

Break Point! The Battle of Rorke's Drift

Isandlwana Mountain, Zululand, South Africa, 1879

Lord Chelmsford's center column comprising 1800 British soldiers, primarily the 1st and 2nd battalions, the 24th Regiment of Foot (later the South Wales Borderers) together with an irregular cavalry unit and auxiliary forces from the Natal Native Contingent, a force of 4000 crossed the Buffalo River into Zululand on 11 January 1879 to signal the start of the Zulu Wars. Chelmsford made camp at Isandlwana Mountain with the rocky escarpment protecting the rear of the camp.

On 22nd January, Chelmsford made the cardinal military error of splitting his forces and with about 2500 men including half of the British infantry set out to find the Zulu army and bring them to battle. The forces left to defend the camp at Isandlwana comprised 5 companies of the 1st battalion and 1 company of the 2nd battalion together with 500 men of the NNC, two field artillery pieces served by a unit of the Royal Artillery and 200 irregular cavalry under the command of Lieutenant Colonel Henry Pulleine, an administrative officer with no frontline experience. Pulleine's force, with supreme confidence in the power of their Martini-Henri rifles and regular army experience failed to build breastworks or laager the camp a lesson the British were soon to learn at a fearful price. The Zulu forces armed only with spears and cow hide shields were not seen as a serious threat to regular British army troops armed with modern firearms!



Around 11AM, a mounted vedette from the camp under Lieutenant Raw crested a hill on their scheduled scouting patrol to find the 25,000 warriors of the Zulu King Cetshwayo's army sitting in total silence in the valley below. Having been discovered, the Zulu force leapt to the offensive as Raw's men began a fighting retreat back to the camp and a messenger was sent to warn Pulleine of the imminent attack.

The Zulu attack then developed in the traditional horns and chest of the buffalo,

with the aim of encircling the British position. The Zulu warriors were formed in regiments by age, their standard equipment the shield and the stabbing spear. The formation for the attack, described as the "horns of the beast", was said to have been devised by Shaka, the Zulu King who established Zulu hegemony in Southern Africa. The main body of the army delivered a frontal assault, while the "horns" spread out behind each of the enemy's flanks and delivered the secondary and often fatal attack in the enemy's rear.

From Pulleine's vantage point in the camp, at first only the right horn and then the chest (centre) of the attack seemed to be developing. Pulleine, rather than bringing his troops into a tight defensive position, near the ammunition and with the rocky Isandlwana feature protecting his rear, instead sent out first one, then all of his six companies of the 24th Foot into an extended firing line, with the aim of meeting the Zulu attack head on and checking it with firepower.

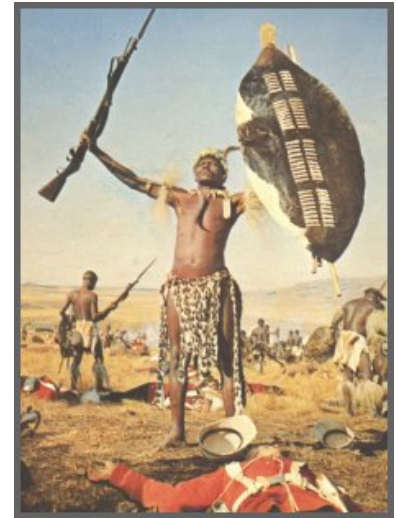
For some time, the disciplined British volleys pinned down the Zulu centre, inflicting heavy casualties and causing the advance to stall. Indeed, morale remained high within the British line. The Martini-Henri rifle was a powerful weapon and the men were experienced. Unknown to Pulleine, the Zulu force was moving to outflank the position and envelop it. With his flanks exposed Pulleine eventually ordered a withdrawal back to the camp but with the British firing line overextended, the Zulu Undi Corps under the

command of Cetshwayo's half brother the inDuna Dabulamanzi, turned the British left flank and having got inside the firing line the slaughter began.

The ferocity of the Zulu soon overwhelmed the British troops who now ran out of ammunition, and the 1st battalion, 24th Regiment of Foot was massacred to the last man as the camp under Isandlwana Mountain was turned into a charnel house.

British outpost at Rorke's Drift on the Tugela River, Natal Province, South Africa

Reserves of the Zulu impi who had not participated in the first battle then moved against the fortified mission station at Rorke's Drift, the strategically vital crossroads guarding the gateway to the British Natal Province. Used as a staging post by the British army, Rorke's Drift then contained a large number of British wounded and was guarded only by 139 officers and men of B company, 2nd battalion, the 24th Regiment of Foot under the command of Lieutenant John Rouse Merriott Chard, Royal Engineers who was supervising the building of a bridge over the Tugela River and Lieutenant Gonville Bromhead, 2/24th Regiment of Foot.



As 4000 Zulu warriors from the uDloko, uThulwana and inDlu-yengwe Zulu regiments mustered on the high ground above Rorke's Drift, Colour Sergeant Bourne murmured the words of the soldier's prayer, Psalm 46: *He maketh wars to cease unto the end of the earth; he breaketh the bow, and cutteth the spear in sunder.* Colour Sergeant Bourne had good reason to pray as he and his men faced overwhelming odds. Unable to retreat from their position because of the numbers of wounded in their care, the defenders of Rorke's Drift began to make preparations to defend the mission station. A defensive perimeter was constructed out of two-foot high biscuit boxes weighing almost a hundred pounds, and mealie bags which encompassed the storehouse, the hospital, the homestead, and a stout stone kraal. The inclusion of the hospital had made the perimeter dangerously large and Chard ordered the construction of a second line of boxes through the middle in order to facilitate a withdrawal if the need arose. The buildings were fortified, with makeshift loopholes knocked in the walls and doors facing out of the perimeter barricaded with spare furniture.

In mid afternoon, Private Fredrick Hitch, posted as lookout on a nearby hill ran back to the mission station and reported breathlessly "Zulus to the Southwest Sir. Thousands of them"! Almost immediately after the Zulu vanguard, 600 men appeared from behind Oscarberg and attacked the south wall which joined the hospital and the storehouse. In what is the best-known phrase from the battle, Sergeant Henry Gallagher yelled "Here they come, as thick as grass and as black as thunder!" The battle raged for 10 hours through the night as the British repulsed wave after wave of Zulus with massed volley fire that at times disintegrated into desperate hand-to-hand fighting as the Zulus broke through the barricades. Lieutenant Chard in operational command, kept shortening his perimeter as his men backed up to the stone storehouse and always the Zulus faced crashing volley fire from the awesome .45 cal breach loading single shot Martini-Henry rifle and bayonet, heavy rifles which in the hands of trained soldiers could deliver 10 rounds per minute. (source Wikipedia)

As dawn broke, the British could see that the Zulus were gone; all that remained were the vast piles of dead. Eleven Victoria Crosses were awarded to the defenders of Rorke's Drift, the most ever received by a regiment for a single action.

The battle at Isandlwana stunned the world. It was unthinkable that a "native" army, armed substantially with stabbing weapons could defeat the troops of a great western power armed with modern rifles and artillery, let alone wipe it out. The complete loss of a battalion of troops, news of which was sent by

telegraph to Britain, transformed the nation's attitude to the Zulu war. It was a major defeat — remaining the greatest British military defeat at the hands of native forces in history.



Yet the battle at Rorke's Drift turned out very differently from the Battle at Isandlwana; the British inflicted horrific casualties upon the attacking Zulu, and successfully beat them off. A little time to prepare, advanced technology and huge resources (ammunition) gave the defenders of Rorke's Drift a powerful hand. Lord Chelmsford retired to Natal and regrouped his forces with seven regiments of infantry and two artillery batteries rushed from UK. Even with this new force possessing overwhelming modern weapons and firepower, the Zulu army again routed the British, this time under the command of Lieutenant Colonel Redvers Buller at Hlobane.

It was not until 4 July that the armies had their final clash at the Battle of Ulundi where the Zulu were finally crushed, but it took a large British army with the first ever Gatling gun battery to do the job. Chelmsford now fielded no less than two full British cavalry regiments, 12 British infantry battalions, 9000 other infantry, and a further 7000 men with 5 batteries of artillery. This time Goliath won.

Central Banks at the Crossroads

Like the defenders of Rorke's Drift, central banks have had the decision to protect the banks and other major financial institutions thrust on them and make no mistake through all the jargon of repos, discount windows and assorted alphabets that is what central banks are doing. UK Times reported this week that Gordon Brown, Britain's lackluster and unelected PM had been persuaded after lengthy meetings with US Treasury representatives to follow the actions of the US Fed in giving a so far open guarantee to those who are significant counterparties in the credit and derivatives chain. The Fed is not alone in bearing much of the blame for the present credit event; regulatory agencies from stock exchanges to market regulators to credit agencies have all enjoyed the party too much. After being arrogant, complacent and indeed negligent in the fulfillment of their regulatory roles, like Lord Chelmsford and his commanders at Isandlwana, they were unprepared for the wave of events that overwhelmed them. Many of the players have been massacred and the central banks in countries where the property boom was fueled to epic proportions now, like the defenders at Rorke's Drift are defending the crossroads.

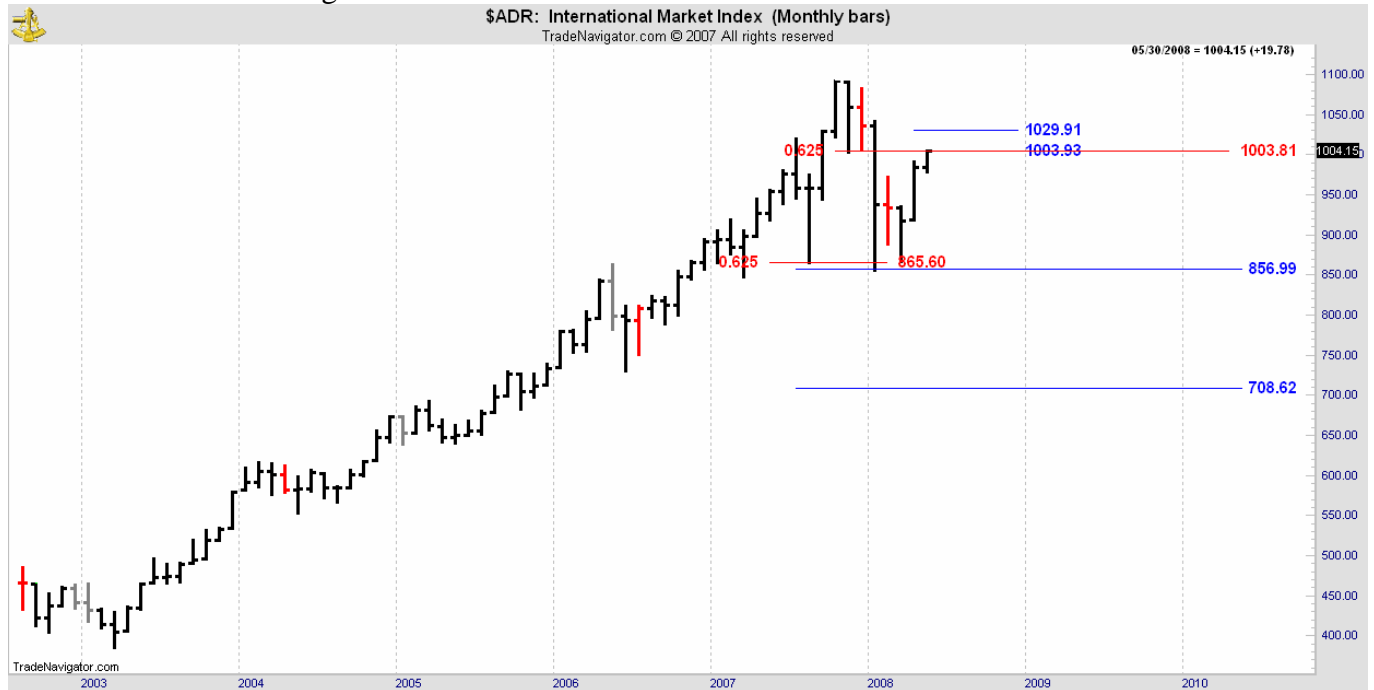
I told you last week of the antics of Australia's Reserve Bank in accepting mortgage backed securities for repos (term loans) at rates considerably discounted to market alternatives but even as I penned that missive the Reserve Bank of New Zealand joined the fray and will also accept impaired home mortgage backed securities as repo security from 30th June. To their credit, RBNZ has made a quite detailed announcement of the terms and "haircuts" that will apply. But why? In Australia and New Zealand median property prices are still rising and in UK property values in the City of London are off less than 10% and the balance of the country is reported to be unaffected. In New Zealand at least, Westpac Bank, one of the Four Pillars continues to promote 100% LTV mortgages. What's all the fuss about? To find out let's examine the US where due to the peculiar reliance on adjustable mortgages and the complete absence of regulation the worst of the mortgage debacle is unwinding.

To bring some rigor to our analysis let's for a change completely discount the pontifications of talking heads, journo-economists and those who write the news. Essentially financial news and media has morphed into the world of celebrities and entertainment where any headline brightens the drudgery of endlessly repetitive stock prices (CNBC has at least got some eye candy which is not too bad if you mute the sound, but that is all it has to recommend it) so eschewing these paragons let's get down and dirty and see the other side; what the big money says is happening. If we rely on charts instead of spin on either side of the arguments we can focus on what hard cash sees as actually happening. Now that will be a change!

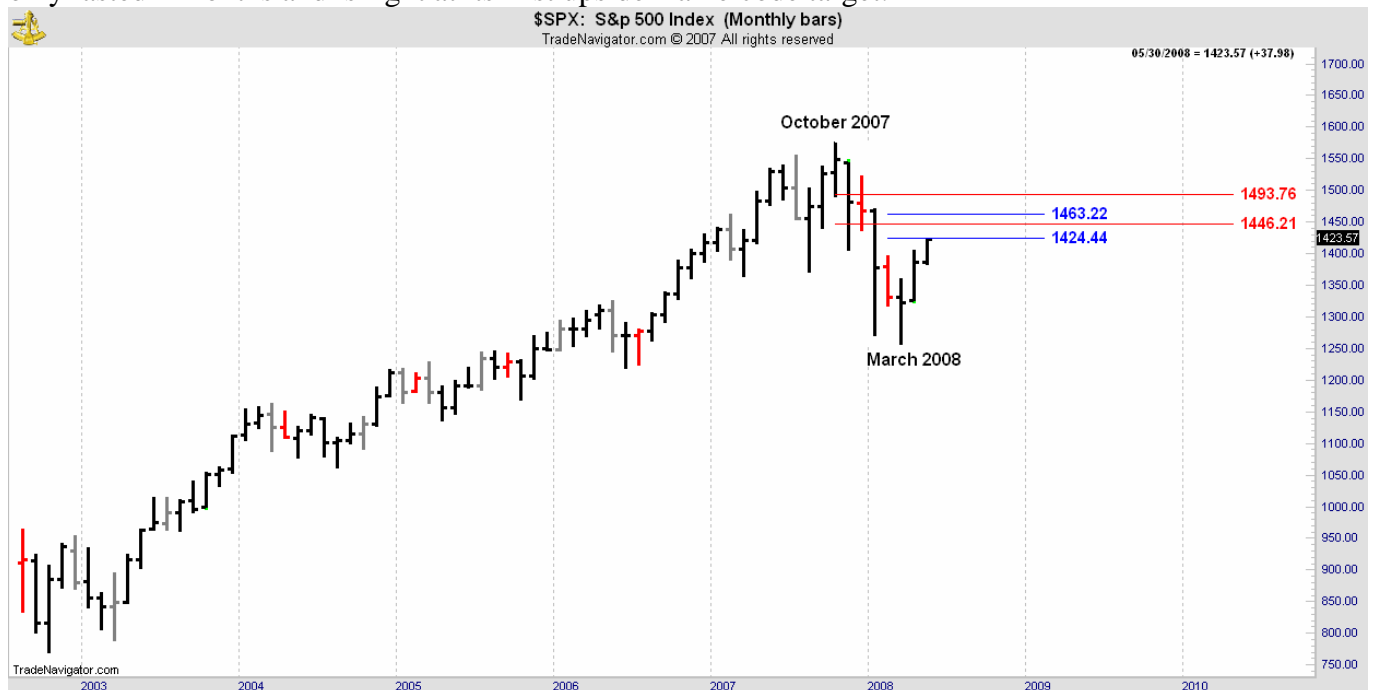
International markets are pretty ho-hum about the whole thing. Those who follow my Asia column for Financial Sense “Charting around Asia” will know that I have reported strength in almost all Asian and Pacific stock markets all year. A correction, particularly from the ridiculous levels most of these markets attained doth not a crisis make.

What the charts have to say

The International market index has recovered 62.5% of its post October losses which themselves went to their first Danielcode target at 856.99. This is a normal retracement which went where it should.

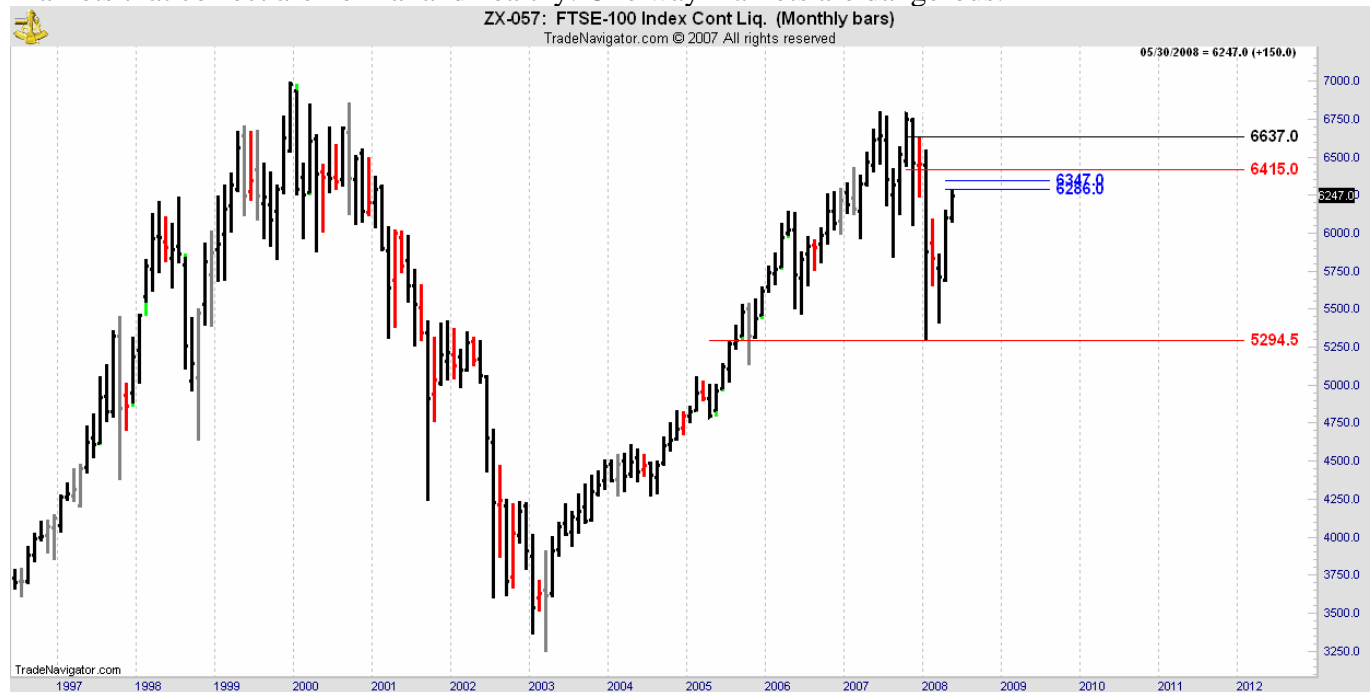


The US centric S&P 500 index looks much the same. It has recovered over 50% of the pullback which only lasted 4 months and is right at its first upside Danielcode target.



London’s FTSE index had a relatively more severe pullback but has recovered 65% of its losses in just four weeks. It went from its high to a recognised Daniel number and its charge upwards is acknowledging

every DC number on the journey. All thoroughly normal and expected behaviour. Markets fluctuate. Markets that correct are normal and healthy. One way markets are dangerous:



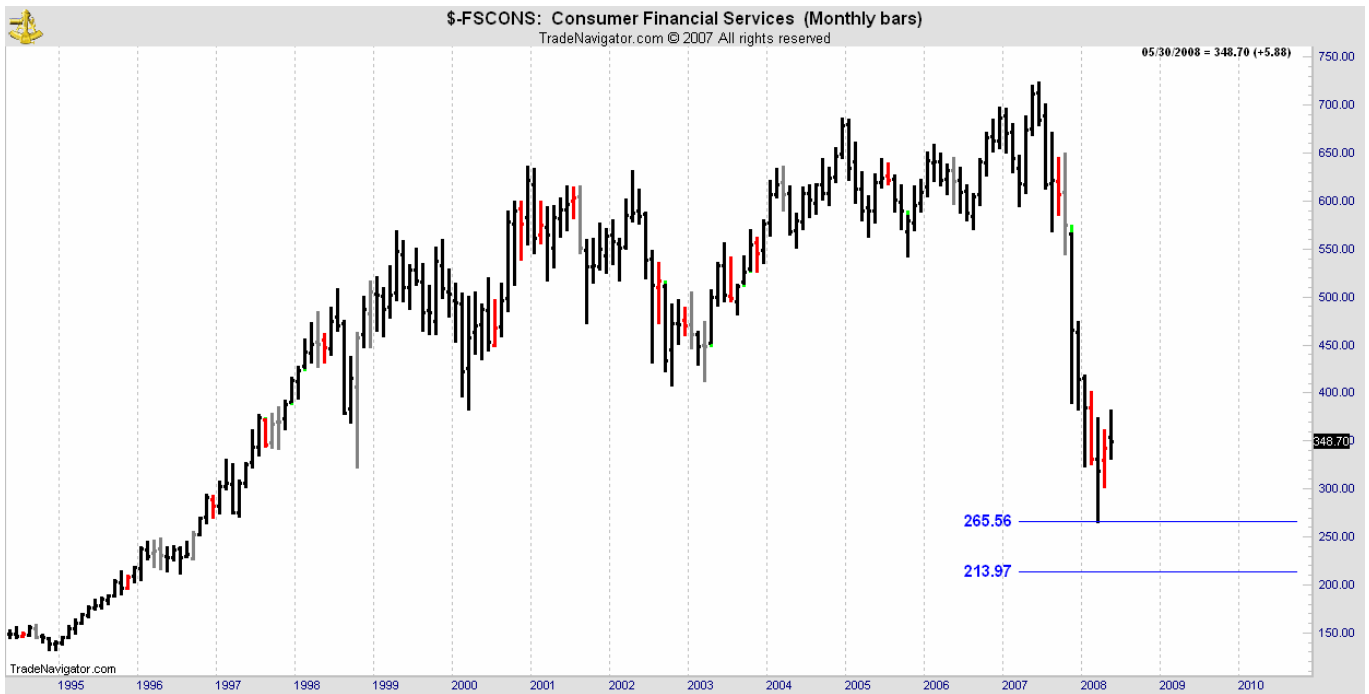
So where's the damage and where's the strength?

We know that banks and other credit related institutions have been hit and the S&P banking sector chart illustrates this graphically (see "Burma the Forgotten Country" in my FSO Asia archives). Obviously Property is not the flavour de jour right now and that has been illustrated too. But what evidence is there that we are witnessing a wider problem that will lead to recession, financial contagion or worse?

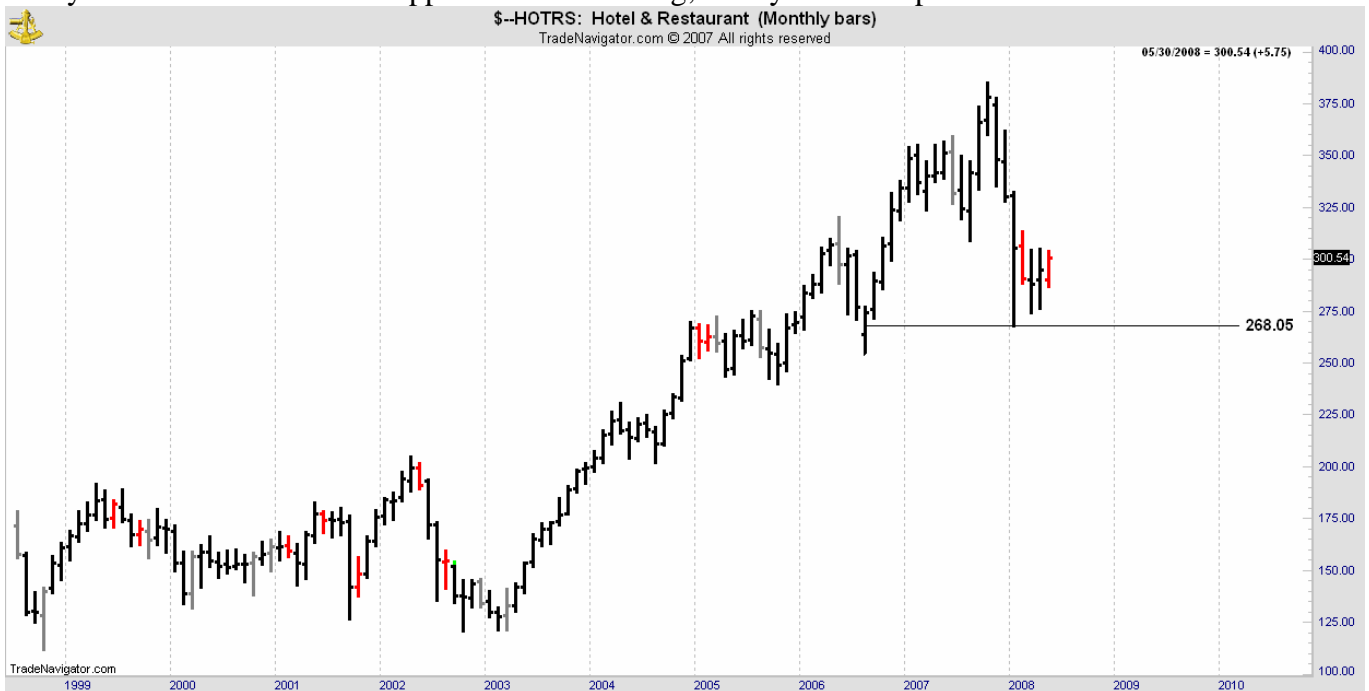
The argument from the bears is that consumer spending makes up 70% of the economy. With limited growth in wages and negative savings, consumer spending must have come from the wealth effect of sharply and continually rising home prices (and stock markets) and the lax credit in home equity loans and such that have accompanied it.

There are some surprises in our examination of what markets are thinking right now. Much of the chart evidence driven by real money and plenty of it, is in blatant contradiction to daily headlines in newspapers and blogs.

We can certainly see that Consumer financials are back to 1997 price levels but this market crashed right to its Danielcode number showing again that the Daniel number sequence is apparent in all markets in all time frames and that what may appear to be random and chaotic is anything but!

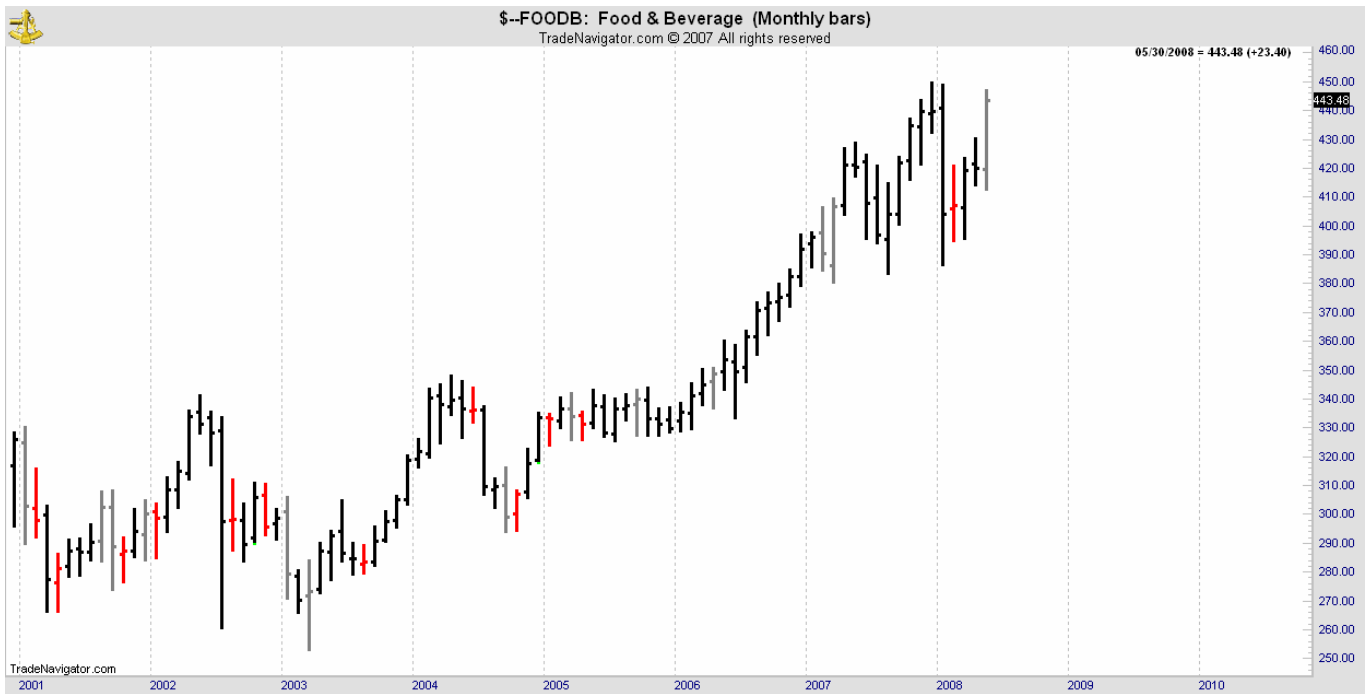


The Alcohol and Tobacco index is down surprisingly as is the Hotel and Restaurant chart but that went nicely to the last level of DC support of its last swing; hardly a catastrophe:

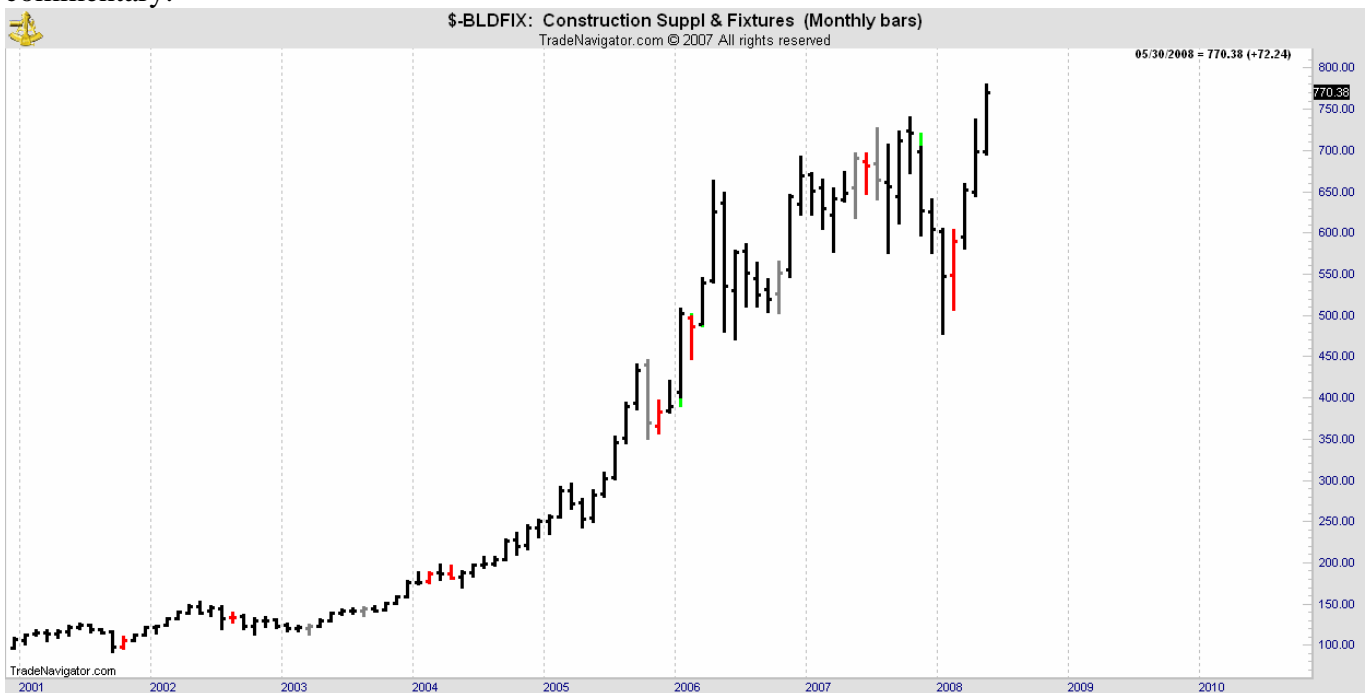


Automobiles took a decent hit between July and December and that chart has recovered over 70% of its losses and for chart weakness, that's it folks.

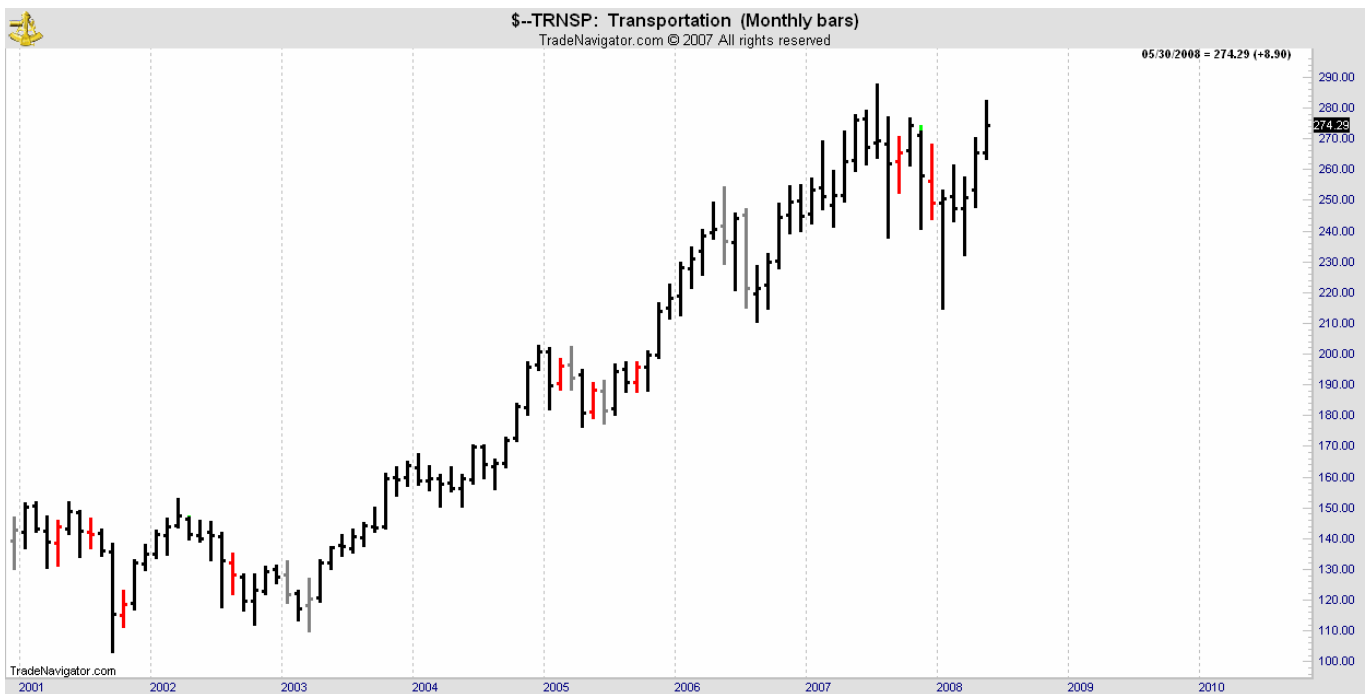
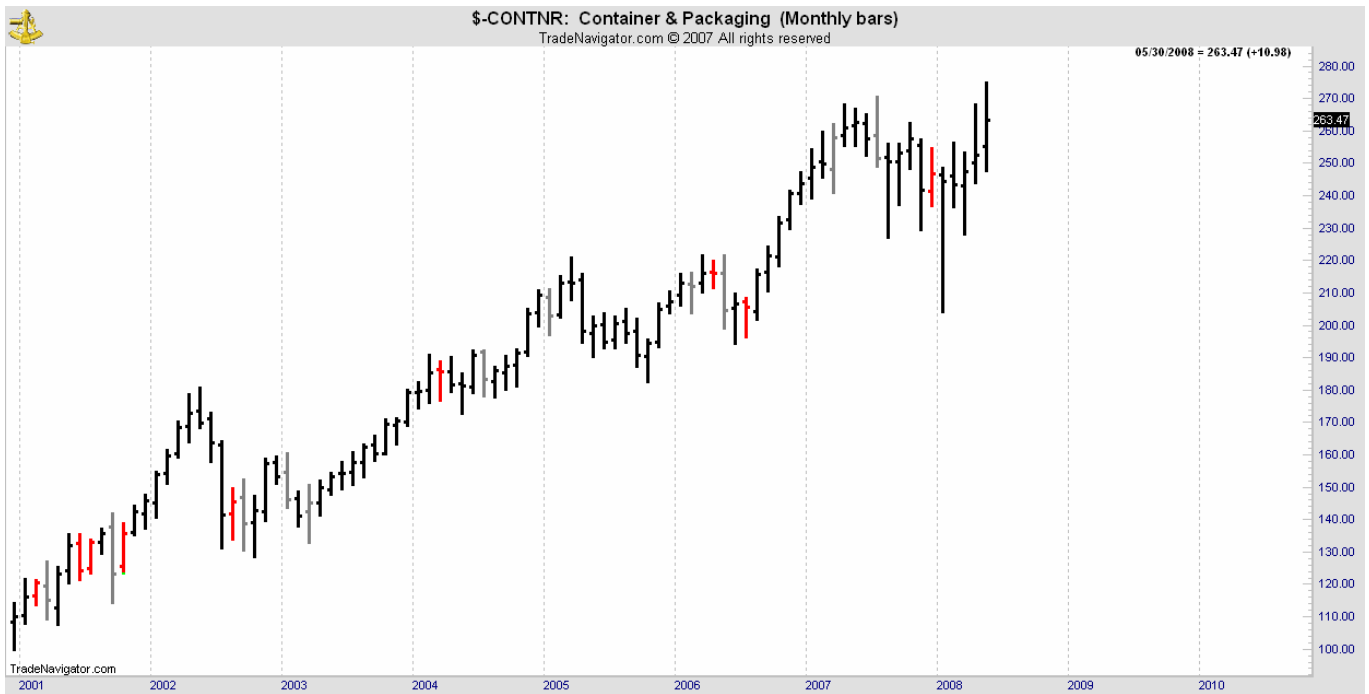
Food and beverage is strong:



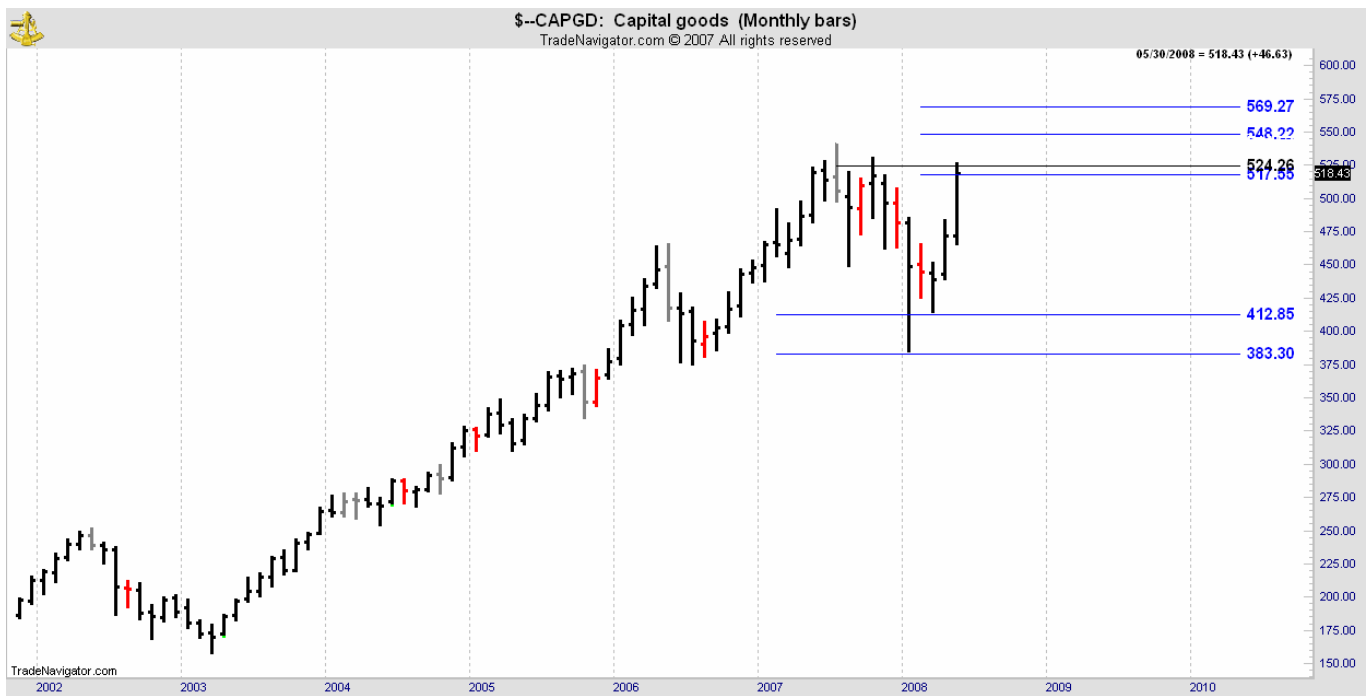
Construction Supplies and Fixtures is making new all time highs contrary to expectations and commentary:



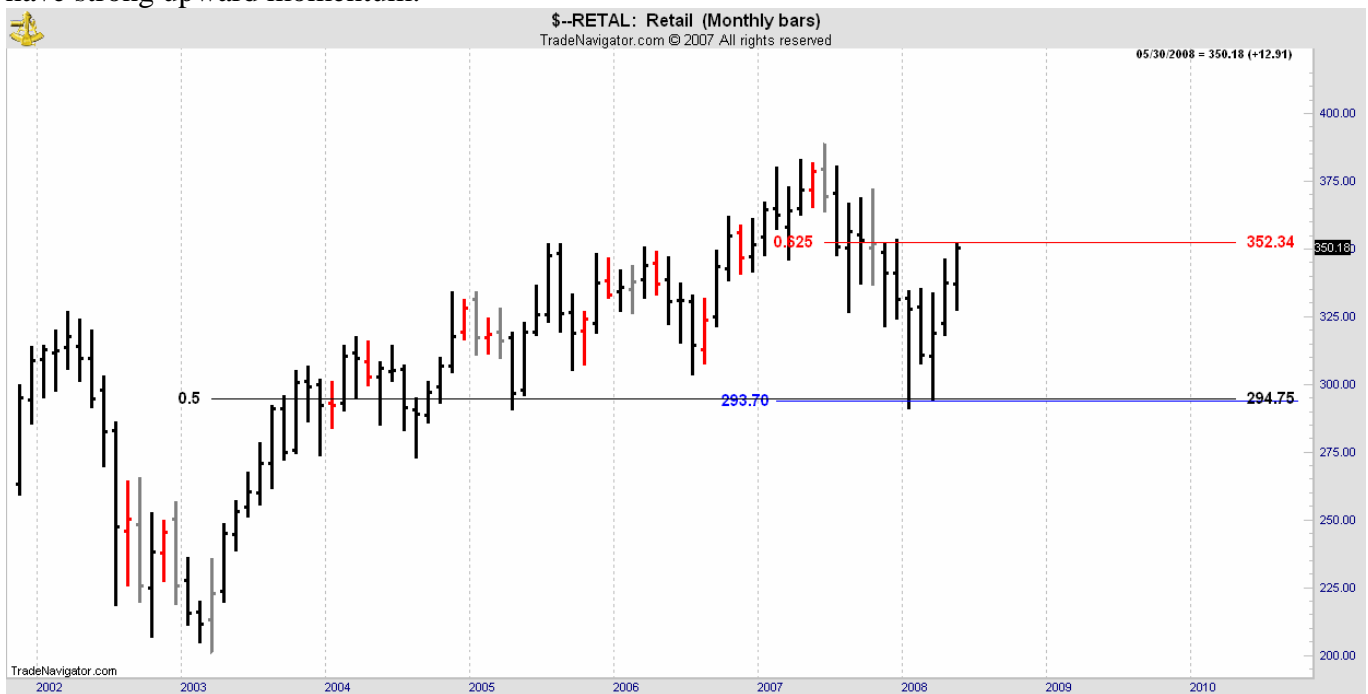
as is chemical manufacturing and containers and packaging. If the consumer had stopped spending presumably there would be less to package and transport yet both of these sectors remain inordinately attractive to the big money that makes long term charts trend.



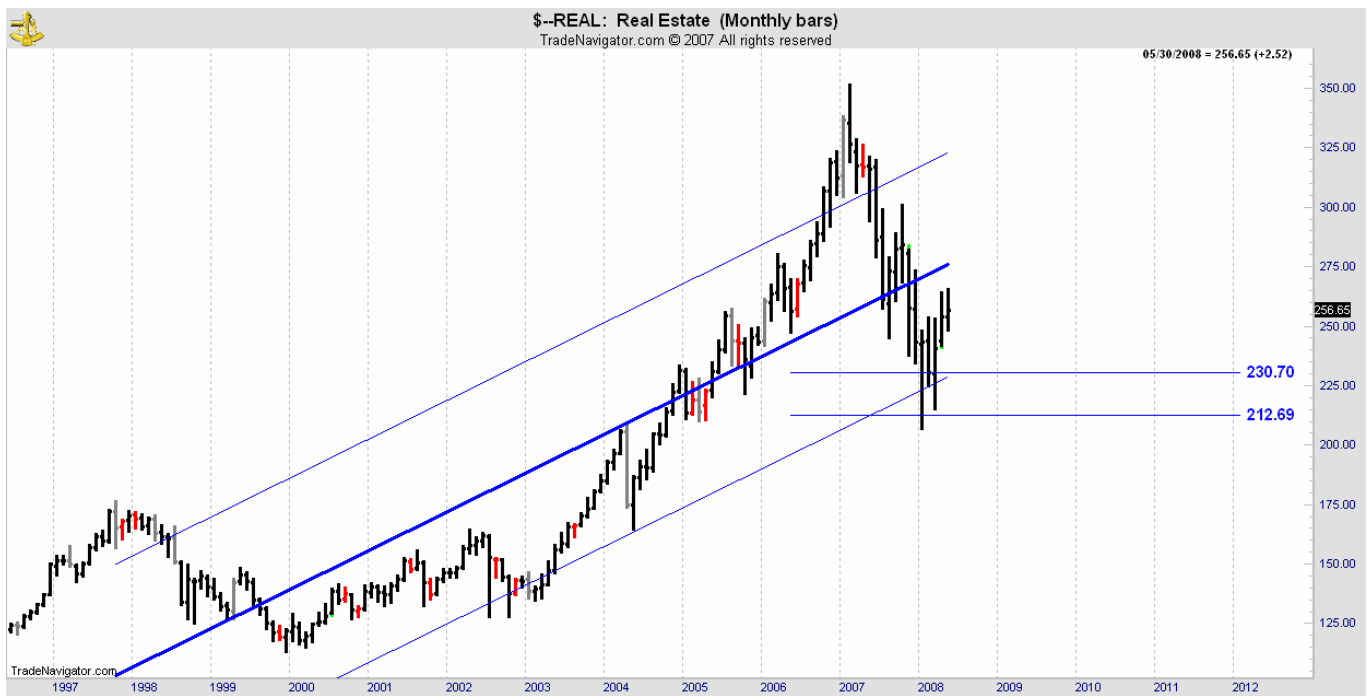
Even the capital intensive chart category of Capital goods had only a normal pullback to its second Daniel number sequence on the monthly chart, and after 7 months into its low has recovered almost 90% of its losses in 4 months. A monthly close above the last level of DC resistance at 524 implies that this chart will make new all time highs.



The retail index had what can only be described as a completely normal, and long overdue 50% retracement to its DC target at 293 and has already recovered 62.5% of that retracement and appears to have strong upward momentum:



Tellingly if we look at a longer term chart of Real Estate and run a simple regression analysis from 1997, we can fit almost all of the chart into 1.5 standard deviations with only the period October 2006 to May 2007 being outside the fit. Whilst this analysis being math based tells us nothing about hubris, avarice and greed it does tell us that from a statistical view the market currently values this sector just below the long term trend line and within the growth parameters that have prevailed since 1997. Hardly the stuff of nightmares!



Like the defenders of Rorke's Drift the central banks have recovered their balance from the massacre at Isandlwana and have their backs against the wall of the stone storehouse. They fear that if ever the tidal wave of derivatives and failed counterparties is let loose they will eventually be overcome. Apparently, and seemingly at all costs this specter must be kept at bay. And so the central banks, shoulder to shoulder, stand with rifles and bayonets at the ready, shrouded in smoke and drenched in blood. Much ammunition has been expended but much remains. How much, in the fierceness of the fight we do not know, but as the 24th Regiment of Foot found out in Zululand as Cetshwayo's Impis overpowered them on the slopes of Isandlwana Mountain, when the ammo is gone serious consequences follow swiftly!

For those who by their deeds and misdeeds piled risk on risk in an invitation to catastrophe, they, unlike the Zulu warriors and British soldiers who paid the ultimate price in the Zulu wars, face nothing more threatening than handsome severance payments at worst and the probabilities are that they will face no consequences at all.

The ultimate arbiter in this dispute is the US bond market. Apparently bond vigilantes were early casualties of this frontier war as the bond market too remains sanguine and untroubled with not a peep of protest at the extraordinary all-or-nothing gamble of the central banks. On second thoughts, perhaps it is not so extraordinary after all. Being public servants they know that if they win, they are heroes. If they lose, well all it means to them is that the taxpayers eat the cost.

Like the British army at the Battle of Ulundi, the final set piece of the Zulu Wars, God is usually with the big battalions! Right now the big battalions of financial markets are saying that there is a problem in finance, credit and banking circles and to a lesser extent Real Estate but they are betting against the contagion and the "consumer is everything" theories. Have we been inundated by Armageddon scenarios from over hyped news sources or are the central banks going to run out of ammunition? On that question hangs some major bets on a viable recovery. Many major markets are near break points. Either the bears will reappear and turn back the markets or if they can consolidate their present levels, new highs are a distinct possibility for many.

July and August will probably tell the tale. If markets can hang on until July we will know that the old firm is back in control as the bonuses roll. If not we will know shortly!

"I can't understand it, I left a thousand men there." General Lord Chelmsford, on hearing that the camp at Isandlwana had been overrun.

16 May 2008