

The Weekly Beacon

We will be giving some macro economic market updates on a weekly basis. No equity recommendations will be given in this commentary, and we encourage you to contact us if you have any questions regarding any observations.

*The two main purposes of a Lighthouse are **to serve as a navigational aid and to warn boats (Investors) of dangerous areas.** It is like a traffic sign on the sea.*



Five Islands Lighthouse, Nova Scotia - submitted by Peter T.



Minas Basin, Nova Scotia - submitted by Peter T.

Feel free to send us your photos of Lighthouses to be featured in our weekly market observations.



Brief check in on SPACs

We have mentioned SPACs in our previous issues of [The Weekly Beacon](#). We have mentioned the fundamental issues and the marketing tactics, business titans are using in these mergers.

Six months after the peak of the SPAC phenomenon, companies that went public through the SPAC process have lost a cumulative \$75 billion. The group of 137 companies that closed mergers by mid-February had lost over \$100 billion in mid-August.

Cumulative market value of companies that completed SPAC mergers by mid-February

\$350 billion



Over this period an ETF that tracks recent IPOs fell 12%. Even though this ETF underperformed the market it greatly outperformed SPACs that had completed mergers. The Dow Jones gained almost 15% over this same period. This new hip and trendy phenomenon has not held up and remains unsustainable, it will continue to be unsustainable unless significant changes occur. SPACs deserve to be scrutinized more by the SEC and investors.

The largest declines in the SPAC industry have been from green energy and sustainability, another thing we have critiqued in the past. The drive to go green has hyped investors and has driven valuations in the space through the roof.

When SPACs were the hottest asset class in financial markets, every company merger was a good idea allowing shares to rise. Currently this has reversed, most recent merger announcements have been followed by a fall of share prices. To put it simply: investors are becoming smarter when investing in SPACs and are realizing a lot of these companies are massively overvalued.

SPACs were labelled as a sure thing and a way for retail investors to get in early on Unicorns. The dilution of the industry has proven this phenomenon is unsustainable. In the long run, most investors

have lost when investing in SPACs. At its height, SPACs were labelled as a sure thing just like short squeeze stocks and Bitcoin have been labelled in the past. We all know how some of those ended up.

We have mentioned the celebrity aspect of SPACs in past issues. They sponsor certain SPACs and sometimes even market their involvement. However, the biggest marketers seem to be retail investors with large followings on Twitter who regularly promote SPACs and other stocks. As industry professionals, we understand these marketing schemes and the limited knowledge some of these investors have. The major issue at hand with social media stock promoters is their influence on young and unseasoned investors. These retail investors listen to these social media accounts like these accounts are certified advisors.

These accounts promote all the trendy stuff, Crypto, Short Squeeze Meme Stocks, SPACs and innovative companies for tomorrow. Some of these individuals may have industry experience and may do serious due diligence but the overall promotion of certain stocks and assets is quite dangerous, especially when it comes to SPACs.



These two accounts are just two of the many examples of users who have hundreds of thousands of followers and were regularly promoting SPACs at the start of the year to their followers. One account, “Ripster” must be the king pin predictor of when stocks go on a tear. Perhaps a mini pump and dump?

Even industry professionals involved in the space understand the SPAC peak was a bubble.

“Air has come out of the bubble,” said Roy Behren, managing member at Westchester Capital Management and a SPAC investor.

Currently 95% of SPACs that have yet to announce a deal are trading below \$10.

Certain investors in the SPAC space have a similar mentality to [Queen Cathie Wood](#) and [King Chamath](#) when it comes to investment ideas. We have explained why thinking and listening to these individuals can be dangerous. The two investors seem to believe markets will continue to pop and these innovative companies are the future even though many create minimal revenue and are tremendously overvalued.

Taliban look to lead Afghanistan

Unless you have been living under a rock, Afghanistan, the Taliban and the US withdrawal of troops should be quite familiar to you.

The US withdrawal has been labelled a complete failure:

'A direct punch in the gut': Inside Biden's biggest crisis as he races to withdraw from Afghanistan

By Kevin Liptak, Kaitlan Collins, Jeremy Herb and Phil Mattingly, CNN

Updated 8:45 PM ET, Sat August 28, 2021

OPINION | LETTERS

President Biden Failed U.S. Troops in Kabul

Most media outlets have been extremely critical of the mistakes that were made by the entire administration, both left and right wing. The ball was dropped somewhere, and it resulted in 13 American military casualties and hundreds of Afghan deaths. Americans are not happy; 13 young service members lost their lives to soon due to poor execution.

It's no surprise to see headlines like these:

Doubts about Afghanistan, pandemic response drive down Biden's approval

by Stephen Lioaconi | Tuesday, September 7th 2021



Biden's standing among Americans nosedives in wake of rocky Afghanistan exit, COVID surge

AFGHANISTAN - Published 1 day ago

In the grand scheme of things, there will probably be a congressional swing in 2022, but that's over a year away.

The most interesting current geopolitical theme at the moment is the Taliban attempting to gain global recognition as the official government of Afghanistan.

They announced their government leaders earlier this week. The crème de la crème of people.....

Taliban name ex-Guantanamo detainees and wanted man to new caretaker government

By Tim Lister and Eliza Mackintosh, CNN

Updated 4:38 AM ET, Wed September 8, 2021



Aug 19, 2021, 11:06am EDT | 14,366 views

CNN's Clarissa Ward In Afghanistan: 'If This Isn't Failure, What Does Failure Look Like Exactly?'



Mark Joyella Senior Contributor @ Media
I cover political media—and media politics.

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OPINION - Published 2 days ago

RNC Chairwoman McDaniel: If Joe Biden had an ounce of human decency, he would resign

Biden has betrayed the American people

OPINION By Ronne McDaniel | Fox News



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Taliban appoint new government in Afghanistan, firing shots to end Kabul protests



Issued on: 07/09/2021 - 17:28



A few western countries have already announced that they will not recognize the Taliban. The US, United Kingdom, Germany, Japan, and Canada have all announced they will not recognize the Taliban as a legitimate government.

The Taliban will likely be recognized by the West's biggest enemies.

Taliban invite Turkey, China, Russia, Iran, Pakistan and Qatar for govt formation event

Taliban say they won't allow any foreign power to interfere in Afghanistan

Web Desk | September 06, 2021 21:21 IST

After Western nation building left the country the same after 20 years, the Taliban will look for a partnership with America's enemies which is not surprising.

China will more than likely lead the way for their own economic gain.....

Economy | Business and Economy | **Bloomberg**

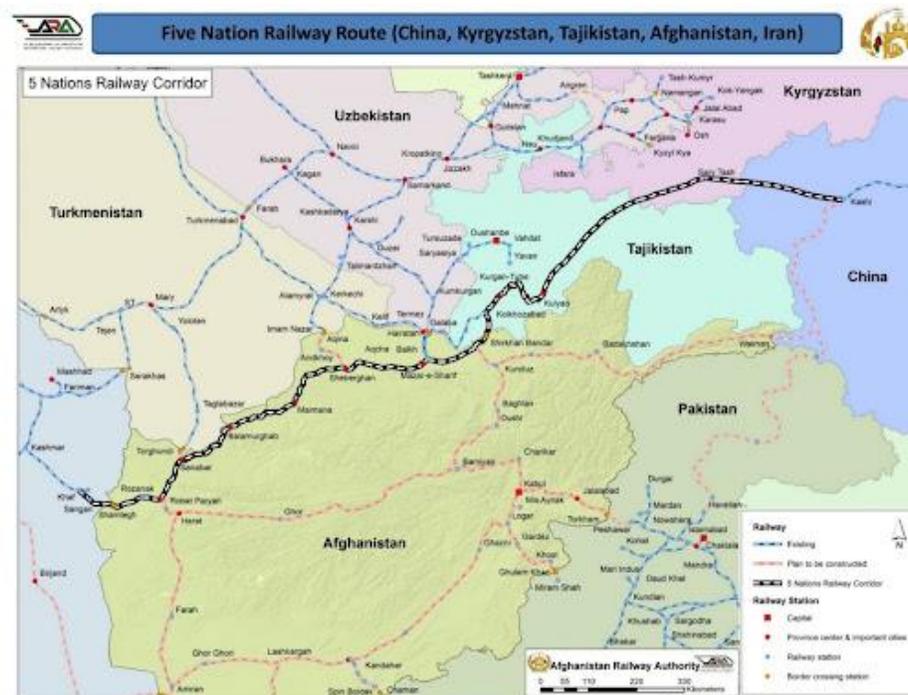
As US exits Afghanistan, China eyes \$1 trillion in minerals

Afghanistan, now under the control of the Taliban, is sitting on what could be the world's largest lithium reserves, among other precious deposits.

Over \$1 trillion in minerals in a period where we have already begun to see shortages in metals. We have mentioned in previous issues the pressing metal shortages in today's economy. This could make China the leader in sales of electric vehicles and could be a factor that pushes their economy to the next level. Lithium is a significant input used in electric vehicle manufacturing.

The countries the Taliban invited to meet with their government are not surprising. Pakistan is where most Taliban members are from and before 2001 the Pakistan government publicly supported the Taliban. Iran has long been rumored to be in cooperation with the Taliban. Russia, well that's a long history to jump into but we will avoid the long story. Qatar has had a long-standing relationship with the Taliban, the Taliban have offices in Qatar. Qatar's goal is to be the regional mediator. They have been accused in the past of allowing terror financiers to operate within Qatar. China has their own economic goals that tie them to the Taliban. We will get to Turkey later. Not a great group of people.

South-West Asia will look a little different going forward. The Five Nation Railway Route has been in the works for years and the Afghanistan-Iran portion was completed at the end of 2020. This will speed up trade in the region and give China a perfect corridor through the region. China can help the poor Taliban who are low on cash. The US and IMF have frozen and barred the government from accessing its liquid assets in the Da Afghanistan Bank. China can let's say.... create some liquidity for Afghanistan.



On top of the rich resources Afghanistan is home to, Chinese leadership hope the Taliban can help support the Belt and Road Initiative. The BRI is also known as the Silk Road Economic Belt that would connect 70 countries across Asia, the Middle East, Eastern Africa, and Eastern Europe. A key part of this project is the Chinese Pakistan Economic Corridor that is currently in construction. The projects Pakistan portion has had some difficulty as radical groups have frequently attacked and stalled the work. The Taliban support could go a long way for this project. China has also desired an extension of the CPEC rail line into Afghanistan.

China will take their attempt at nation building in Afghanistan after the US, UK and Russia have failed in the past. China will take an economic approach with minimal military presence. They seem to not have any issues so far with how the Taliban will impose Islamic law in Afghanistan.

To put it bluntly, China likes money and dominance over everything.



What's up with Turkey?

Turkey has long been considered a Western ally country. They are a NATO member and a G 20 member. So why are they invited to meet with the Taliban?

Turkey is playing the game. They have had discussions with the Taliban government already. Turkey and Qatar (mentioned earlier) will be the Taliban's lifeline to the world. Qatar has its limitations but Turkey for the most part does not.

Turkey is the only Muslim-majority member of NATO and has long had non-combat troops on the ground in Afghanistan, this has connected the Taliban with Turkish intelligence. Turkey is also a close ally of Pakistan. Turkey may see an opportunity to be a facilitator in the region between the Taliban and the West over less trusted countries like China and Russia.

With all that being said, Turkey still are playing both sides

Turkey 'in no rush' to recognize Taliban government

Turkey has taken a "positive approach" for the operation of the Kabul airport, President Erdogan has said.

Istanbul - BIA News Desk
08 September 2021, Wednesday 15:03

Turkey also does not need to bow to the European Union. They are not a member. They can do what they want while also collecting military and financial aid from NATO.

Turkey opening its borders causes the EU some major issues as it opens Europe up directly to the Middle East. The relationship is not as rosy as it seems from North America and during all this, Turkey has grown closer with Russia and China.

Turkey defies EU ultimatum, threatens with war

By Sarantis Michalopoulos | EURACTV.com

Aug 31, 2020

Erdogan warns Europe to expect 'millions' of migrants after Turkey opens borders



Issued on: 03/03/2020 - 08:09

It seems Turkey will forever be playing both sides.

Turkey is the only member of NATO that is an observer or member of the Shanghai Cooperation Organisation. Established in 2001, the group represents a security, political and economic alliance. In 2011, Turkey was granted dialogue partner status and President Erdogan has said he would abandon his EU application for full membership with the SCO including in 2016 when the EU suspended discussions regarding Turkey joining the EU. As of 2021, Turkey has not officially applied to the SCO and remains an observer. Turkey always seems to be playing its cards close to its chest.



Our friends from [Capitalist Exploits](#) highlight [a Turkish survey conducted in June 2021](#), some interesting results:

A few highlights from the survey:

- *When asked with which one of the two countries Turkey should develop its relations, 78.9% said Russia against 21.1% who defended cooperation with the U.S.*
- *58.2% of Turks think that Russia is their strategic ally.*
- *54.6% of Turks view the U.S. as the biggest security threat to their country while*

Quite the interesting survey, it seems Turkey doesn't have the glowing review Americans probably assume they have about the US.

Western Electricity

We mentioned the lack of wind and solar energy in California and as well as the rolling power outages California faces in the [August 27th edition of The Weekly Beacon](#). We have mentioned the push to go green and net zero will be a major struggle and uphill battle throughout our past editions.

Wednesday morning, another confirmation of our thesis:



Green energy labelled as sustainable and a low cost for consumers has skyrocketed consumers electric bills. California has the highest electricity prices in the US and not surprisingly to us, European countries are now facing record electricity prices as well.

This won't be a short-term trend either especially with the aggressive push for net zero by Western nations.

From a Wednesday morning article from Bloomberg:

British and Spanish electricity for the next day surged to a record in an early sign of what's to come this winter.

Surging power prices are a serious issue especially when countries are still attempting to recover from the Covid-19 pandemic. The Spanish government is attempting to cut power bills back to 2018 levels which were about half the price of today's. Spain is speeding up the construction of numerous solar plants to bring down electricity prices. Two problems with this, 1. These plants will not be ready for at least a few months and 2. The unreliability of solar energy (We mentioned that a few weeks ago).

Limited renewables, high regulation and sky-high oil and gas prices are causing these issues. With record low wind speeds in Europe, European nations have filled the gap with an increase in coal generation. A heavy reliance on renewables that are not the most reliable has resulted in the use of coal, the dirtiest energy source. You can't make this up.



To lockdown or to not lockdown?

Lockdowns have been a fierce debate across the world over the last year and a half. This seems quite interesting:

WORLD

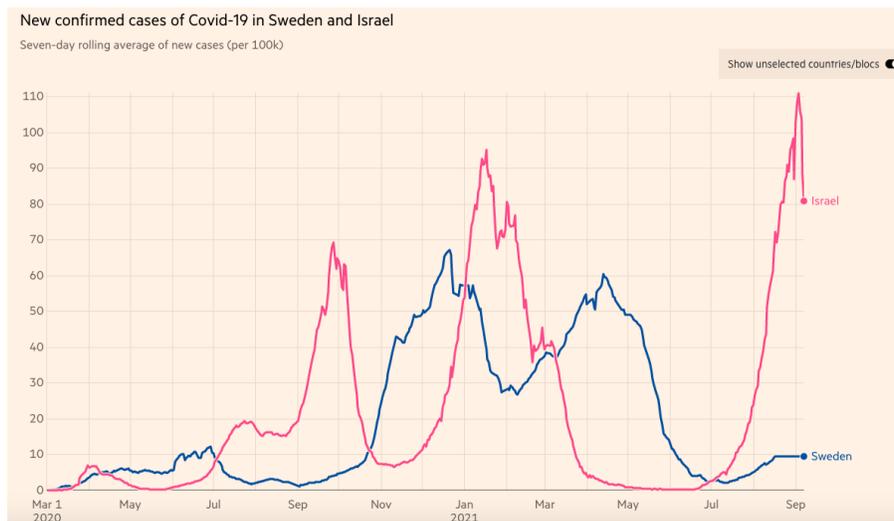
Sweden Bans Travelers From Israel, One of the Most Vaccinated Nations

September 2, 2021 16:01, Last Updated: September 3, 2021 11:40

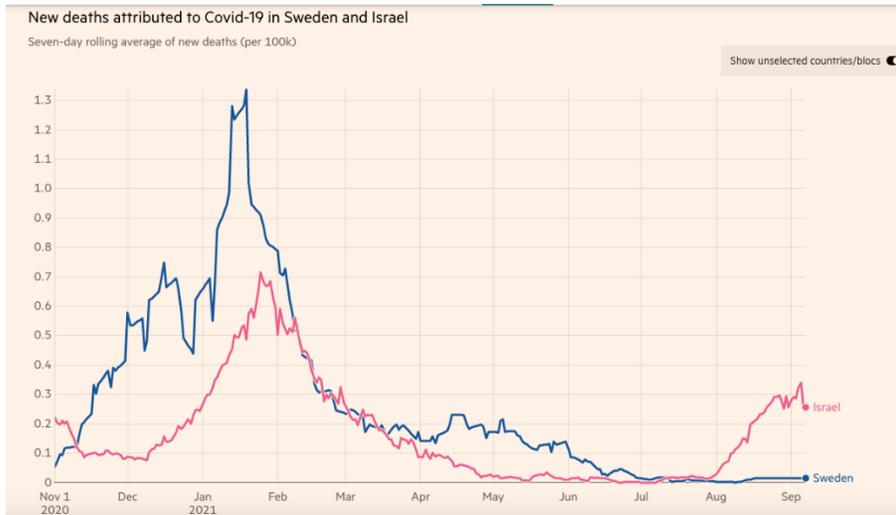
By Jack Phillips

We're not here to weigh in on the debate. There are arguments to be made for each. However, Sweden was one of the first countries to not implement a full-scale lockdown. The Swedish experiment has given some validity to a balanced approach, keeping businesses open, kids in schools and an economy still moving. Sweden does have a higher death rate than its neighbours so there are major flaws in this argument.

However, recent data is quite glaring when it comes to new cases, the fourth wave in Sweden arguably has not happened but in Israel, it's as bad as ever. Israel is the only country who has given anyone a 3rd booster shot in the world, implements strict Vaccine Passports and has major mask mandates. Sweden is the opposite and seems to be fairing much better.



Even in terms of deaths, Sweden has not seen a major uptick since last winter. Their death rate is currently lower than Canada, the US, EU and most the world. During the Winter wave the United Kingdom, who imposed strict lockdowns, had a higher death rate than that of Sweden. However, Sweden did have a higher death rate than the entire European Union during the Winter surge.



Many will quote the low population density Sweden as a reason for its success. People are spread out in Sweden thus less transmission. After all, Sweden has one of the lowest population densities in the world, ranking 203rd globally. However, much of Sweden's land is uninhabited so overall population density does not give a realistic picture. 88% of Sweden's population live in urban areas, 23rd in the World. Sweden has a higher urbanization then both the US and Canada. Population density may not have as much of an impact on why Sweden has been somewhat successful.

MacNicol & Associates Asset Management Inc.

September 10, 2021