Our Weekly Paid Newsletter

Richard Cluver Predicts

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

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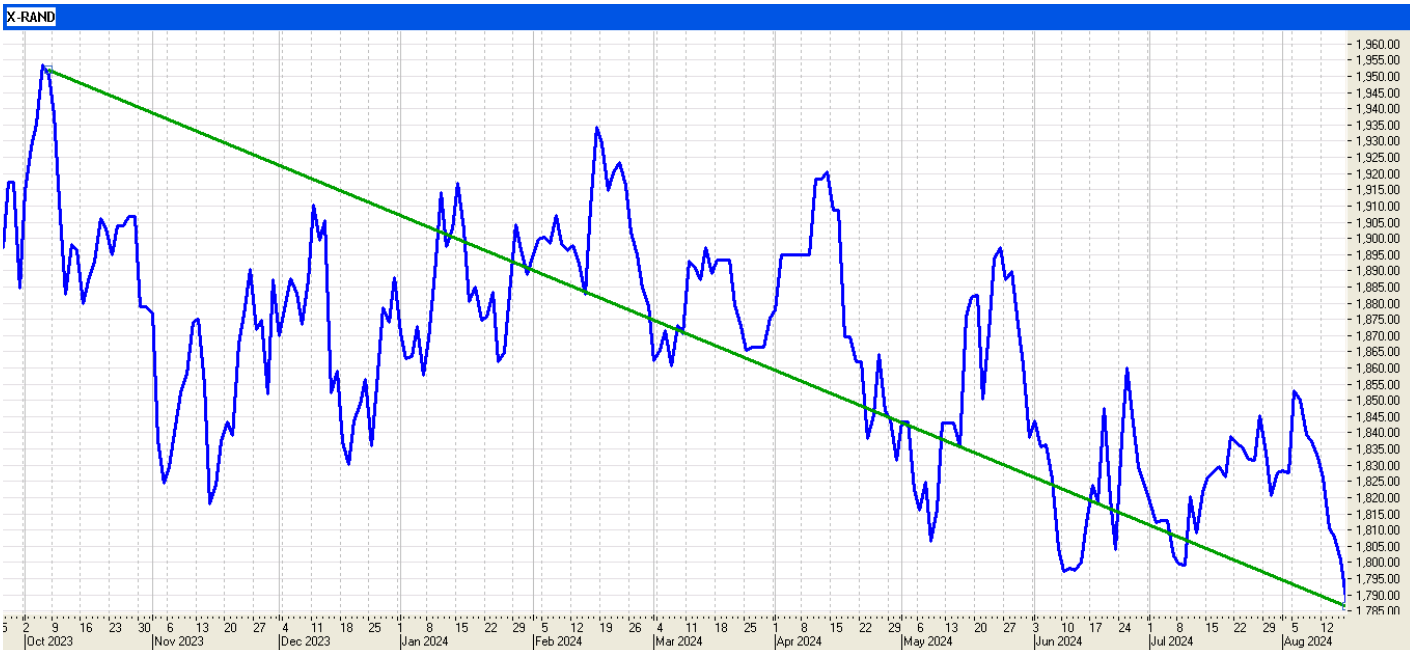
These are the good times when, on a wave of euphoria that after 30 years of ANC misrule we at last have a significant hope of restoring South Africa to the bustling and hopeful country we once took almost for granted.

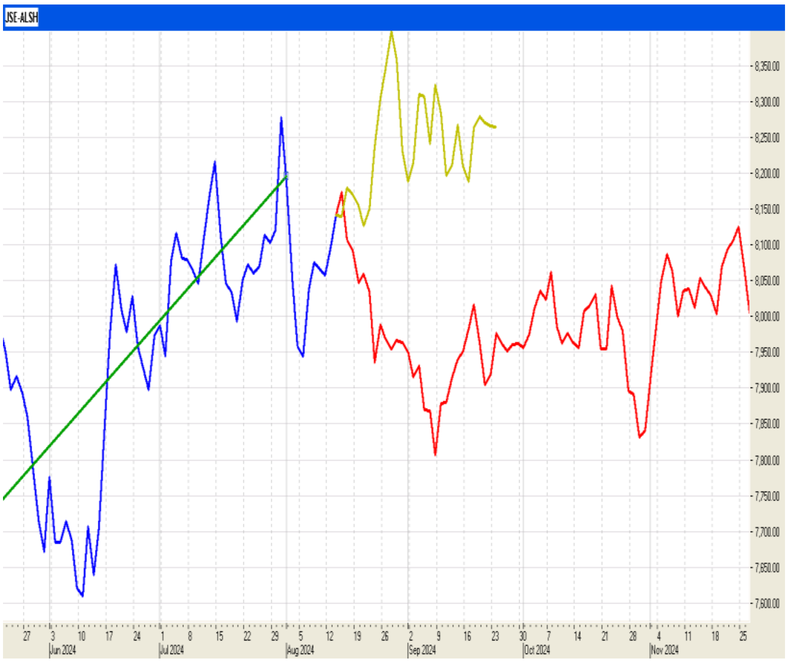
With the JSE amplifying that optimism and tracking upwards at a current annualised rate of 31.6 percent since April as can be seen in the graph that follows, the outlook is good. Here's hoping the loonies can't rock this boat!

Our Prospects Portfolio has literally taken off at a current annualised rate of 180 percent rate of climb (Mauve trend line) from an annualised 64 percent since last November (Green) and annualised 27.4 percent since the bottom of the Covid crash (Red) taking an original investment of R1-million to R7.32-million this week

And, just as I have been predicting for nearly a year now, the Rand has been in similar dramatic recovery though the truth of that trend is that it started way back in October last year as my following graph makes clear:



But now we need to sober up a little because such rates, though they represent a short term recovery from an extremely depressed period in our history, they really cannot last without some counter-reaction. So let us below left consider what ShareFinder (NOW) projects is likely for the All Share Index. It predicts, in its yellow short-term projection that gains will continue until the 28th though the red, medium-term projection, sees three weeks of declines before recovery resumes. On the right below is Share Finder's projection for the Rand relative to the US$ sensing a reversal in the short-term (yellow) and a slightly slowed continuation in the medium-term (Red).



Really both indicators are showing better than expected strength into the future, and an improvement over ShareFinder's prediction in last week's Prospects newsletter....... And the markets don't lie about such things.

I do wonder, however, where markets will be next week once they have had a chance to digest Jacob Zuma's impassioned speech yesterday – with new acolyte Floyd Shivambu nodding in the background – that his recently-minted MK party aims to "......emancipate the black people of South Africa."

Noting that the Oxford Dictionary defines emancipation as '*the action or process of setting free, especially from legal, social, or political restrictions*,' I thought that had happened 30 years ago and that Zuma himself had been in charge for a third of that time. But on a more serious note, MK achieved 45.3 percent of the vote in KZN and its populist rhetoric of, loosely phrased "...giving us what the Whites have...." is heady stuff which in a country where the youth unemployment rate is 60.8 percent, is dangerously inflammable.

But then the JSE has a long way to go just to catch up with world markets. Look at it this way, currently the average dividend yield of a Wall Street share is 1.263 percent and the average PE ratio 29.3. Comparatively the JSE average yield is 7.72 percent and the average PE is 10.24.

Divide those respective numbers and you might conclude that the local market would, depending on which measure you choose, need to rise between three and six-fold to reach an equal value.

I doubt that is going to happen...well not until we have demonstrated pretty convincingly to foreign investors that South Africa Pty Ltd is truly open for business, that some connected politician is never going to be able to confiscate some newly-built factory on the basis of the restitution of historic dispossession, that our railways and harbours are functioning optimally and that a stable Government of National Unity is TOTALLY committed to economic growth in the long term!

I have not a shadow of a doubt that the only way to achieve something close to Western levels of employment is to grow our economy and, further, that following the Zuma line would guarantee even worse levels of unemployment accompanied by intense social misery. I suspect our Jacob well knows this fact, but to espouse the GNU growth idea would almost certainly see himself behind bars along with many in his new command structure...and I also believe he well understands that point as well.

What **WE** know and understand, however, is less important in the economic recovery equation than what **foreign investors believe**.......and so the continued growth of the JSE indices will be a critical measure in the weeks that lie ahead.

The month ahead:

New York's SP500: With global market volatility all over the place since the Bank of Japan changed its interest rate policy, markets everywhere have been as unsettled as they have been ahead of some of the most momentous market events of the past century. So it should not surprise anyone that ShareFinder has got Wall Street wrong for a second successive week. No excuses, but both logic and ShareFinder suggest at least some leveling off is now likely and most likely a decline until mid-September.

Nasdaq: I correctly predicted declines likely to begin about now and continue until mid-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 that has now started and should last well into the New Year.

France's Cac 40: I correctly predicted gains until early-September - I think it could peak around September 12 followed by another sharp dip, another recovery from mid-October to early November and then a crash to the New Year.

HongKong's Hangsen: I correctly saw a few more days of gains until about the 26th and then its down-hill until the beginning of September in an upsurge that could last nearly to the second quarter of next year.

Japan's Nikkei: I correctly saw gains which are likely to continue to the end of November.

Australia's All Ordinaries: I correctly saw the recovery continuing, likely to the end of the month followed by losses to early-October when another month-long recovery is likely.

JSE Top 40 Index: I correctly called gains. Now I see a fortnight of weakness with recovery starting around September 9 into late October.

ShareFinder JSE Blue Chip Index: I correctly saw weakness continuing. Now I see gains to mid-October before fresh weakness to years-end.

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

Rand/Euro: I correctly saw strength which I now expect to last until the 28th followed by two months of losses.

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 94.86 percent.

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