

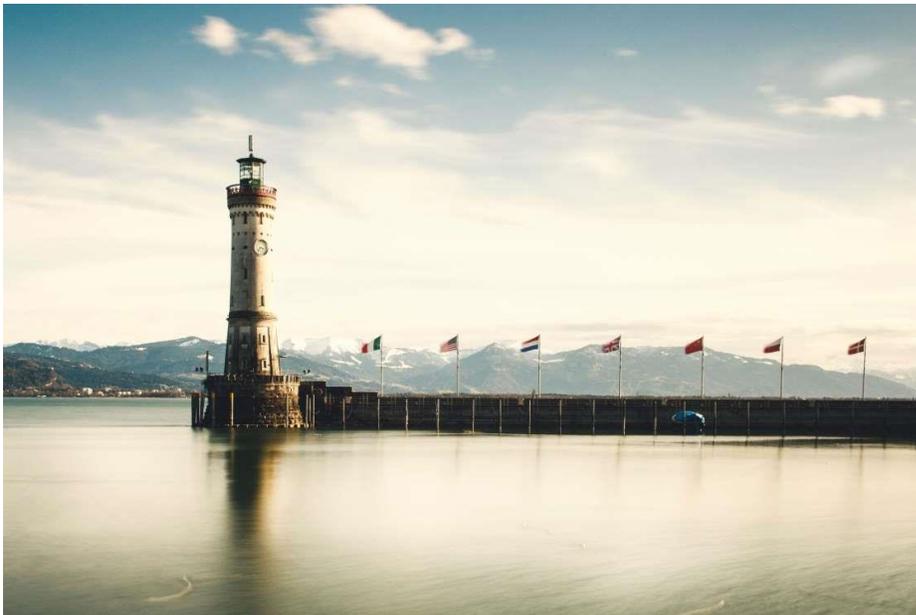
The Weekly Beacon

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.*



Bustard Rocks lighthouse, French River Provincial Park, Ontario



Lindau Lighthouse, Germany

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

Washington Gridlock

What will a government shutdown mean?

Last week we briefly mentioned the possibility of a government shutdown due to the Treasury running out of money. If Congress does not fund the Treasury, the government would shutdown. Democrats and the Biden administration also want to suspend the debt ceiling for over a year, this will help them with their progressive spending on massive bills like the \$3.5 Trillion Reconciliation Bill. Republicans want a short-term fix that will allow the Treasury to operate but will keep the government in check when spending. Their solution raises the debt ceiling slightly but keeps the limit in place.

After no compromise has been reached the White House has warned federal agencies to prepare for a shutdown.

Congress braces for high-stakes week over shutdown, default and infrastructure

The House plans a vote Thursday on the infrastructure bill, while the Senate seeks to fund the government and lift the debt ceiling.

But don't worry this massively important thing will not stop the Infrastructure Bill! The Government shutdown will take a back seat in the House of Representatives to a vote on the Infrastructure Bill.

If compromise is not reached by September 30th, the U.S. government will shutdown for the first time in over 2.5 years.

The House has passed a resolution that would fund the government and suspend the debt limit. The vote was right down party lines. For this bill to pass, the Senate would need 60 "yes" votes, which means 10 Republicans. Senate Minority Leader Mitch McConnell has warned his party will not vote for this. Republicans have stated they would agree to a bill that includes everything but a suspension of the debt limit. The party also sees this as a strong move for the 2022 midterms that are a year from now.

September 22, 2021
8:13 PM EDT
Last Updated 5 days ago

United States

Republicans see opportunity in U.S. debt-ceiling standoff

Republicans simply do not want Bills like the proposed \$3.5 Trillion Reconciliation Bill to pass. Democrats cite they are attempting to keep the government operational and want to continue paying workers. Both are acting in their own self interest. It's Washington, it happens and none of us should be surprised.

The Biden Administration and some news outlets have expressed their anger at Republicans over the past week regarding the debt ceiling.

A Gallup poll in August found that just 2 percent of Americans cite the federal deficit and debt as the country's biggest problem.





The survey may be skewed and most surveyed may think growing deficits are important but not the most important issue today. The numerous other issues the U.S. is facing may be overshadowing the deficit in the eyes of the general population. It seems like as these massive piles of debt are added on, more people believe this can last forever and it will not matter, quite a dark thought for a country who is in a deficit of almost \$30 Trillion. There will be a day when debt hawks will be proven right, count on it.

The Bill that was passed in the House of Representatives to resolve the Treasury funding had some Democrat holdouts as Alexandria Ocasio-Cortez (AOC) and the squad said they would vote “no” to fund the government if funding for Israel’s Iron Dome remained in the Bill. The adjustment was made, and national disapproval occurred. A Republican amendment was brought forward to refund Israel’s Iron Dome, it passed 420-9. The squad continues to brag about their power but continue to fail.

AOC's Iron Dome vote left her crying – and it backfired

Truly a strange time in Washington. But then again, when is it not?

So, if the government shuts down, what does that do to markets?

S&P 500's Performance During Past Government Shutdowns

Shutdown Start Date	President	Length in Days	Performance During Funding G
9/30/1976	Ford	10	-3.41%
9/30/1977	Carter	12	-3.19%
10/31/1977	Carter	8	0.69%
11/30/1977	Carter	8	-1.23%
9/30/1978	Carter	17	-2.01%
9/30/1979	Carter	11	-4.42%
11/13/1995	Clinton	5	1.31%
12/15/1995	Clinton	21	0.06%
9/30/2013	Obama	16	3.07%
12/21/2018	Trump	34	10.27%

Government shutdowns of 5 days or more included

Markets usually do not skip a beat throughout history when the government shuts down.

Even though shutdowns do not negatively impact markets, the macroeconomic environment will be affected. The major issue right now is the debt limit and if it is not raised, the U.S. Treasury will not be able to pay its bills which will in turn have an affect on the market.

Even if markets act flat or are down slightly during this showdown, they will probably bounce back after some compromise is reached. Once that happens were back to all the other macro issues, inflation, debt, and monetary policy.

The vote for the Democrat Bill that would fund the government and suspend the debt limit was voted for on Monday morning and Republicans unanimously blocked the vote.



BREAKING | Sep 27, 2021, 07:14pm EDT | 358 views

Senate Republicans Block Bill To Temporarily Fund Government, Raise Debt Limit

On Wednesday the U.S. Treasury released that they will not be able to operate past October 18th unless a solution is agreed to.

It appears Senate Democrats have caved and are considering a short-term fix that would avoid a government shutdown.

Senate Democrats are seeking to vote as early as Wednesday on a stopgap bill that would fund the federal government but remove the provision to increase the federal borrowing limit.

Disaster possibly kicked like a can down the road, the provision would fund the government until December.

Renewable Energy Update

Last May, the former Canadian Green Party leader, Elizabeth May declared oil as dead.

Yes, oil is dead. Just read the writing on the wall.

By Elizabeth May | Opinion | May 12th 2020

Maybe in her world but for the rest of us, oil will remain a staple for years to come.



She described oil as being a dead business and said Canada more specifically Alberta, should decrease reliance on fossil fuels because prices are depressed. Well, that's what happens when a pandemic shuts the globe down and people use less energy. One cannot cite the Covid-19 shutdown as a reason to not

do something, it's a once in a generation event. 15 months later and prices have tripled, hopefully she did not short oil prices.



Goldman expects oil prices to hit \$90 by year-end as supply tightens

CONTRIBUTORS
Nakul Iyer — Reuters
Elleen Soreng — Reuters

PUBLISHED
SEP 27, 2021 2:49AM EDT

The reopening of economies across the world has caused supply strains which has in turn increased oil prices. There will also be an increase in price going forward as regulation across the world increases for years to come to promote clean energy (Carbon Tax).

Russia, the Middle East, and other members of OPEC will not stop producing oil, no matter what the West wants them to do. They all are extremely reliant on fossil fuel exports.

Supply strains, Natural Gas at 8-year high and unreliable renewables have even led to surging coal prices, the highest prices in over 10 years.

Markets

Coal Prices Are Booming But U.S. Miners Struggle to Boost Output

By Will Wade
September 27, 2021, 11:10 AM EDT

The dirtiest fossil fuel is having a surge in demand.

Last week at the United Nations conference, western leaders applauded themselves as they doubled down on cutting CO2 emissions. Boris Johnson said the U.K. will continue to be a global leader in the push to go green. The irony: the U.K. is facing a brutal energy shortage going into winter with the possibility of blackouts due to a lack of energy. This is all being caused by a reliance on renewable energy. [In last weeks issue of The Weekly Beacon](#) we compared Europe's energy crisis to what California has faced over the past few years. Both California and Europe are leading the way in the transition of energy and both will have blackouts.

CLIMATE & ENVIRONMENT

California pledged to achieve 100% clean energy. That was the easy part



Europe is beautiful but I do not think North Americans will be happy with blackouts.



Europe is paying record prices for energy. A winter crisis looms



Analysis by [Julia Horowitz, CNN Business](#)
Updated 5:39 AM ET, Thu September 23, 2021

Europe's energy crisis is a warning for America

BY SAMANTHA DRAVIS, OPINION CONTRIBUTOR — 09/24/21 10:30 AM EDT
THE VIEWS EXPRESSED BY CONTRIBUTORS ARE THEIR OWN AND NOT THE VIEW OF THE HILL

275 COMMENTS

The Wall Street Journal seems to agree with our thought process:

European like policies in the U.S. would lead to national energy shortages.

Climate Policy Meets Cold Reality in Europe

The rush to renewables causes severe energy price spikes and shortages. Biden's policies would do the same in the U.S.

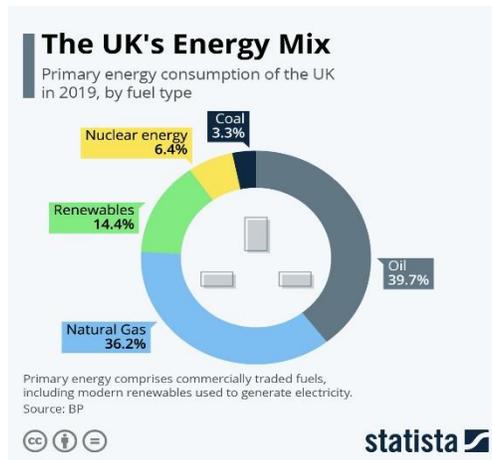
It's not rocket science, renewable energy especially wind and solar are sometimes unreliable. Weather patterns are not easy to predict.

Europe's Energy Crisis Worsens As Wind Stops Blowing



Editor OilPrice.com
September 14, 2021 · 2 min read

"Winds stop blowing."



In the grand scheme of things, the U.K. is not that heavily reliant on renewables, but they will be....

Report: UK must more than double onshore wind capacity by 2030 to meet climate targets

7 May 2021, source [edie newsroom](#)

Double the wind energy in 10 years. Does that mean hold onto coal or natural gas for emergency use?

These renewables being promoted by governments are not cheap whatsoever. Higher tax bills to fund these plans and higher electricity bills in an energy shortage. Double thumbs down.



REACHING THE UK GOVERNMENT'S TARGET
OF 40GW OF OFFSHORE WIND BY 2030
WILL REQUIRE ALMOST £50BN IN
INVESTMENT

February 6, 2020

Even the New York Times agrees that renewables are part of the problem.

 The New York Times

Europe's Energy Prices Soar Amid Switch to Renewable Resources

Even though renewable sources of energy are the cleanest source of energy and the drive to go green by countries comes from a good place, the fact is renewables; are not reliant and are completely unproven on a large scale.

The green energy wave has also trickled into financial markets. ESG investing has become a cool and hip trend. A way for investors to feel good about the company they are investing in.

In reality:

New Study Finds ESG Funds Underperform Broader Investment Funds Over Long-Term

PRESS RELEASE PR Newswire
© May 22, 2019, 08:43 AM

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Your Market View

ESG has underperformed the market and that will continue to do so going forward.

Researchers Warn that ESG Investments Will Underperform Over Time

CONTRIBUTOR
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PUBLISHED
JUL 9, 2021 9:14AM EDT

If the name of the game is to grow capital, why put yourself at a major disadvantage off the get go.

Two worlds collide

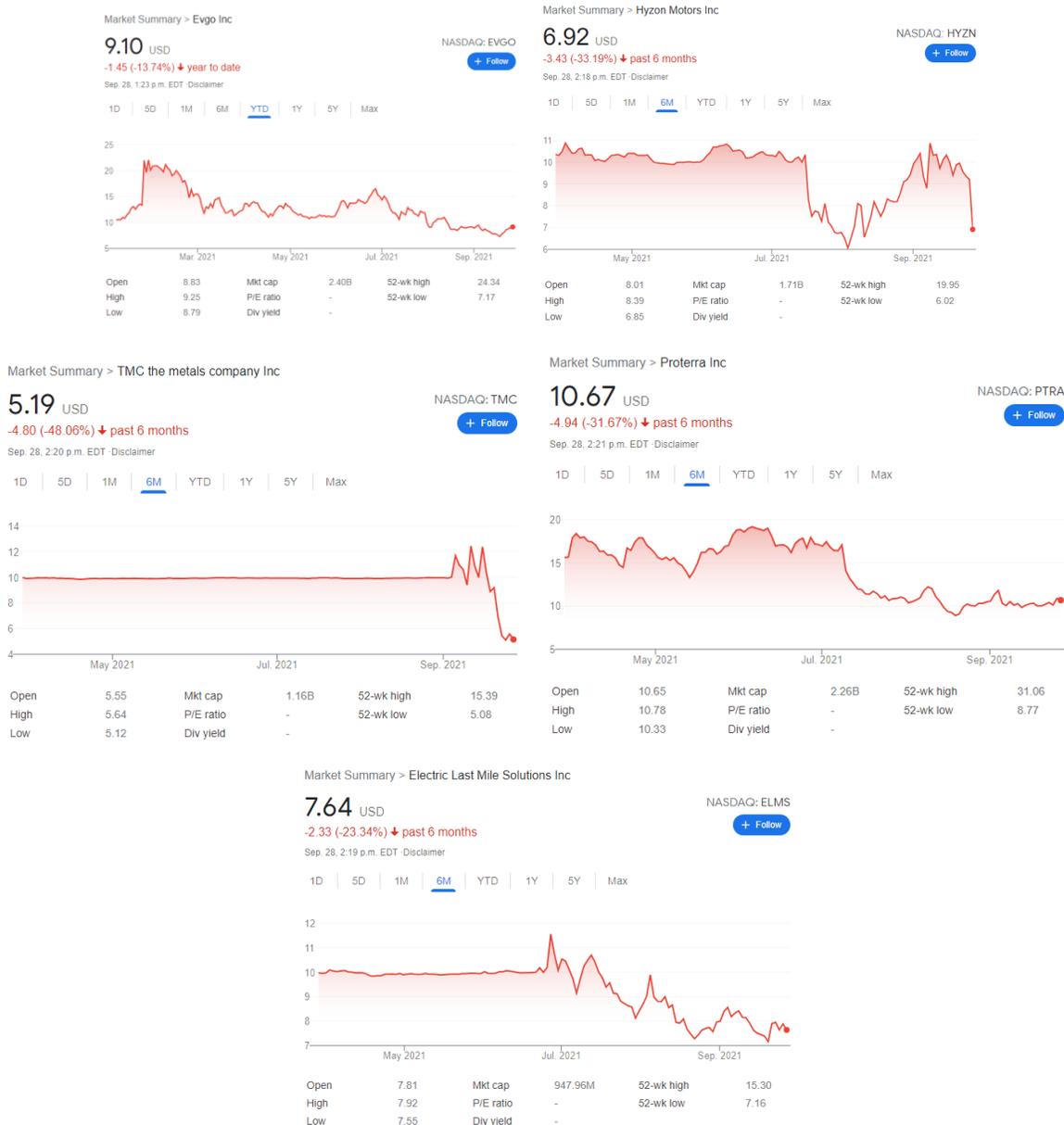
Speaking of the push for renewable energy sources, it seems the green team has teamed up with the SPAC community. SPACs are a relatively new instrument, and the push for green energy is a new theme we see today. Sounds like a match that was made for each other.

We have already in previous issues talked about EV SPACs that are littering the market. Most of these are early stage and extremely expensive in terms of valuation.

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In the sustainability/environmental industry the market is even more flooded with SPACs and according to [SPACTrack](#) 64 SPAC companies are currently searching for a deal. This is without mentioning all the companies who have found a deal. The industry is littered with capital, its like the dot.com bubble for eliminating CO2 emissions. All these companies are targeting companies who focus on the sustainability of Earth and decarbonization. Chances are that a lot of these companies expire without finding a deal and many of the target companies that do merge fail down the road.

Just a few stocks that are post SPAC merger that have severely suffered the past 6 months, all in the sustainability industry.



This does not mean every SPAC focused on sustainability has suffered. There are some winners but not every company will be the Amazon of decarbonization. Chances are a bunch of these companies will end

up like www.pets.com. All these companies have one focus, green energy, and sustainability. It may be a part of our future but not every company will be a winner in this space let alone around in 20 years.

The market is slowly catching on, even though this may be the future its not yet profitable.



MARKETS

Green SPACs Struggle After Years of Success

Investors are souring on blank-check companies in general

TMC the metals company merged with a SPAC, Sustainable Opportunities Acquisition Corporation, the company is worth over a billion dollars and they have yet to create any revenue. Proterra just started producing revenue in Q2 2021, the same time it merged with a SPAC and went public.

This may be a whole new bubble unfolding in front of our eyes. Internet in the early 2000s and sustainability, green companies in the 2020s.

The number of public listings by zero-revenue companies valued above \$1 billion currently exceeds the dot-com era

We are truly in a speculation market.

Don't believe us?

CRYPTO DECODED

Somebody just paid \$1.3 million for a picture of a rock

PUBLISHED MON, AUG 23 2021-6:17 PM EDT | UPDATED MON, AUG 23 2021-9:37 PM EDT

Believe the guy who bought a JPEG of a rock for over \$1 million.



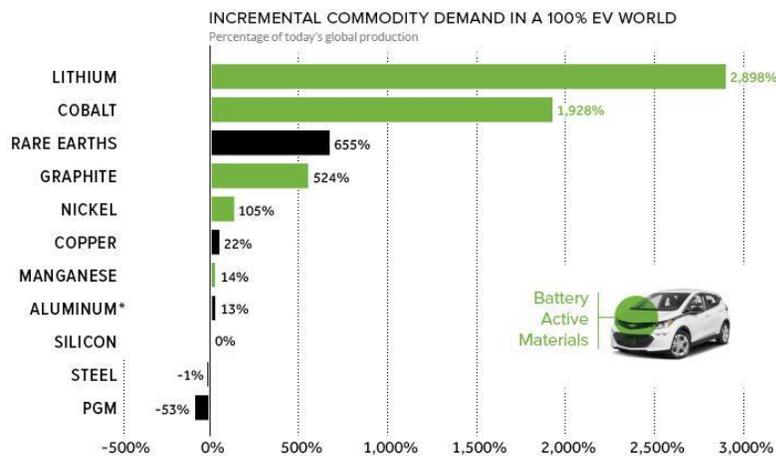


The one major thesis behind a lot of these sustainability companies, the world will change and be focused on green energy. They are assuming targets will be reached in terms of renewable energy. We have already mentioned the targets set are slightly out of reach by countries. If the overall industry misses' targets, these companies that plan to capture a percentage of the industry will also fall short of their lofty goals.

An EV World

Today's markets continue to show signs of sustained inflation that is **NOT** transitory. At the same time there is a supply crunch in energy that will continue due to regulation and the transition to green energy.

We remind readers:



This is just considering vehicle transition, what about the entire power system? Even though the demand for these metals would severely increase, we cannot just snap our fingers and create them. Supply crunch.

MacNicol & Associates Asset Management Inc.
October 1, 2021