

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 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.*



Les Eclaireurs Lighthouse, Argentina



Neist Point Lighthouse, Isle of Skye, Scotland

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



Checking in on our buddy

We have already talked about King Chamath, one of today's ultra bulls in [the September 3rd edition of The Weekly Beacon](#). Last week CNBC hosted their annual Delivering Alpha Conference. King Chamath sat down for an interview and shared some interesting thoughts we wanted to share with readers.

Inflation:

Chamath is now worried about inflation. We agree with Chamath. Inflation is here and it is not transitory. He plans to hedge inflation with hypergrowth companies, cash generative companies and non correlated assets.

He mentions miners as a cash generative idea in an inflationary environment. Wow! The King agrees with us. He describes hypergrowth companies as companies that grow over 50% per year. He mentioned three of his SPACs as hypergrowth. The marketing never stops from these guys - wow, ultra confidence, minimum 50% growth a year. In reference to non correlated assets, Chamath says he prefers Bitcoin and other cryptos. He remains bullish on Bitcoin but has changed his tune a little. Earlier this year he predicted Bitcoin would go to \$200,000.

Billionaire investor Chamath Palihapitiya says bitcoin will surge to \$200,000 as more investors realize they need an 'uncorrelated hedge' against untrustworthy national leaders

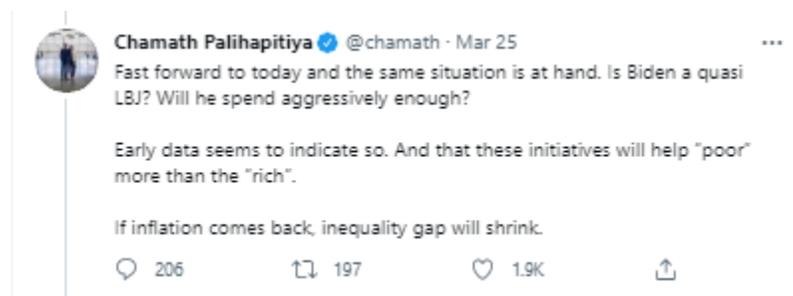
Emily Graffeo
© Jan. 8, 2021, 03:53 PM

SHARE

Your Market View

In the interview he said he will not make another prediction on the price of Bitcoin. Perhaps he has gained some humility, or he is slowly realizing Bitcoin may always have its issues. A major government will also never adopt an existing cryptocurrency as they cannot control it. Governments are working on digital dollars which could impact crypto.

Back in March, Chamath seemed to think inflation would be good for a few reasons. His number one reason was that inflation will shrink the inequality gap.



He said in the 70s when inflation was roaring, the poor earned more and spent more, while the rich piled into financial assets which underperformed at the time.

A user on Twitter responded to Chamath in March with an interesting number of tweets.

Preethi Kasireddy @iam_preethi · Mar 25

4) The inflation of the 1970s has been attributed to many reasons, including the collapse of the Bretton Woods Systems, Fed's easy monetary policy, energy shortages, and fiscal imbalances.

This was a turbulent period in history, not a rosy one like you make it seem.

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Preethi Kasireddy @iam_preethi · Mar 25

5) Saying the poor spent more is not accurate. When interest rates were raised, it destroyed the savings of small businesses and Middle America.

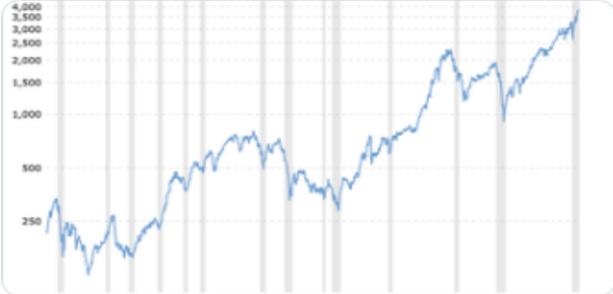
 Volcker's Announcement of Anti-Inflation Measures
In October 1979, Fed Chairman Paul Volcker announced new measures by the Federal Open ...
federalreservehistory.org

1 9

Preethi Kasireddy @iam_preethi · Mar 25

6) When you say rich people's assets were worth less, did you mean the stock prices declining in the 1970s?

While that is true, they shot back up in the 1980's



1 11

Preethi Kasireddy @iam_preethi · Mar 25

Your conclusion that inflation benefits the poor contradicts, more or less, all historical evidence on the subject.

Would be curious to hear where you got the data from.

4 3 49

Hopefully, none of Chamath's cult bought into this argument.

Chamath directly references the stimulus cheques sent out by both President Biden and Trump as good. Some people used these for their bills, but a lot of people bought stocks with this money which only further melts up equity markets.

MARKETS

Many Americans used part of their coronavirus stimulus check to trade stocks

PUBLISHED THU, MAY 21 2020-2:10 PM EDT | UPDATED FRI, MAY 22 2020-1:52 PM EDT

Perhaps his tweets were to fire up his cult following. Billionaires have been the biggest winners during Covid-19 and that will likely continue with inflation. Chamath is a billionaire. He won during Covid-19.



King Chamath said inflation was supposed to help close the inequality gap. Maybe, the gap he was referencing was regarding himself closing in on the top 50 richest people. The big winners of this recent melt up have been the big boys.

Shorting:

Chamath also mentioned that we should look at shorting and questioned whether it should be allowed in equity markets. He finds it interesting that people want to profit off the volatility and bet against something.

This is an interesting quote because in the past he has jumped publicly onto the short train when it has helped him.



Chamath Palihapitiya: Here's why you go short big tech stocks Facebook and Alphabet right now

PUBLISHED FRI, JUL 10 2020-12:51 PM EDT | UPDATED FRI, JUL 10 2020-2:40 PM EDT

Presumably those are two of many instances where the billionaire has shorted a stock.

Chamath is just sour now. He lost massively when one of his beloved SPACs got attacked by shorts.

BANKS FEBRUARY 4, 2021 / 8:51 AM / UPDATED 8 MONTHS AGO

Palihapitiya-backed Clover Health plunges after short-seller Hindenburg weighs in

By Chuck Mikołajczak, Ambar Warrick

3 MIN READ



As one of the most involved investors in the SPAC industry, Chamath suffered tremendously when SPACs peaked in February. Perhaps this volatility made him uneasy.

His investments usually only go up, but I guess he mistimed this trend. He has also been helped by short squeezes such as Clover Health after falling went on a run due to retail traders.



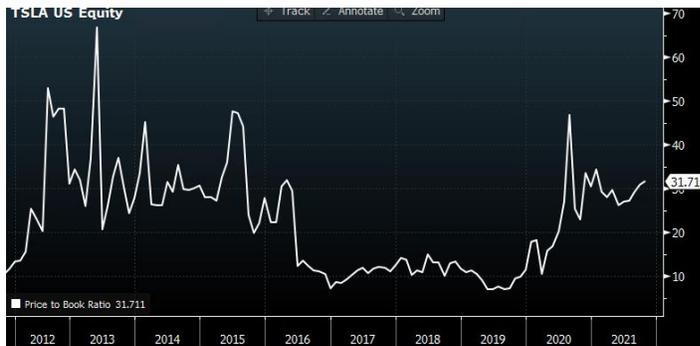
Chamath sold Tesla

DELIVERING ALPHA 2021

Onetime big Tesla bull Chamath Palihapitiya says he sold his position

PUBLISHED WED, SEP 29 2021-5:14 PM EDT | UPDATED WED, SEP 29 2021-9:10 PM EDT

King Chamath has long been a Tesla bull. He was an early investor, but even he may admit, Tesla is quite overvalued.



In the interview, he believed Tesla would still double in the short term and has publicly mentioned Tesla would triple in the past. Behind closed doors he sold his position.



He cited that he does not have an infinite pool of capital and his new ideas need capital to come from somewhere so that he can invest. Why would he need a new idea if he thinks Tesla would triple? Does he really think his new ideas will 4x or 5x and beat Tesla? At this point, who knows, but we think it has something to do with valuations and even the greatest bulls need to look at the numbers.

Investors should do research before following a guy's every move and should not be afraid to call a billionaire out for promoting his own interests.

Energy Booming

We have highlighted the supply squeeze of energy over the past month or so. This week that continues. Fossil fuels are flying.

PMN Business

Oil Surges to Highest Since 2014 as OPEC Sticks to Supply Plan



Bloomberg News
Sharon Cho and Alex Longley

Oct 04, 2021 • 5 minutes ago • 1 minute read • [Join the conversation](#)

September 28, 2021
3:11 PM EDT
Last Updated 6 days ago

Energy

U.S. natgas rise to 7-year high on record global prices

3 minute read

Reuters

Dirty coal is even having a surge. People need energy and they do not care where it comes from. With the winter in Europe looming, they may face energy blackouts. We have a feeling the European population will be begging for Russian Natural Gas or some more oil, wherever it comes from. The Nord Stream 2 will presumably get the official okay from the German government out of bare necessity, sooner rather than later.

Just like that, the ball is rolling.....as of Monday afternoon.



The only step left is for German regulators to approve the project. It seems out of necessity the EU should do this, but now they bow at the feet of the Russians who have a monopoly on European oil and gas. Dependency on Russia in the long run may not be the best thing for the EU.

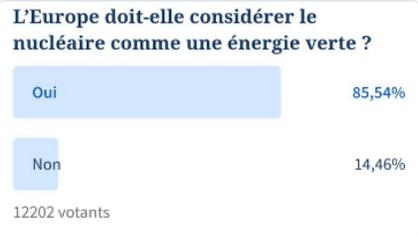
Looking at uranium which has run up quite significantly on a massive supply crunch and sky-high energy prices, Europeans are starting to warm up to the idea of using it in a large way.



Nicolas B
@CHNico1980

#uranium #nuclearenergy @quakes99
Interesting poll in French newspaper Le Figaro today.
12000 participants so far.

85% think that Europe must treat nuclear as
#GreenEnergy



5:41 AM · Oct 4, 2021 · Twitter for Android

8 Retweets · 2 Quote Tweets · 83 Likes

Russia confirms nuclear as green while EU remains undecided

30 September 2021



Russia has initiated the trend of calling uranium a renewable. Europe will eventually do the same. Politicians pushing only solar and wind energy will have a harsh future. People are okay with the transition of energy if it fuels their same lifestyles but the minute it cannot keep up, most will turn and realize like us, that a completely renewable world is not realistic. The French survey gave overwhelming results. Uranium will be a renewable.

Californians have been facing these energy shortages for a few years now. The benefit they have is weather. It does not get that cold in the winter. However, once those outages start creeping north, a harsh reality will set in and people will understand the accelerated push for green energy is costing them more than it's giving.

If policy makers were doing this for the greater good and wanted change, why do they fly in private jets?

John Kerry, the first United States Special Presidential Envoy for Climate regularly flies private and owns his own jet. The expert on climate gets a jet. The population will get no heat in the winter.

John Kerry family jet already emitted estimated 30 times more carbon in 2021 than average vehicle does in year

The jet has spent roughly 26 hours in the air, according to flight records.

Looking at coal which Europe has started to use more to make up for the short fall of energy that they are facing, it appears Germany has been increasing production all year.



Germany: Coal tops wind as primary electricity source

In the first half of 2021, coal shot up as the biggest contributor to Germany's electric grid, while wind power dropped to its lowest level since 2018. Officials say the weather is partly to blame.

Wind usage has dropped over time which is very un ESG of Germany.

The UK fired up an old coal power plant on Monday to meet its electricity needs.

Coal is back, at least in an emergency way.

Articles like this will forever remain in infamy.

Could the coronavirus crisis finally finish off coal?



Justin Rowlatt
Chief environment correspondent
@BBCJustinR

9 June 2020

Health crisis, energy crisis, it's all the same and the last year has shown us that renewables are nowhere near ready to support the electricity grid.

These prices are affecting consumers and consumers should blame those who have pushed for more regulation and those who have pushed for an aggressive transition to renewables.

Another EV Falls

Lordstown Motors, an electric car maker based in Ohio, was down another 10% Tuesday morning. Lordstown went public via SPAC last August with Diamondpeak Holdings Corp at a valuation of over \$1.6 billion. It is currently worth less than a billion and is well off its all-time highs.

Market Summary > Lordstown Motors Corp



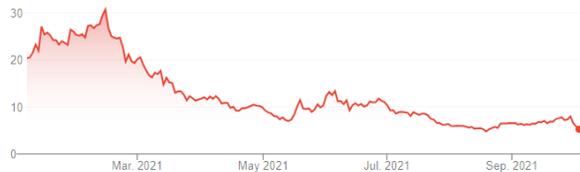
Market Summary > Lordstown Motors Corp

5.34 USD-15.04 (-73.82%) **↓** year to date

Oct. 5, 12:39 p.m. EDT · Disclaimer

NASDAQ: RIDE

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1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max

Lordstown is down almost 75% YTD and even more since the February SPAC peak. When Lordstown announced its plan to go public, the company was only just over a year old. The SPAC investment included a \$75 million investment from automaker GM. The company is well known for its electric pickup truck, but they have yet to create any revenue.

This is another example of green technology that has been tremendously overvalued due to pure hype. It seems Wall Street is finally starting to realize these valuations are completely ridiculous. The Morgan Stanley analyst covering Lordstown cut his forecast from \$8/share to \$2/share this week.

Lordstown needs more cash to produce its new truck and bring it to market. During the 3rd quarter, Lordstown's Cash account fell by 38%. In order to raise Cash, the company is selling a manufacturing plant to Foxconn for Cash, but the proposed value is less than 20% of the plant's value.

Back in February, the same Morgan Stanley analyst had a price target of \$30.75 for Lordstown. Every analyst covering Lordstown had a \$30+ target as well. Sell side analysts were either attempting to unload shares or were just following the hip trend everyone likes to talk about. If you listened to these analysts, you'd be out quite a lot of money over the last 8 months.

Lordstown has pushed back its production multiple times and has even replaced management this year. The company is completely overvalued and people should remain cautious for the foreseeable future.

SPACs and green, remain an awful mix!

Eye Opening Article on Climate

[The Wall Street Journal published an article on the possibility of climate lockdowns being part of the globe's future climate goals.](#)

It looks like that may have to become a reality so the globe can meet its climate goals.

OPINION | COMMENTARY

Want to Lock Down for the Climate?

Hitting environmentalists' emission timetables would take far more than even what the pandemic forced.

By Bjorn Lomborg
Updated Sept. 30, 2021 4:55 am ET

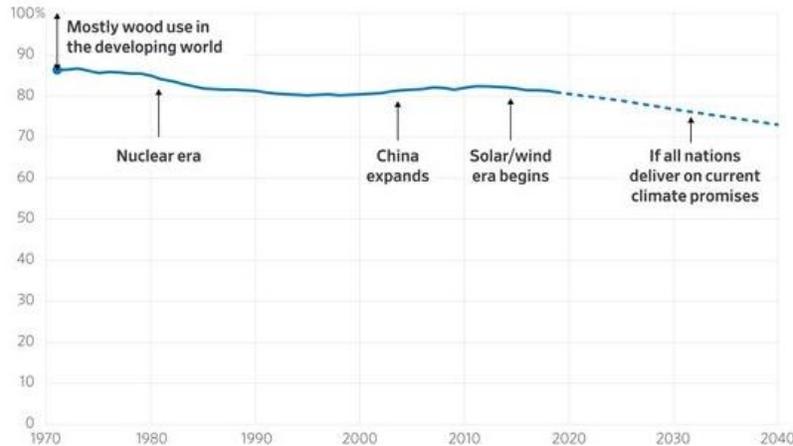
Almost every news outlet and TV show has made it sound like renewables are on the brink of powering our world and they will make fossil fuels useless. We have been quite critical of these facts. As Europe

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has shown us, this increases the dependence on renewables and the possibility for power outages. We have also mentioned Russia, China, India, Africa, and the Middle East as major deterrents to these goals. Some depend on fossil fuels to drive their economy and some simply cannot afford renewables.

Fossil Fuels, 1971-2040, as a Percentage of Global Energy Supply



Source: International Energy Agency

Even if current global climate objectives are reached, 73% of the world’s energy supply would still be fossil fuels in 2040. What? We have been told renewables are the future and the only way forward.

All UK's electricity will come from clean sources by 2035, says PM

1 day ago

IEA: End fossil fuel expansion now for net zero energy emissions by 2050

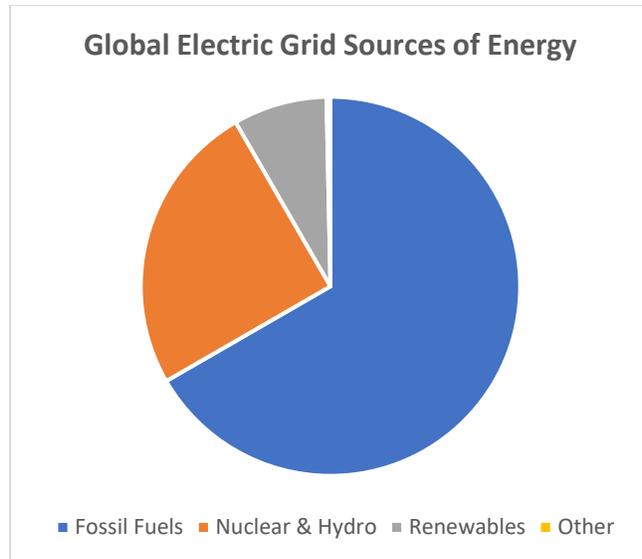
Published on 18/05/2021, 6:00am

Greta Thunberg tells world leaders to end fossil fuel ‘madness’

8 reasons why we need to phase out the fossil fuel industry

by September 11, 2019

The major flaw that people do not realize is that the electric grid only uses 19% of the energy the world consumes. Even if that entire number turned to renewables (brace for blackouts), the world would still be completely dependant on fossil fuels. Currently 2/3 of the electric grid is powered by fossil fuels, ¼ is powered by nuclear and hydro.



The European Union's electric grid is the most dependant on renewables across the globe but renewables only power 17% of the grid. We have also highlighted the surge in electricity prices across Europe this summer, as well as the possibility of blackouts due to a lack of energy this winter. Renewables have major obstacles even for Europe.

Believe it or not the greenest continent is Africa. Nearly half of its energy comes from renewables, mostly wood and the burning of cardboard. However, over half a billion Africans do not have access to electricity. To develop the continent and get millions out of poverty, it would require an increase in the continents use of fossil fuels. Poverty versus the climate.

Looking back at the pandemic which forced billions into lockdown, global emissions dropped by 6% over 2020. The 6% drop was still short of the United Nations target of a 7.6% drop per year for the globe to limit global warming to 1.5 Celsius. In 2021, emissions would have to drop by double what they did in 2020. By 2030 emissions would need to drop by 11 times what they did in 2020 to reach the Paris Climate Agreement targets. This is another unrealistic goal and even these weird climate lockdowns may not make these goals attainable.

MacNicol & Associates Asset Management Inc.
October 8, 2021