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

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With the US election just eleven days away, what is likely to be one of the most profoundly important events of 2024 will undoubtedly reshape our future and have significant effects on the portfolios of most investors.

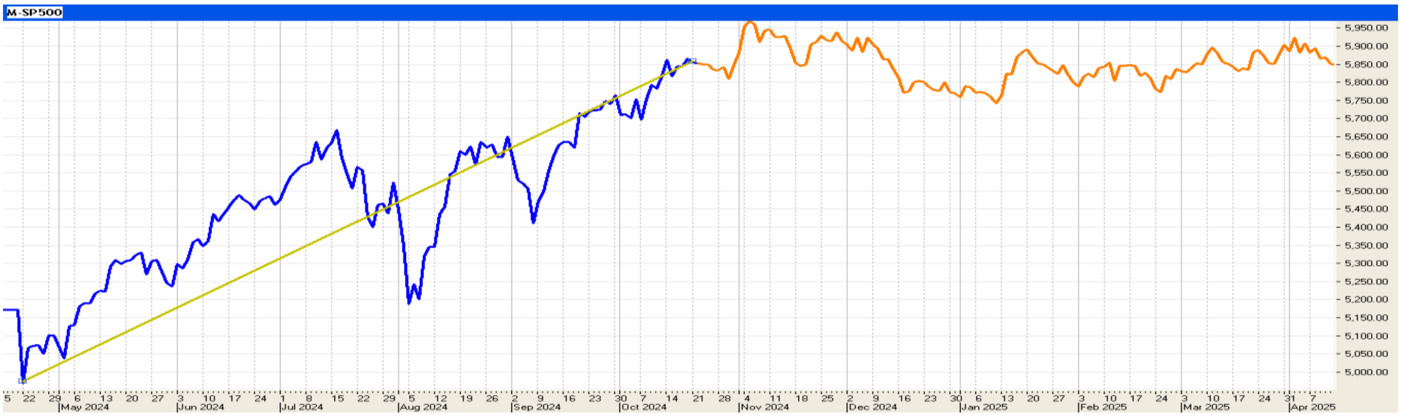
Given the nail-biting nature of the finishing sprint it is, for example, no surprise that Israel is pounding Gaza and Lebanon with seemingly escalating fury while they still can because a Harris presidency might very likely lead to diminishing military support for Israel. A Trump win would probably, on the other hand see increased support and a measure of political exoneration for Israel's widely perceived military excesses recently.

For Africa on the other hand, a Harris win would likely see both an extension of the African Growth and Opportunity (AGOA) hand of friendship which could materially assist our export industries, and more tolerance of our perplexing friendship with Russia and China. But given Trump's well-known view that Africa is a bunch of 's…hole countries,' a Trump win might be problematic for us.

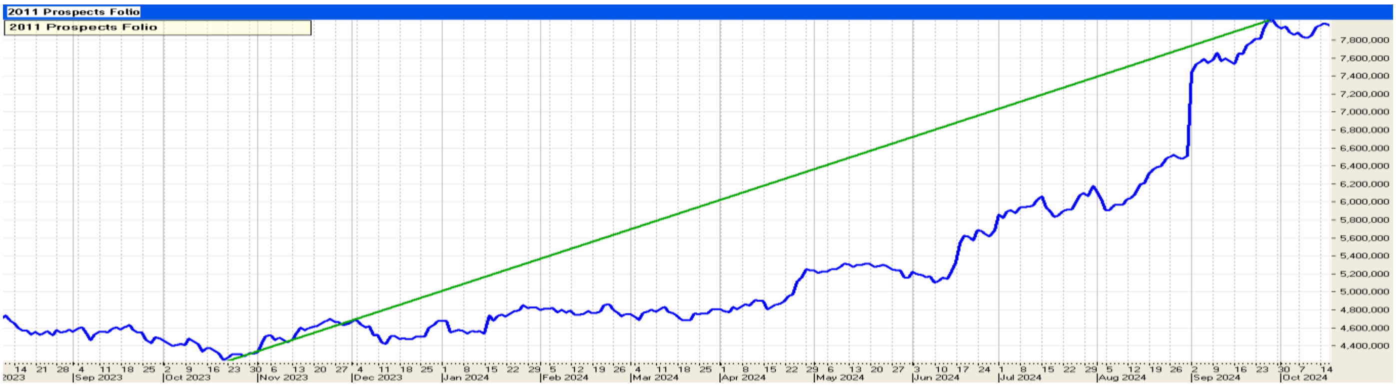
With regard to our investment markets, there are mixed views. The elephant in the room, of course, is the USA's ever mounting debt. With business betting that a Trump win could see further tax concessions – with Elon Musk's fervid recent support for Trump being cynically viewed by Liberals as evidence of a pre-election deal which could favour electric vehicles and further NASA space agency projects – which could lead to worsened debts and renewed inflation with worrisome knock-on consequences for inflation and interest rates. This latter view would likely have negative consequences for South Africa's debt, the cost of servicing it, Rand weakness and an end to the current JSE share price boom.

Of course, as the graph above of the dollar price of gold over the past two years illustrates, the US election is just one factor dragging the world economy. The fact that China and Russia have been buying massive quantities of gold as part of an effort to create an alternative to the US Dollar role in international trade, is a partial explanation for the recent surge of the gold price. Since gold bottomed at $1 830.90 an ounce almost exactly two years ago it has since nearly doubled to yesterday's peak of $2 758.53.

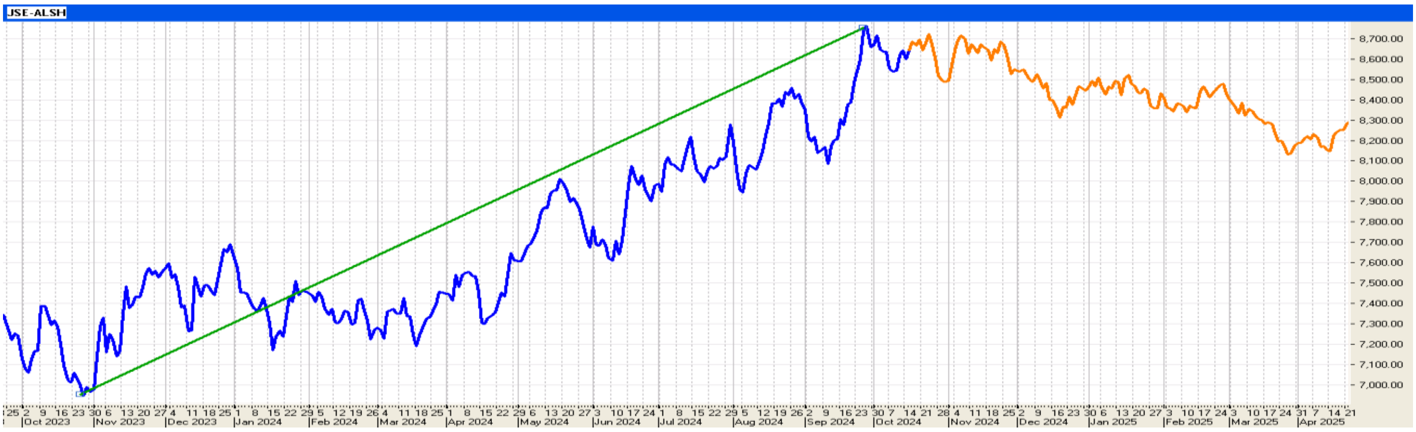
Meanwhile market-watchers suggest that price trends are making it clear that Wall Street expects Trump to win. And that yellow line rising at a compound annual rate of 38.8 percent in my graph below of Wall Street's S&P500 Index supports that argument. However, ShareFinder takes a different view in the orange AI projection below which suggests a post-election price decline is likely and will probably continue well into the New Year:



Conversely, the hitherto never seen before phenomenon of my own Prospects portfolio doubling in value in the past 12 months – from R4.23-million last October to a September peak of R8.02 million – suggests that foreign investors have been piling into the local value stocks this portfolio represents. The green trend line in the following Prospects graph has risen at an annual rate of compound 99.2 percent in the past 12 months:



It is, however, important to bear in mind the distinction that the Prospects Portfolio represents just the ten best JSE long-term performers. The following graph of the JSE All Share Index over the same period looks nearly as impressive at first glance. However in this latter case the green trend line has risen at just 28.4 percent: that's less than a third of the Prospects performance!



In such uncertain circumstances I have, in all of my portfolios, created large measures of cash and I will be doubly alert during November to either lighten portfolios further or to start picking up bargains.

I urge readers to do the same!

The month ahead:

New York's SP500: I correctly predicted a modest dip which I expect to last until month-end ahead of a brief last gasp recovery until the US election. Thereafter I see weakness through to May.

Nasdaq: Ditto the Nasdaq which I expect to peak on the 5th before going into a nearly year-long decline. January and May could offer some temporary relief but other than that the outlook is bleak.

London's Footsie: I also correctly predicted the start of a lengthy decline that should continue until February. Here, mid-December could offer brief relief but a longer recovery is only likely to begin in mid-February.

France's Cac 40: I correctly predicted a decline likely to last until early January before a sustained recovery sets in.

HongKong's Hangsen: I correctly projected a continuation which would bottom around now with gains likely until mid-December. Mid-January is likely to see a modest recovery beginning but it will not last long followed by weakness for most of the year.

Japan's Nikkei: I wrongly predicted the recovery would continue to the end of November. Nevertheless I see gains from now until December but thereafter I see losses for most of the year.

Australia's All Ordinaries: I was correct in predicting that the bear phase had merely been delayed. But now I see a brief gain which is part of the market topping out ahead of weakness to mid-February. Thereafter I still see a VERY volatile recovery until mid-May.

JSE Top 40 Index: I correctly warned that weakness would begin now and I expect it to last until mid-year.

ShareFinder JSE Blue Chip Index: I correctly predicted weakness which I see lasting to early-January when a month-long recovery is likely to preceded a year of weakness.

Rand/Dollar: I correctly predicted brief weakness which I still ending now followed by a continuation of the longer-term recovery trend likely lasting until the end of July when I see that a R16.74 rate to the dollar is worth betting on.

Rand/Euro: I correctly predicted gains starting now through to the end of June.

The Predicts accuracy rate on a running average basis since January 2001 has been 87.39 percent. For the past 12 months it has been 95.39 percent.

 richard@rcis.co.za