Our Weekly Paid Newsletter
Richard Cluver Predicts
In our 37th year of service to the investing public of South Africa

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Rioting on the streets of Britain and Elon Musk in a TV debate with former Prime Minister Richie Sunak telling him that the UK is the most likely country to face a civil war in the immediate future! Meanwhile in the US the NASDAQ fell 13.12 percent from July 10 to Monday's close....one of it's worst-ever declines!

In the Far East, Japan's Nikkei Index had fallen 26.56 percent from its July 6 11 peak of 424.26 to Monday's low of 311.56. And markets everywhere were in panic!

To put these and other deeply troubling events of the past few days into better perspective, please consider the crisis table on the right put together by US asset managers Amundi Solutions which produced an average Dow Jones Industrial Index retreat of 5.7 percent over the past 85 years of Wall Street History.

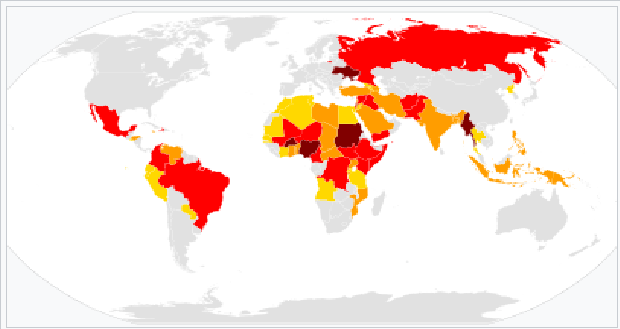
Event	DJIA Reaction Dates	Date Range % Gain/Loss
Fall of France	5/9/40 - 6/22/40	-17.1%
Pearl Harbor	12/6/41 - 12/10/41	-6.5%
Korean War	6/23/50 - 7/13/50	-12.0%
Eisenhower Heart Attack	9/23/55 - 9/26/55	-6.5%
Cuban Missile Crisis	10/19/62 - 10/27/62	1.1%
JFK Assassination	11/21/63 - 11/22/63	-2.9%
US Bombs Cambodia	4/29/70 - 5/14/70	-7.1%
Arab Oil Embargo	10/16/73 - 12/05/73	-18.5%
Nixon Resigns	8/7/74 - 8/29/74	-17.6%
USSR in Afghanistan	12/24/79 - 1/3/80	-2.2%
Falkland Island Wars	4/1/82 - 5/7/82	4.3%
US Invades Grenada	10/24/83 - 11/7/83	-2.7%
US Bombs Libya	4/14/86 - 4/21/86	2.8%
Financial Panic of '87	10/2/87 - 10/19/87	-34.2%
Invasion of Panama	12/15/89 - 12/20/89	-1.9%
Gulf War	1/16/91 - 1/17/91	4.6%
World Trade Center Bombing	2/25/93 - 2/27/93	-0.3%
Oklahoma City Bombing	4/18/95 - 4/20/95	1.2%
Asian Stock Market Crisis	10/7/97 - 10/27/97	-12.4%
US Embassy Bombing in Africa	8/6/98 - 8/14/98	-1.8%
September 11th Attacks	9/10/01 - 9/21/01	-14.3%

Over the past weeks since it peaked on July 18 at an index level of 4137.60 to Monday's low of 3849.92, the Dow had lost 6.95 percent which clearly makes it an above average crisis though nothing to compare with the 34.2 percent drop which happened during the 1987 financial panic or the 14.3 percent drop following the September 11 suicide attacks on New York during which a shocked world watched on television as a total of 2 996 people died in the World Trade Centre attack.

Markets have since recovered a little but that is little solace for the people of Great Britain where – we should remember that Elon Musk is both a South African and the world's richest man – Musk is engaged in a war of words with Prime Minister Keir Starmer over his televised meeting with Richie Sunak during which the Tesla chief pronounced his view that "...civil war is inevitable" in the UK.

Musk, with a reputed fortune of $228-billion is also owner of the X internet channel which he uses to communicate his views to around 140-million followers of his regular blogs....that is around three times more than the entire British population and so his views are arguably somewhat more influential than the British Prime Minister. And that is why there is something of a political crisis in Britain this week adding pressure to an obviously deeply-troubled global society already having to cope with issues like the wars in Palestine and Ukraine which are merely the two most reported-on of some 110 armed conflicts currently taking place in the world!

Just in case you, like me, do not know about most of them, I have reproduced Wikipedia's map which details them:



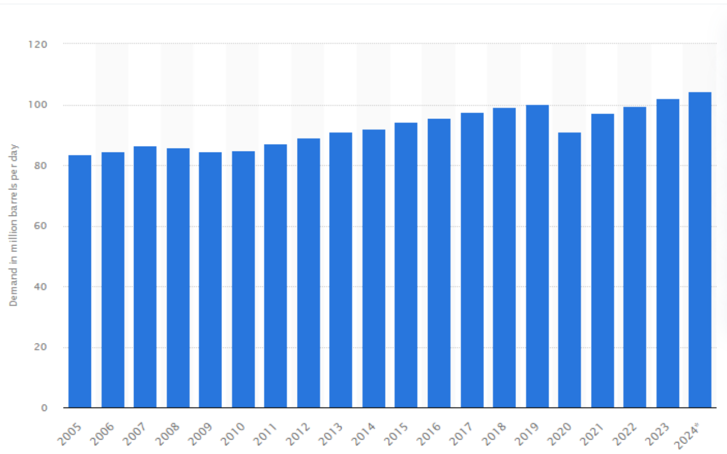
Map of ongoing armed conflicts (number of combat-related deaths in current or previous year):

- Major wars (10,000 or more)
- Wars (1,000–9,999)
- Minor conflicts (100–999)
- Skirmishes and clashes (1–99)

All of which somewhat diminishes my own concern this week about the French energy giant Total Energies announcing that it is withdrawing from exploiting two huge oil and gas fields located off South African shores. The fields, particularly one located off the West coast north of Cape Town have been rumoured to be enormous economic game changers for South Africa and Namibia. That's something this country desperately needs at this time when our national debt is beginning to completely overwhelm us.

So this really is a shock and it is troubling that speculation has it that the real reason behind Total's decision was the impasse between environmentalists and the Shell oil company whose exploration efforts off our east coast were thwarted by public opinion. Of course the real truth might lie in the following graph illustrating what has been happening to crude oil prices since they peaked at $131.80 in March 2022 – that's a hefty 35 percent drop to this week's $84.98:

Given that crude oil consumption is currently higher than it has ever been this century – note the Statista graph on the right – then the price decline tells you all you need to know about the current state of the global economy and, of course why share markets have been panicking.



Simply stated, high global interest rates brought on by the war on inflation have pushed most of the world into recession and last weeks' jobs statistics from the US have made it clear that

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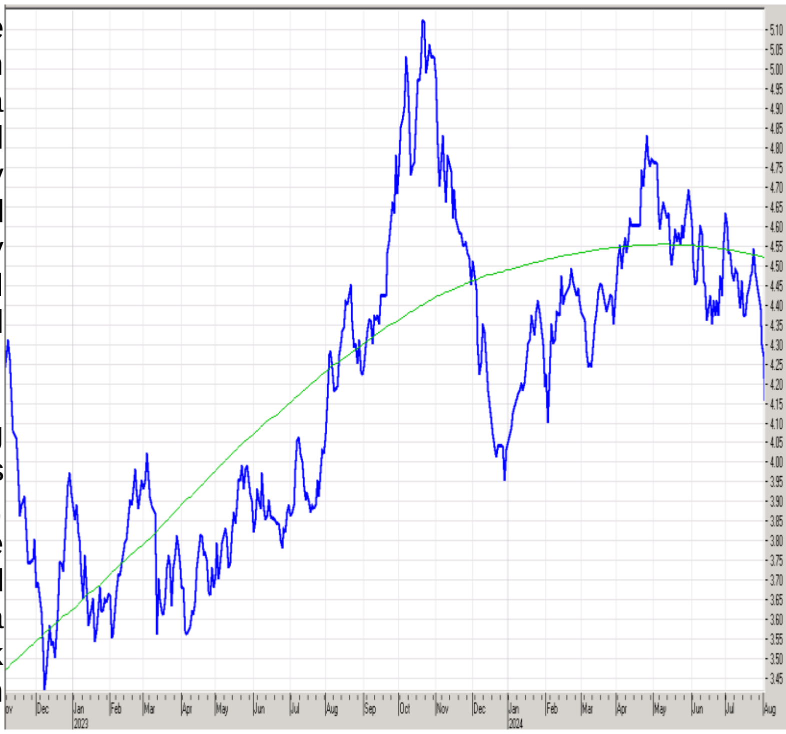
the world's last-standing economic powerhouse, the US, is now following suit. That is what triggered the market panic.

So in truth, oil companies are being forced to cut back on exploration because they are facing profit declines. Thus we should not really be surprised because TotalEnergies' exit in fact follows an earlier decision by its Canadian partners CNRI to withdraw from Block 11B/12B, which South Africa's government hoped could supply gas to an idle gas-to-liquid plant at Mossel Bay operated by the national oil and gas company PetroSA.

TotalEnergies, which held a 45% stake in the block, also decided to exit offshore exploration on the West Coast in Block 5/6/7 where it held a 40% interest. But I have little doubt that the oil majors will be back once the world economy improves which, one might speculate, could begin quite soon since the politicians currently fighting in the US for the next presidency will undoubtedly put pressure on the US Federal Reserve to wind down interest rates.



Clearly the investment market is anticipating such a drop for the yield of US 30-year T Bonds has been falling steadily since late April and now, precipitously since July 24 as my graph on the right illustrates. In October the 30-year bond peaked at 5.15 percent and has since fallen to a Monday low of 4 percent giving readers who took my advice this time last year a hefty capital gain since then.

Once the Fed reduces rates – likely as soon as next month – the world outlook will start to brighten again and, locally, the SA Reserve Bank will undoubtedly follow which means that things will likely begin to brighten by Christmas!

Meantime, back to those SA oil fields, I was fortunate this week to listen to a talk by Dr Ada Natoli whose speciality is the molecular ecology of bottlenose and common dolphins and sea mammals as a whole which she monitors on behalf of the International Whaling Commission.

Conservation, I need to add, is a subject very close to my own heart since my own childhood in rural Zululand when I customarily following barefoot with an air rifle over my shoulder in the footsteps of my father who, at the time, was leading South Africa's fight against the then scourges of malaria, yellow fever and tsetse fly. It was a passion further honed when as a young journalist I was attached to the Natal Parks Board living with the giants of that era who saved the white rhino from extinction. We spent months on end in the bush where the only bit of civilisation was our periodic visits to trading stores where I was able to phone back my stories. It was, with hindsight, one of the happiest periods of my life..... Until my newspaper discovered my other preoccupation with share markets and whisked me back to become their Financial Editor.

But that is another story that explains why I fully understand that the great mammals like elephant and rhinos are apex creatures upon whose survival mankind significantly depends. Until I listened to Ada Natoli's talk I did not, however, fully appreciate how the survival of the oceans as healthy environments is so completely dependant upon the survival of our critically endangered whales and

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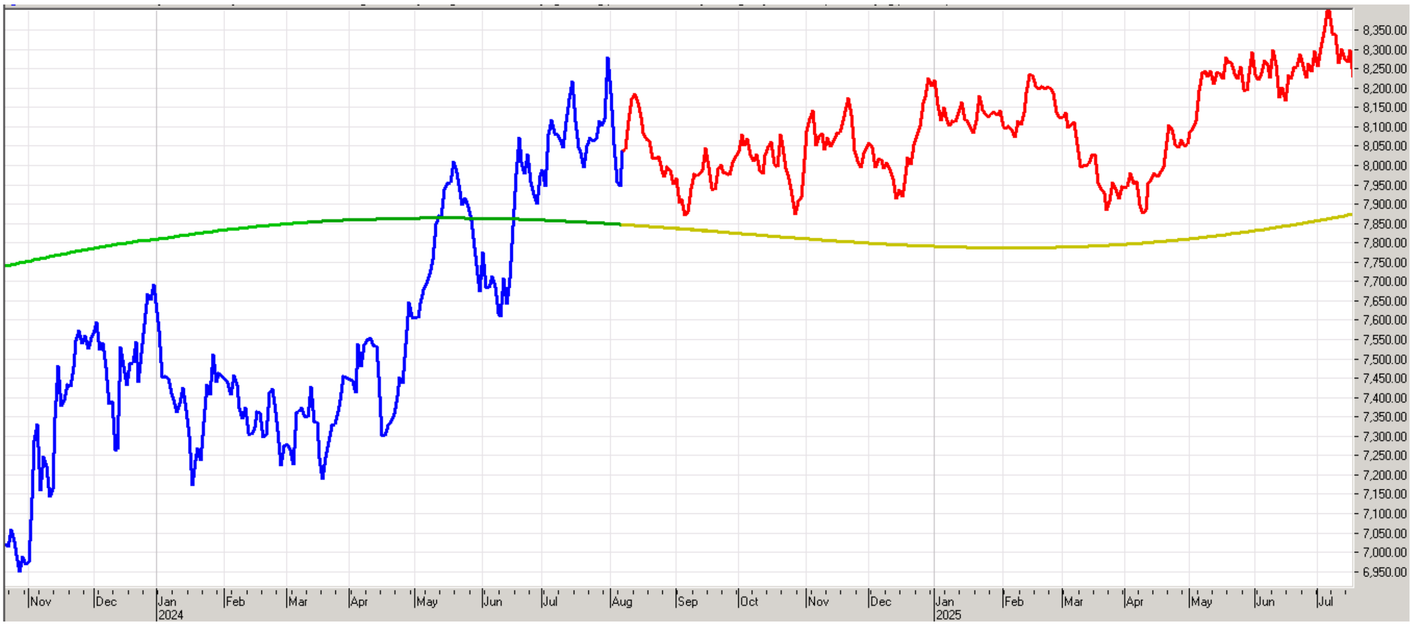
dolphins. And of course the area off our Wild Coast which, until June 3, Shell was blocked from further exploring lies in one of the world's most important whale migration pathways.

So it ultimately comes down to a question we all need to ask ourselves: which is the most important, the economic bail-out that oil exploitation offers South Africa or the continued welfare of the global whale population? I think most of us readily understand the correct answer!

However, on June 3 our Appeals Court suspended the previous ruling that had halted Shell's exploration and so it is game on again with some pretty important stakes soon to be dealt with!

But I guess more important to investors is the future outlook for the JSE All Share Index. So here is what ShareFinder thinks:



The month ahead:

New York's SP500: I correctly predicted weakness which I now see continuing at a slower pace until around August 21 followed by gains until the end of October when another six months of losses seems likely.

Nasdaq: I also correctly predicted declines likely until early September and then a volatile recovery to the end of October. But next year looks to be downward for a long time.

London's Footsie: I also correctly said the recovery could last until mid-month presaging a lengthy decline well into the New Year.

France's Cac 40: I failed to anticipate the sharp decline. Now, however, I see gains until mid-September and then another sharp dip, another recovery to early November and then a crash to the New Year.

HongKong's Hangsen: I wrongly saw the market bottoming. Now I see another month of declines with a recovery only starting around August 27 followed by gains lasting to the end of November.

Japan's Nikkei: I correctly saw declines until July-end followed by the gains which have now started and are likely to continue to the end of October.

Australia's All Ordinaries: I correctly forecast weakness until October followed by a month-long recovery and then it is likely to be weak until February.

JSE Top 40 Index: I correctly called gains into mid-August followed by volatile declines until next April.

ShareFinder JSE Blue Chip Index: I wrongly saw the gains continuing until mid-August ahead of a four-week-long decline and then a brief final upsurge. But only the timing was wrong. Now I see that weakness continuing to mid-September and then gains to early October followed by declines to the end of the year.

Rand/Dollar: I correctly predicted brief weakness within a longer-term recovery well into the New Year.

Rand/Euro: I correctly warned that most of August would be weak. Now I see that weakness continuing to mid-October before a sustained recovery sets in.

The Predicts accuracy rate on a running average basis since January 2001 has been 87.37 percent. For the past 12 months it has been 95.21 percent.