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

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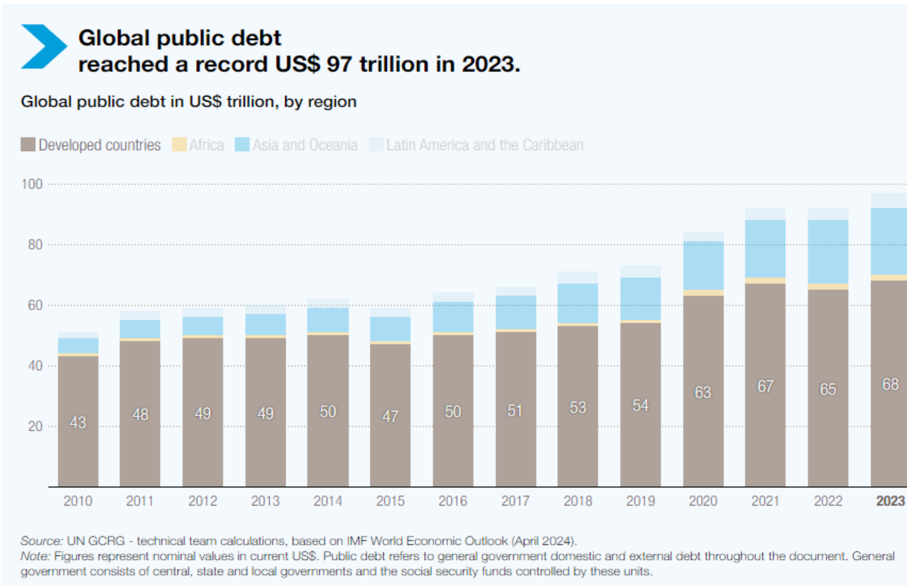
For months I have pondered ShareFinder's projections that round about now global share markets would top out and go into protracted decline in the New Year.

Long experience of working with the software has taught me NEVER to ignore its predictions which, if you turn to the end of this column you will note are running at an over 95 percent forecast accuracy rate. Yet for markets to go into decline at precisely the point when global interest rates were finally beginning to come down and world economic growth rates were showing clear signs of beginning to turn upwards, did not seem like clear logic to me.

Of course, there has always been the "Big One" which has been troubling me for years: the completely unsustainable sum of global debt which has been growing since the 1980s when governments first began to appreciate that the Laffer Curve blocked them from raising personal taxes beyond clearly defined limits imposed by a general public fight-back. Of course that discovery was the one which made Ronald Reagan one of the most popular of all US presidents and which launched Maggie Thatcher into the same role in the UK because they both began furiously cutting taxes which in turn caused their countries to swing into economic boom.

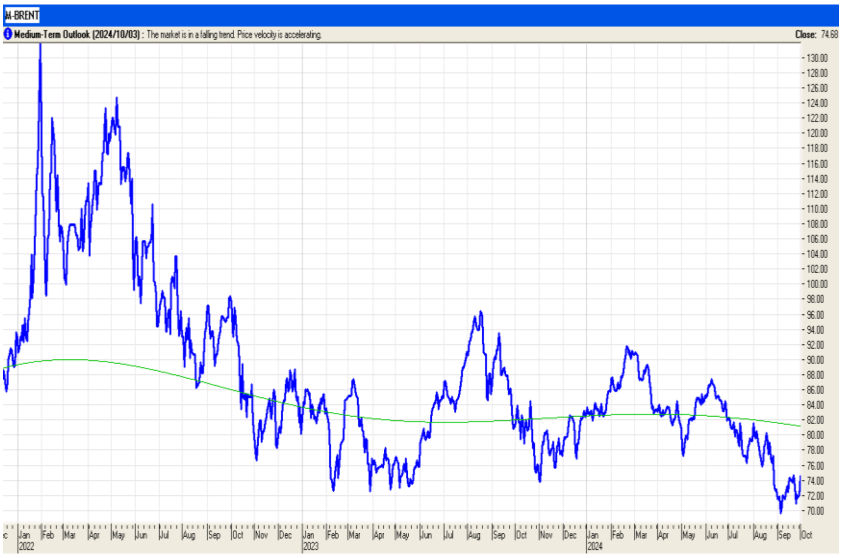


Globally after that governments stopped raising personal taxes, but they did not stop spending nor did they stop raising sneaky hidden taxes on everything that moved. But most of all they started borrowing and, through devices like 'quantative easing' - in which they sought to manipulate the value of money and thus the cost of money through unprecedented levels of credit creation – they thought they would get away with it until inflation eventually came back to bite us all. Thus, as the graph on the right illustrates, over the past 13 years global debt has more than doubled and the price of servicing it is rapidly increasing to the extent that within the foreseeable future ALL tax income will have to be devoted just to paying interest costs.

Before that happens: when the most indebted nations like China, Japan, the US and Britain are forced to default and the world monetary system collapses, something might occur which could not be factored into economists' financial modelling: like an incipient rogue nuclear power such as Iran, run by a fanatical religious group which is prepared to initiate Armageddon in pursuit of its delusional aims doing something world-threatening!

And perhaps that might have begun this week when Iran sent an armada of rockets into an Israel which is also run by a hard-line right winger who with considerable justification is no longer prepared to listen to the entreaties of an alarmed world.

The first economic consequence, an upward spike in the international crude oil price from $70.28 on September 26 to Wednesday's peak of $76.03 might not have seemed much against the trend of the graph on the right which has been falling steadily since January 2022 under the impact of the 'War on Inflation.' But the oil price moves everything else in this finely-balanced world and a sustained up-surge right now has the potential to launch the world economy into that most dreaded of all economic phenomena, Stagflation.

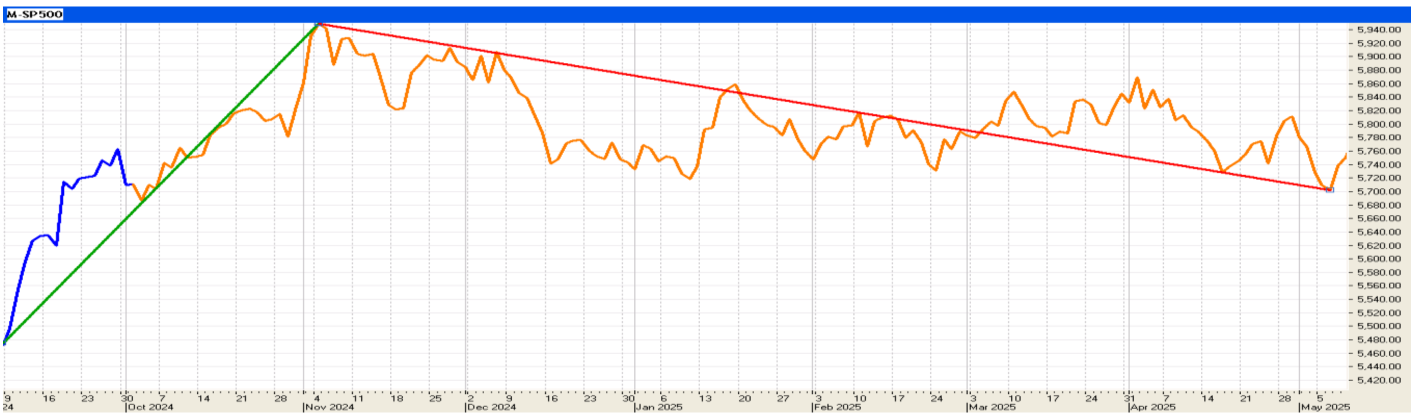


If, to counter another oil-price-inspired-incipient rise of inflationary pressure, Central Banks feel the necessity to create huge sums of additional money in order to try to jump-start a stagnant global economy, then the event which liberal economists and their political fellow travellers airily dismiss as simple scaremongering, the 'Great Reset,' becomes much more probable.

Thus, if the escalating war in the Middle East - together with the Ukraine - might be viewed in the same context as the Spanish Civil War was: as forerunners of a global contest between the West and an Arab League/China/Russian alliance which collectively own the bulk of global oil supplies, all economic modelling will arguably go out the door!

Arguably, this conflict could not have come at a worse time for the world economy….and that might just explain why ShareFinder has been forecasting a downturn in world financial markets at precisely the time when falling interest rates should have seen them gaining steadily in a long-term recovery trend!

The graph below illustrates what ShareFinder predicts is likely to happen to the world's most influential share market, Wall Street's S&P500 Index, over the next eight months:



The month ahead:

New York's SP500: I correctly predicted a modest dip ahead of a month-long October upsurge to a final peak on November 5 ahead of six months of weakness.

Nasdaq: I correctly predicted losses probably until the second week of October ahead of a sharp gain to November 5 and then a decline likely to last until late next year.

London's Footsie: I also correctly predicted the start of a lengthy decline that should continue to late January.

France's Cac 40: I correctly predicted the current decline would precede gains until November 5 followed by two months of declines ahead of a long New Year recovery.

HongKong's Hangsen: I correctly predicted a long surge to a peak which I still see at the end of November ahead of a December to March decline and then three more months of gains.

Japan's Nikkei: The gains I expected to begin have been delayed by the events in Israel but they should begin now if there is no further escalation of the war and last to November 12 ahead of a brief dip and then a final upsurge to December 3 ahead long decline well into the New Year.

Australia's All Ordinaries: I correctly saw the start of losses which I still see lasting to October 9 when three weeks of gains are likely to precede a longer decline to mid-December, gains to mid-January and so forth in a frothy period until mid-May.

JSE Top 40 Index: I correctly warned of impending volatile weakness which I see lasting well into the New Year.

ShareFinder JSE Blue Chip Index: I correctly saw gains which I still see lasting until the second week of October followed by losses until December month-end.

Rand/Dollar: I correctly predicted brief weakness within an overall strengthening likely to continue until the end of April.

Rand/Euro: I correctly predicted weakness until tomorrow followed by gains through to the 17th for a week and then fresh weakness to month-end!

So what is going to happen on November 5 – apart from Guy Fawkes night?

The Predicts accuracy rate on a running average basis since January 2001 has been 87.38 percent. For the past 12 months it has been 95.21 percent.

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