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

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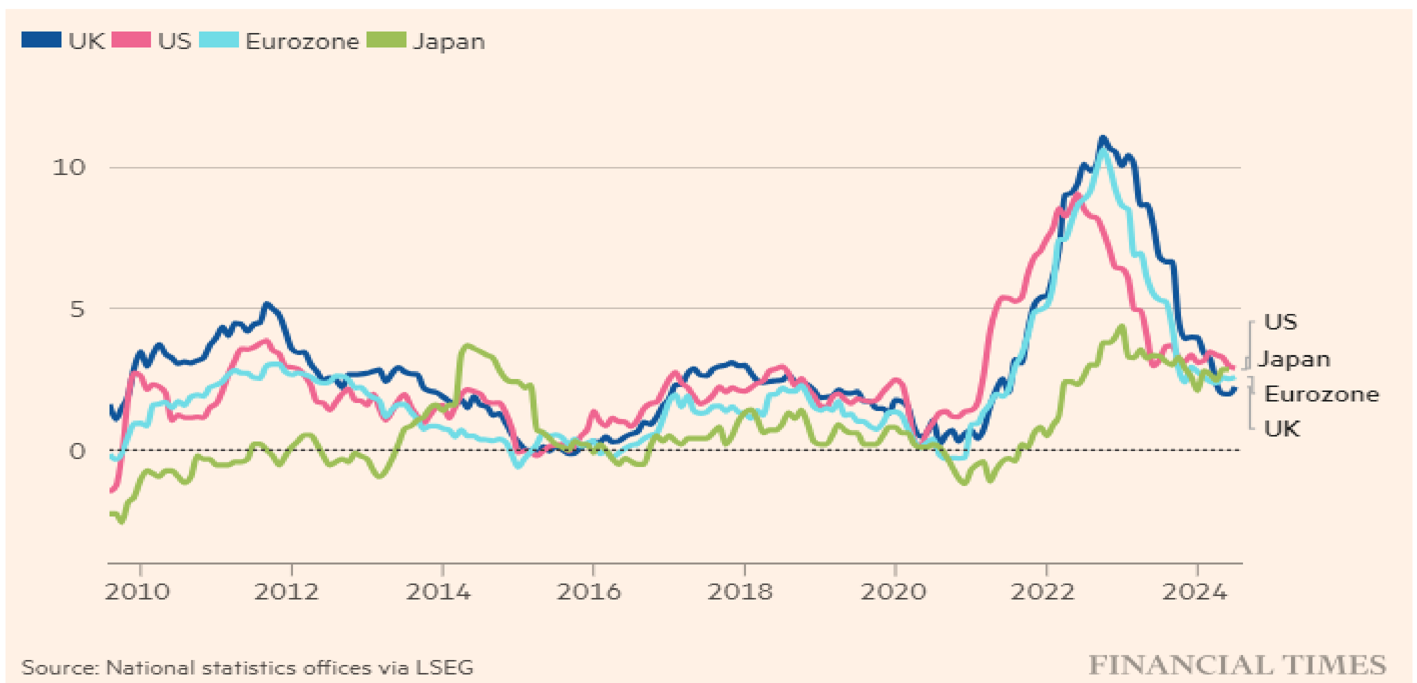
Who would be a Brit this week, reeling after new Prime Minister Kier Starmer warned that tough times lay ahead....and probably much higher taxes as well! But of course those words really apply to all of us at this tail-end stage of yet another so unnecessary monetary cycle.

It's almost a century since the world went off the Gold Standard and its hapless citizens became subject to a schizophrenic era of alternating cycles of excess and misery as Central Banks have struggled to keep a lid on global money supply. The following graph, courtesy of the Financial Times clearly illustrates how monetary inflation has risen and fallen over the past 15 years:

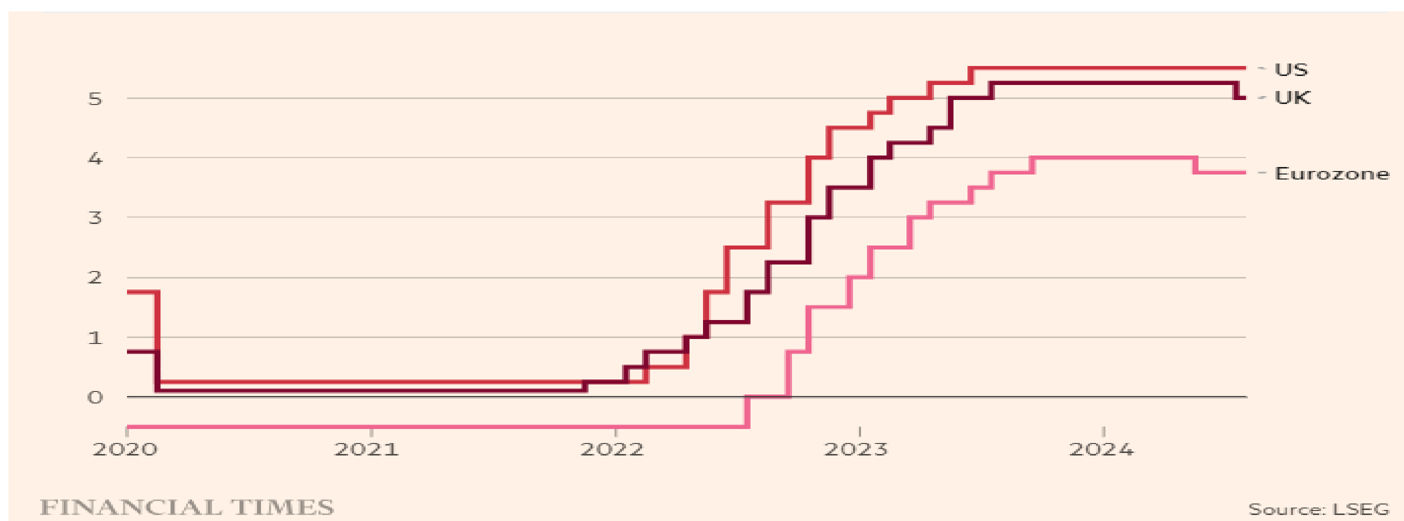


Inflation is the result of central banks allowing the money supply to rise out of control because the only effective tool they have to combat it is interest rates. As an example of the consequence of the resultant high rates, the US Government currently spends 40 cents of every tax dollar it receives to service its 123% debt to GDP ratio.

Britain meanwhile has a national debt equal to 98.8 percent of national income. Calculated at £2.7-trillion which is equal to £96 000 per household, it will spend 10.4 pence in ever pound it receives in order to service it.

South Africa has seen its Gross loan debt grow from R1.58-trillion in 2013/14 to R5.21-trillion in 2023/24. Servicing that 71% of GDP debt will absorb more than 20 cents of every rand collected in revenue which, when added to that the 58 cents in every Rand taxpayers have to find to pay public servants, leaves very little to service vital services like health care and education...let alone President Ramaphosa's promise to turn the country into a building site!

And of course a major portion of the debt-service cost is the punitive rates of interest being imposed by the world's central banks in order to slow down economies and curb the discretionary spending of taxpayers in order to reduce "demand-pull inflation." Here in one graph is the cost of servicing debt:



There has to be a better way that is governed by what is best for ALL the people of the world rather than what's best for the USA which has been the principal originator of all the extra money supply.....one in which the poorest of the poor in tiny far-flung states carry a disproportionate share of the burden though the knock-on effect upon the cost of international trade. But for now, however, it is a case of "vasbyt" while we endure the tail end of the price we all have to pay for political incompetence, growth-limiting levels of taxation and the debts the politicians have bequeathed us!

I believe the solution is to take global money supply out of the hands of the leading nations by handing the responsibility to the International Monetary Fund. But that is another subject for another day...and the principal issue of a new book I am currently completing in time for Christmas. Meantime, however, all eyes are on the US Federal Reserve since its chairman Jay Powell signalled last Friday that he is ready to cut US interest rates in September, because, as he warned the "downside risks" to the labour market had increased.

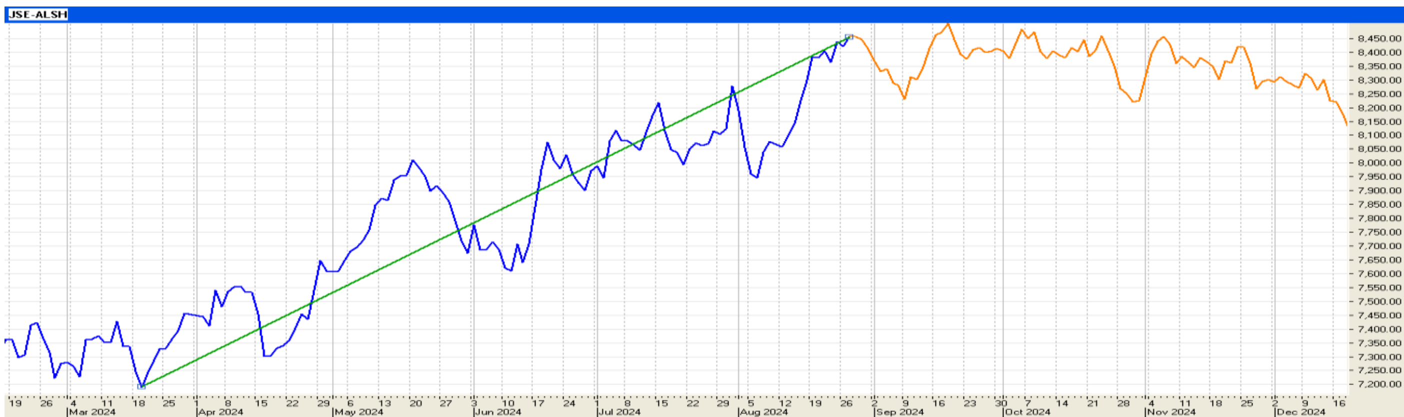
Powell was of course referring to the US unemployment figures which, in truth, is all that concerns most Americans. The fact that high interest rates have brought the rest of the world to its knees and individual families into deep poverty, is not really their concern when, even in the world's wealthiest nation, families are barely getting by under the weight of an excessive tax burden. And indeed, South Africa's own tax authority has just admitted that its research shows that high taxation has materially slowed corporate profits and by inference the cause of job-creation!

But back to Jay Powell and Fed policy. "The time has come for policy to adjust," the Federal Reserve chair said in a hotly anticipated speech in Jackson Hole, Wyoming, on Friday. "The direction of travel is clear, and the timing and pace of rate cuts will depend on incoming data, the evolving outlook, and the balance of risks."

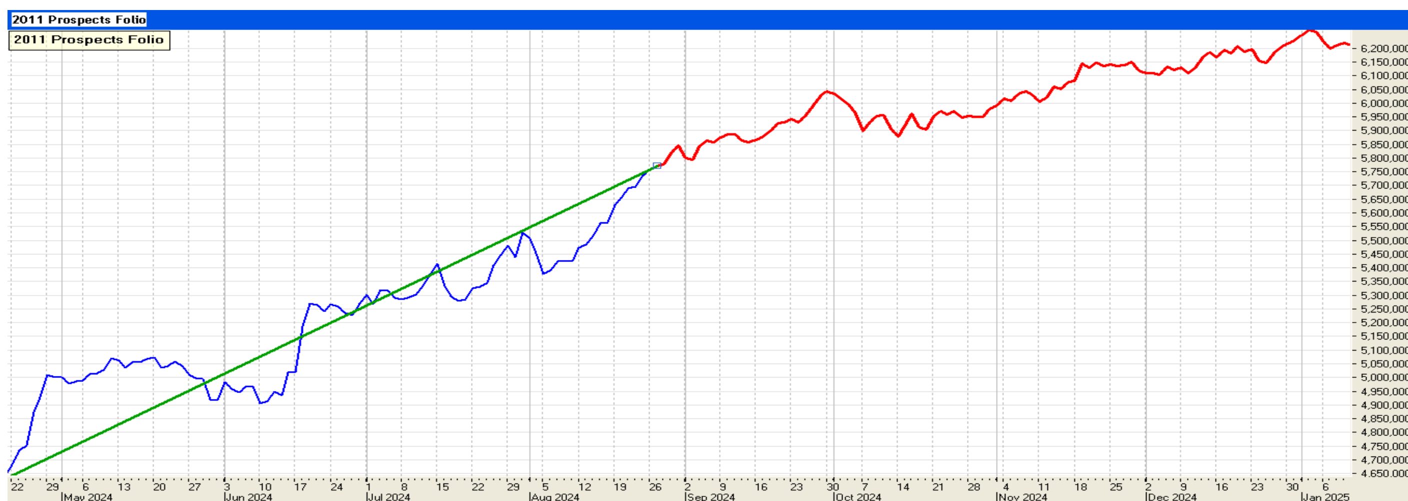
That is the main reason why markets have since exploded in anticipation of a global reduction of interest rates. Markets are accordingly pricing in a roughly 35 per cent probability of a larger than usual half percentage point rate cut next month, compared with around 28 per cent before Powell spoke.

The move has already been anticipated by the European Central Bank which lowered deposit rates by a quarter percent in June to 3.75 percent followed this month by the Bank of England which lowered its rates by a quarter percent to 5%.

Turning to South Africa, the euphoria had already been building up in our share market since March when everyone clearly understood that major political change was inevitable. The JSE All Share Index has been rising at compound 44.3 percent since then as illustrated by my green trend line in the following graph. But, please note ShareFinder's orange projection! My software does not expect the trend to last, suggesting it will peak on September 18 and then modestly trend downwards until Christmas.



Happily, however, for those readers who use my monthly Prospects newsletter to replicate my Prospects Portfolio,that gain is currently twice as good as the JSE All Share Index. The green line in the following graph is rising at a compound annualised rate of 87 percent and, as you can see, it is projected to continue rising into the New Year.



I should add, in case you missed the announcement in **The Investor** on Wednesday, the team at ShareFinder International have succeeded in cloning the selection techniques which I use to manage the four Prospects portfolios in New York, London, Sydney and South Africa to run them on 'Autopilot.' Furthermore, all indications are that the ShareFinder algorithm can do a better job than myself, so watch this space! I have a plan that can make life a lot easier for my readers.

The month ahead:

New York's SP500: I correctly predicted the gains would continue but that some leveling off is now likely – and even some short-term weakness - as the market heads to an October peak.

Nasdaq: I wrongly expected some slowing of the up-surge and that is now increasingly possible in the very short-term followed by strong gains in October.

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 followed by declines to early October.

HongKong's Hangsen: I correctly saw further gains likely to last until mid-September when a brief retraction will precede further gains to early-October when another retraction is likely ahead of a long climb to a November peak.

Japan's Nikkei: I correctly saw gains which are likely to continue to early September followed by weakness until month-end.

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. But the overall trend is likely downwards to year-end.

JSE Top 40 Index: I correctly called gains which are nearing their end followed by volatile weakness into the New Year. Now I see a fortnight of weakness with recovery starting around September 9 into late October.

ShareFinder JSE Blue Chip Index: I correctly saw gains to mid-September ahead of fresh weakness to years-end.

Rand/Dollar: I correctly predicted brief weakness but this is mere short-term volatility within a longer-term recovery well into the New Year.

Rand/Euro: I correctly saw strength which I now expect to last until the 6th 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.

Birth rate panic and the global MLM of a society built on infinite growth

Several of you emailed me recent articles from *The Economist* and the *Wall Street Journal* about the so-called "birth rate panic," pointing out that the intersection of economic policy with people's decision to have children felt a little…off.

This week, I decided to do an impromptu, solo deep dive into the coverage, some of the gaps I see, the cultural scapegoats, and of course, the bigger picture: The reason population decline is alarming is because our society is built on an infinite growth scheme that only works if there are always more young people than old people, and now we're a little like a worldwide Rodan + Fields downline running out of new recruits. Unsurprisingly, nearly all of the focus is on women who are, apparently, girlbossing too hard to put the future of humanity on their backs.

Roughly 30% of households in the US are single people living alone, a rate that's increased slowly but steadily since the 1990s. It's a given in personal finance circles that dual-income households have a financial edge over single people, but in this week's Rich Girl Roundup, we're taking a closer look to better understand the economies of scale. Theoretically, pairing two earners and spenders together should just increase everything proportionally, but that isn't what happens. Why not? (And, of course, we're tackling the most realistic way singles can reasonably duplicate this benefit.)

"The collapse in housing starts really began in 2007, and it hasn't rebounded. Something is wrong with the market, as price signals aren't working," writes Matt Stoller. His hypothesis? Nationwide housing unaffordability isn't due to hordes of "annoying people" trolling city hall to preserve the charm of their neighborhoods, it's consolidation in homebuilding. An industry that used to be decentralized with hundreds of thousands of contractors has been consolidated into the hands of a few players, and these players "aren't builders, they are financiers that borrow cheaper than real developers and use that cheap credit to speculate in land, hiring contractors to do the work. They are, in other words, *middlemen."*

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