the Morningstar analysis. Yet it should, because it has consistently outperformed them all.

Coming up for its fifth anniversary, the NYSE Prospects Fund has turned $1-million into $3 235 265 at the latest count which represents a compound annualised growth rate of 26.89% as illustrated by the graph trend line below. That's a significant 42.3% greater than the best-performing Morningstar fund!

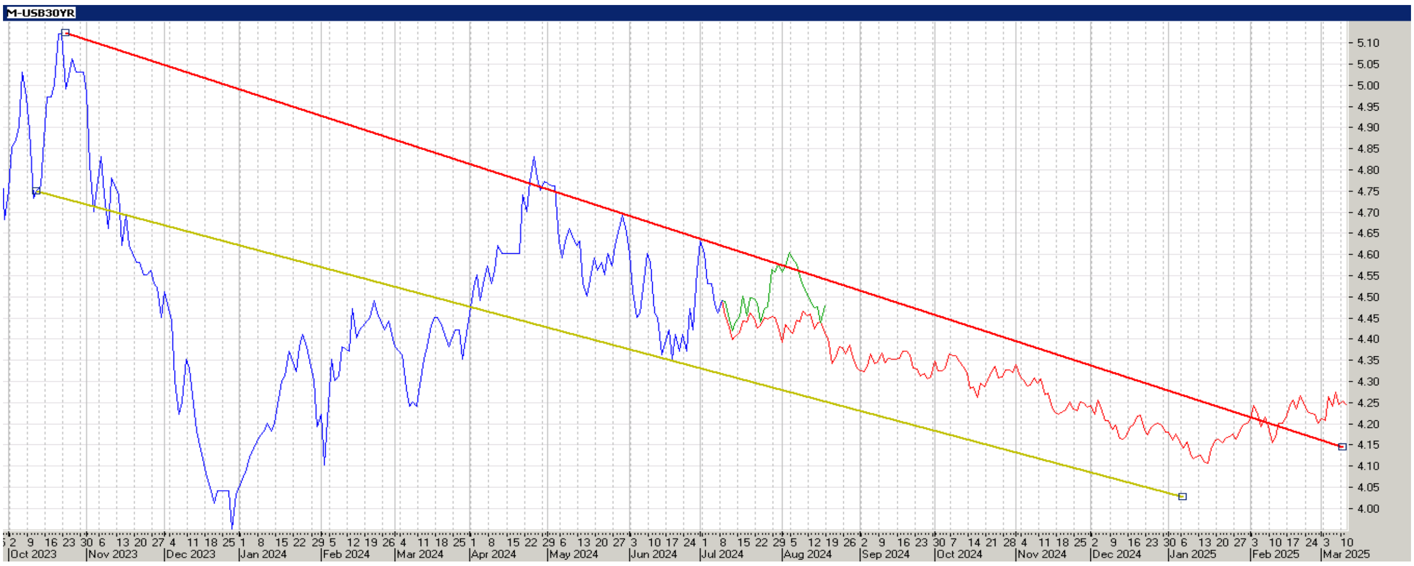
Furthermore, since last November the New York portfolio has been growing at an unbelievable annualised rate of 101.2 percent compound! That surely is something to take note of?

Meanwhile, arguably the most talked about event in the US currently is the Democratic succession plan. Following a disastrous televised clash between US President Joe Biden and Republican contender Donald Trump, Biden’s now clearly-visible neurological challenges have led a majority of political commentators to opine that it is time for the current President to gracefully withdraw from the presidential race.

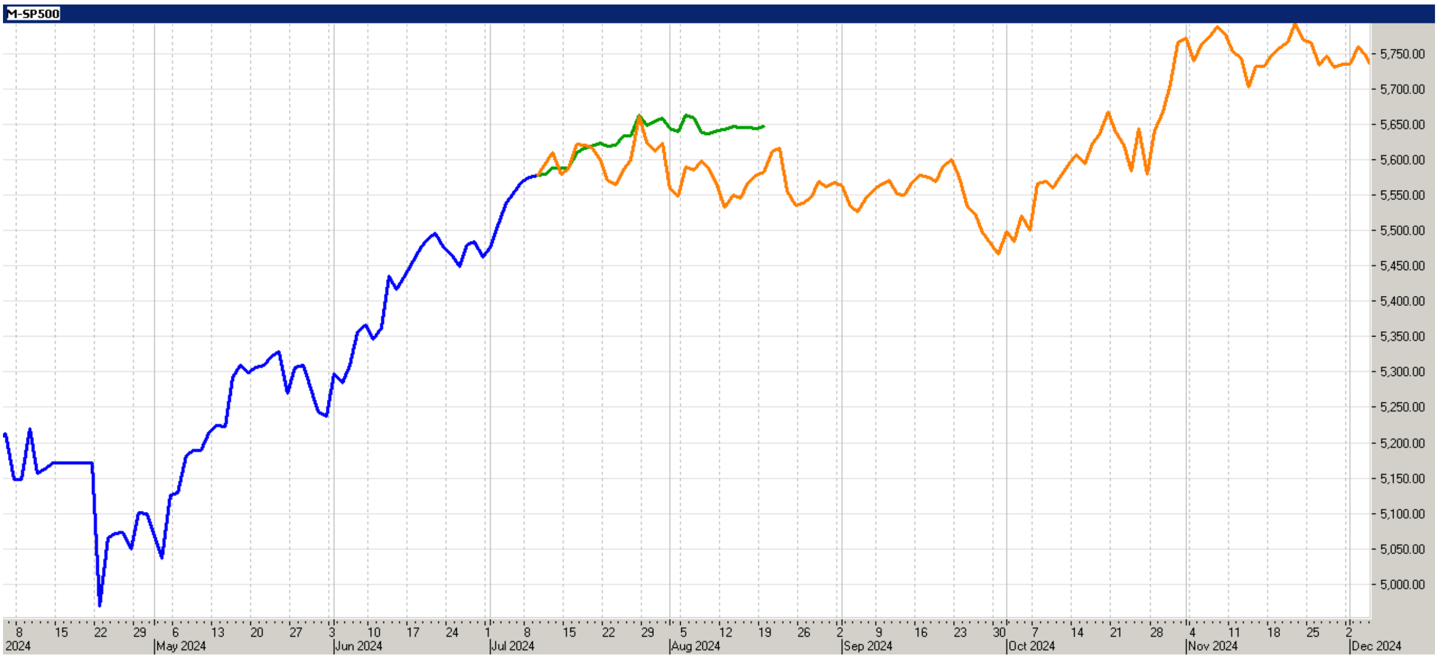
But, competence aside, Americans are also deeply concerned about the age of both contenders. The illustration on the right – the cover page of this week’s ‘Economist’ magazine - tells the US dilemma in absolute terms: No words needed to note that Americans are worried about the age of the people who are leading them.

And it is having a significant impact upon the markets: just as Marine Le Pen’s massive right-wing gains in France, a right-wing takeover in Italy, Britain’s rejection of the – not inaptly named – Conservative Party and, of course, back home in SA the massive rejection of 30-years of ANC rule, all are causing commentators to fear that recent central bank efforts to rein in inflation and public debt might all be undone by the political choices they have recently made.

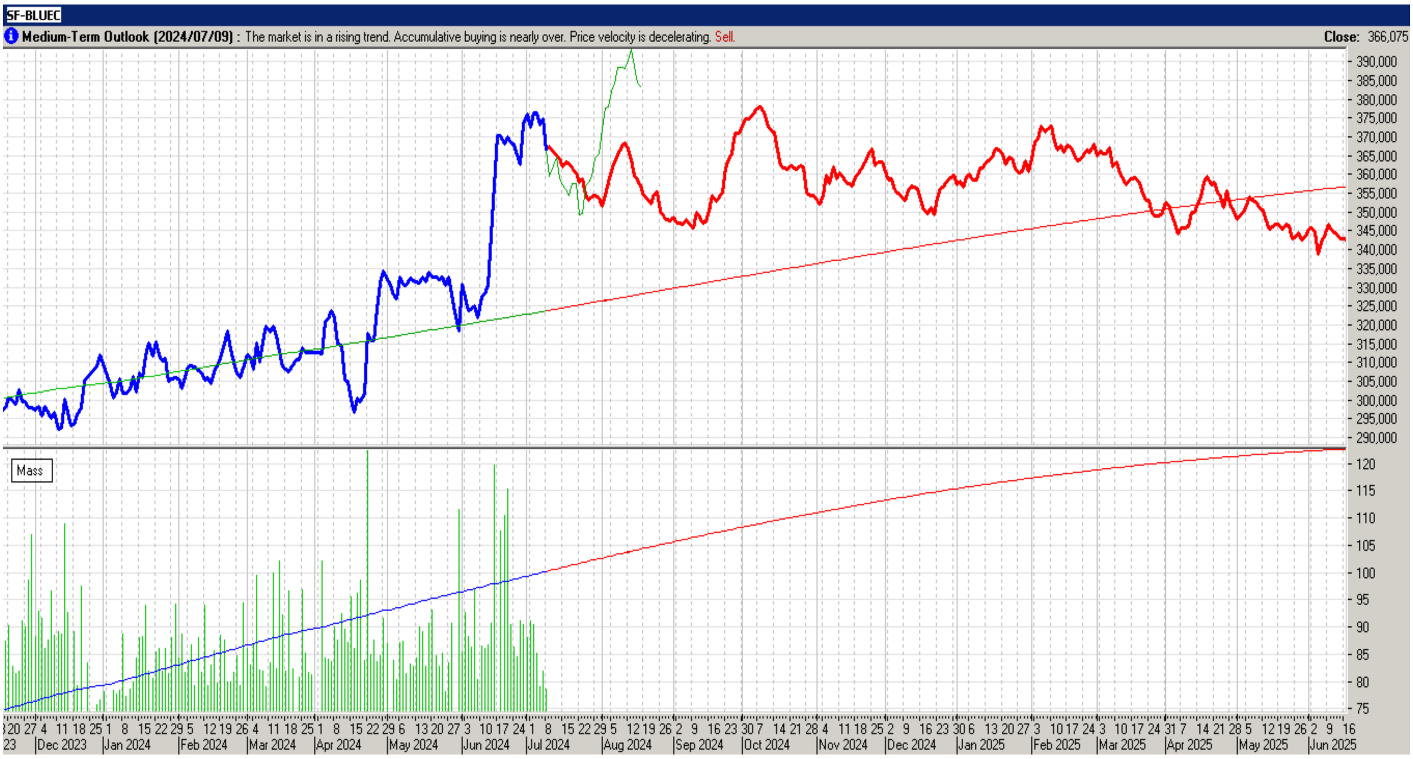
In a nutshell, what most markets fear is that the consequence everywhere will be less attention to fiscal discipline which in turn implies the probability of heightened global inflation rates in future and, in anticipation of another period of war on inflation, a further heightening of interest rates. The effect upon US 30-year Long Bonds is at this stage barely visible but, as ShareFinder projects in green in the following graph, long bonds yields are likely to rise sharply from around July 12 through to August 5 before resuming their long-term recovery trend. It’s a warning to take note of!



Note furthermore that ShareFinder's following projection sees Wall Street's S&P500 Index going into decline from July 26 until the end of September. Might that signify ever-heightening Wall Street concern about the US succession race for the next two months as Joe Biden continues his ever-increasing defiance of his growing number of influential critics?



South Africa has also had its share of uncertainty as the new GNU cabinet beds in and doubts are raised about its ability to lead the country out of its protracted era of economic stagnation. Do note, however, that in the following graph that, although short-term weakness appears likely to continue until September 11, the long-term projection lines of both SA Blue Chip prices and the Mass indicator of Accumulation/Distribution pressure agree that long-term recovery is assured:



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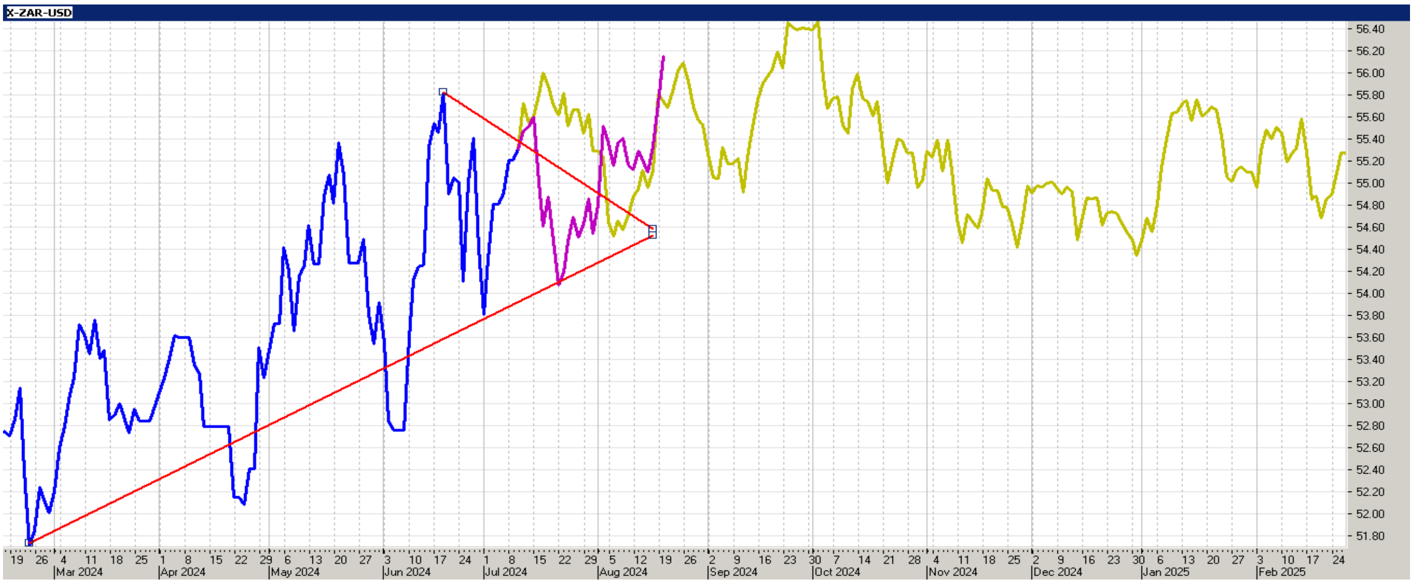
Furthermore, although the Rand has been weakening steadily since late March relative to the US Dollar, this is more a function of the gains the Dollar has been making in the face of ever-increasing global economic uncertainty as a consequence of the Ukraine and Palestine wars and the pronounced political swings occurring in a year of elections everywhere.

Do note, however, ShareFinder projects in yellow in the following graph that from July 17 the Rand is likely to begin recovering. Furthermore, though another phase of weakness appears likely from the 23rd until October 2, the Rand is likely to resume its strengthening phase from October 2 to the end of the year:



The month ahead:

New York's SP500: I correctly predicted gains which I now see lasting until month-end followed by two month of losses.

Nasdaq: I also correctly predicted a recovery which I now see lasting to mid-August followed by declines likely until mid-September.

London's Footsie: I also correctly predicted weakness which I now see lasting until the end of June followed by a recovery to a mid-August peak followed by a long down-trend into the New Year.

France's Cac 40: I correctly predicted weakness likely until now followed by a recovery until the first week of August ahead of a long decline well into 2025.

HongKong's Hangsen: I correctly predicted that the market would bottom around now followed by brief gains until month-end and then another phase of weakness to the end of September. Thereafter I see gains until the end of the year.

Japan's Nikkei: I correctly saw a recovery which is now over ahead of declines until month-end followed by likely gains until the end of October.

Australia's All Ordinaries: I correctly forecast weakness which I still expect to last to the second week of July followed by brief gains for the rest of the month and then fresh weakness until the end of September.

JSE Top 40 Index: I correctly called gains but they lasted shorter than I expected. Now I see gains from July 17 until mid-August followed by losses to the first week of September.

ShareFinder JSE Blue Chip Index: I correctly predicted a modest sideways to declining trend to mid-September before growth resumes.

Rand/Dollar: I correctly predicted brief weakness until July 15 within a longer-term recovery until mid-September when brief losses will take the Rand to its weakest point around October 2 before an extended period of gains begins.

Rand/Euro: I correctly warned of weakness likely to last until August 15 before a long-term recovery begins.

The Predicts accuracy rate on a running average basis since January 2001 has been 87.36 percent. For the past 12 months it has been 95.21 percent.

