

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.*



Lighthouse in Jupiter Florida from Marilyn F.



Hook Lighthouse, Hook Head, Ireland

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



Tesla beats to the drum of Elon

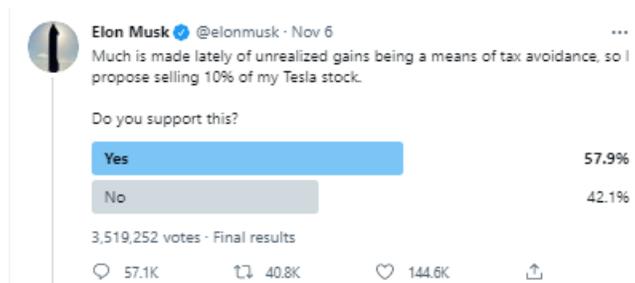
We have regularly looked at Tesla and Elon Musk throughout [The Weekly Beacon's](#) history. Even though the company is overvalued, it is truly groundbreaking. The CEO, Elon Musk, is a fascinating person who breaks all the norms of the average Billionaire and CEO. He truly is a “for the people” Billionaire.

In the [October 29th edition of The Weekly Beacon](#), we mentioned the large dependence Tesla has on Elon Musk. The price of Tesla’s stock depends on Musk remaining invested heavily in Tesla and remaining as CEO. It also depends on his public statements and interviews. Musk is a very transparent Billionaire and an excellent marketer which has helped Tesla’s stock price surge. If Musk stepped down from Tesla or sold out, the price of Tesla shares would drop quite quickly. Facebook shares may go up if Zuckerberg stepped down (people do not trust Zuckerberg). Amazon shares went up when Jeff Bezos stepped down, so why is Tesla different? Tesla’s biggest intangible asset might be Elon Musk, something we cannot quantify on a balance sheet but is worth billions on its own. This intangible asset has helped increase Tesla’s stock price by over 3000% over the last 5 years. It could also serve as Tesla’s Achilles heel in the future.



We have also mentioned the proposed tax on unrealized capital gains which will impact CEOs like Musk the most. Musk owns approximately 17-20% of Tesla’s shares and has owned those shares since founding the company. He would have a massive tax bill if this legislation ever passed. He also does not take any salary but receives stock options as compensation.

Last Saturday Musk put out a poll on Twitter:





A 10% sale by Musk would be worth over \$20 Billion. Even after this sale of stock, Musk would still be the largest owner of Tesla stock (Vanguard owns the second most which totals 5.9%). The market would be littered with extra supply of Tesla stock in the short term.

There are rumors that Musk could owe \$15 billion in taxes stemming from options he was granted back in 2012. Musk could also save between \$3-4 billion by selling now versus waiting to when President Biden could increase his capital gains tax. His rumored sale may be out of bare necessity to have the liquidity to pay his tax bill.

The market has been flooded with shares as investors brace for Elon's potential sell-off.

Due to these recent comments by Musk, Tesla's stock price has fallen 11% over the last 5 days as of November 9th. Hopefully, readers did not jump into the Tesla Trillion Dollar hype last week!



It also appears that Musk's brother sold \$109 million worth of Tesla stock a few days before Elon's Twitter poll.

Hyperdrive

Elon Musk's Brother Sold \$109 Million in Tesla Stock Ahead of Poll

By [Augusta Saraiva](#) +Follow

November 9, 2021, 10:51 AM EST Updated on November 9, 2021, 12:47 PM EST

Perhaps now is the time Tesla could dip.

There is no questioning Elon Musk's intelligence. We highlight this to show how much of an impact he has on Tesla's stock price compared to other CEOs. Markets treat Tesla irrationally; investors follow Musk like he's a cult leader. Fundamentals go out the window when he is on Twitter!

We also want to highlight something else. Even if Musk potentially sells some shares, he will remain heavily invested in Tesla. Musk's end goal is not to run Tesla. His end goal has been life on Mars which seems quite capital intensive.

ELON MUSK: MY MAIN GOAL IS TO GET HUMANITY TO MARS BEFORE I DIE

If there were to be a big breakthrough on that front, he could rotate a large portion of his Tesla holdings into this new project which could have a devastating impact on Tesla's stock price (down the road).



Oil No!

Highlighting the ongoing global energy crisis has been a major theme of [The Weekly Beacon](#). The shortages are causing different things globally.

- Europe will use rotating blackouts this winter to combat shortages
- Russia is holding the European Union captive so it can get approval for the Nord Stream 2
- China is rationing fossil fuels

Energy is in short supply and energy sources are surging in price.

All these issues are occurring at the same time as the global Climate Summit where global leaders are making aggressive pledges to cut emissions.

Gas prices are sky high and Bank of America warns \$120-a-barrel oil is on the way



By Matt Egan, CNN Business
Updated 1:06 PM ET, Wed November 3, 2021

Prices have run up massively and it's impacting consumers the most. U.S. average gas prices have increased over 60% just over the last year. It is a tough time to be filling up at the pump!

US Retail Gas Price

3.505 USD/gal for Wk of Nov 08 2021



There has been a limited response to these price rises by the Biden Administration. High energy prices were one of the critical issues that swayed voters last Tuesday in Virginia's Governor Election.

Biden's Energy Policy has been quite interesting during his first year in office:

- On January 20th he canceled the Keystone XL Pipeline and rejoined the Paris Climate Accord
- He has pushed OPEC to increase production (OPEC did not budge)
- He has pushed green energy as the future and has committed Billions of dollars to the transition
- Increase domestic regulation of oil and gas exploration and look to ban the exploration of energy on Federal land

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The U.S. is also no longer energy independent as the Biden Administration has brought back American dependence on oil and gas imports. The Keystone XL may have helped this.



Did Biden Set US 'Back 50 Years' on Energy Independence Progress?

It is true that 2019 was the first year since 1957 in which the U.S. was energy independent.

By Alex Kasprak

Published 15 February 2021

The rising of global prices are not just a Biden problem. The green transition has caused many of these supply issues. Countries that have attempted to make a transition to green are slowly realizing renewable energy sources are not the most reliant.

Oct 14, 2021, 09:51am EDT | 11,691 views

Europe's Self-Inflicted Energy Crisis

The U.S. has released contradictive statements on the ongoing crisis. They have blamed the reliance on oil and gas while attending the COP26 Climate Summit but, also have begged U.S. oil producers to increase production while attending the same summit to combat shortages.

Even the New York Times does not agree with Biden's stance:

Even as Biden Pushes Clean Energy, He Seeks More Oil Production

President Biden acknowledged "it seems like an irony" that he is asking energy-rich nations to boost oil production as he implores the world to tackle climate change.

It is safe to say the Biden Administration has failed in terms of energy policy.

All those policy missteps may have been outdone this week.

ENERGY & ENVIRONMENT

Pipeline pile-on: Biden faces heat from Canada, Republicans, Michigan's governor and the price of propane

The Biden Administration is looking into replacing Line 5, a pipeline that travels through Lake Michigan into Canada. Canada has warned the Biden Administration that this action will lead to even higher prices.

Even Prime Minister Justin Trudeau is pushing the U.S. to keep Line 5 in operation. Trudeau has never been an oil and gas lover. That's why his stance should stand out and show how desperate he is to prevent further fossil fuel price increases.



Why is Trudeau pressuring Michigan to keep a dangerous oil pipeline open?

Lana Pollack

Perhaps Western leaders should slow down and look around at the negative impacts the accelerated transition to green energy is having on the global population.

These issues will continue throughout this winter and will continue until green energy activists come to a harsh realization that green energy is unreliable in its current form and will increase in unreliability as global dependence increases.

Infrastructure at last

We have highlighted Washington gridlock that has stalled President Biden's agenda, especially gridlock in his party. House Democrat Progressives held up the Infrastructure Bill for months even though it had passed in the Senate and Moderates like Joe Manchin and Kristen Sinema have held up the \$3.5 Trillion Infrastructure Bill from moving forward due to its massive size.

Joe Manchin and Kyrsten Sinema blocking Biden's climate agenda



© 28 October

Last week's election results gave more power to politicians like Manchin and Sinema as Americans seemed to have rejected hyper progressiveness.

Last Friday night in the dead of night, the Infrastructure Bill passed. The \$1.2 Trillion Bill will go towards roads, bridges, highways, broadband, electric grids, water systems, and electric vehicle charging.

The Bill was not decided by party lines.

	R	D	Total
Yes	13 ■	215 ■	✓ 228
No	200 ■	6 ■	206

If 13 Republicans did not break from party lines, the Bill would have failed even with the bipartisan support in the Senate.

The Squad, Unfazed by Election Rout, Forces Biden to Rely on GOP Infrastructure Votes

BY XANDER LANDEN ON 11/6/21 AT 11:33 AM EDT

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All 6 members of “The Squad” voted against the Biden-backed Bill. The 6 members of “The Squad” are some of the most progressive members in Congress.

The Infrastructure Bill passing has given all the power to Moderate Democrats like Manchin when negotiating with his party. The Bill he wanted has passed without him being forced to vote for the massive \$3.5 Trillion Reconciliation Bill that he does not agree with.

Do not bet on this massive Bill passing anytime soon and assume it will be sliced apart.

Senator Joe Manchin summarized the economic issues America currently faces in a tweet on Wednesday.



He more than likely will be joined by other members of the president’s party in opposing any new massive spending package especially during this period of high inflation.

Transitory? Not so much.

A few weeks ago, we did a [Webinar on Inflation that you can find here](#).

We continue to believe that the inflation we are seeing is not transitory and will continue for the foreseeable future.

On Wednesday the U.S. Bureau of Statistics released the October inflation data and it was not good....

ECONOMY

U.S. consumer prices jump 6.2% in October, the biggest inflation surge in more than 30 years

PUBLISHED WED, NOV 10 2021-8:31 AM EST | UPDATED 31 MIN AGO

Prices over the last year have jumped 6.2% for consumers, the highest since December 1990. The CPI’s yearly high was 5.4% before this month, which was a 14-year high. October smashed that record. Economists had forecast an inflation rate of 5.8%. Seven of the last eight CPI releases have beat economist estimates. Inflation will not stop here; energy shortages and supply chain gridlock will keep prices rising.

Inflation has yet to be confronted in any significant way by the U.S. Government.



MONETARY POLICY

Biden Won't Be Able to Spin His Way out of Inflation Crisis

By PHILIP KLEIN | November 10, 2021 9:05 AM



According to a user on Twitter, inflation is as high as it was back in the 1970s-80s.



The CPI calculation has changed over time to decrease the rate reported.

Inflation Surge

Consumer prices grew 6.2% annually in October, the fastest pace since 1982.



Note: Seasonally adjusted.
Source: Labor Department

The U.S. Producer Price Index was also released this week.

ECONOMY

Wholesale prices rose 8.6% year over year in October, tied for highest ever

PUBLISHED TUE, NOV 9 2021-8:32 AM EST | UPDATED TUE, NOV 9 2021-10:07 AM EST



The PPI is often used as a forecast for the CPI. Producers will not hesitate to raise consumer prices; they want to keep the same profit margins.

Inflation is destroying those who are holding large amounts of cash. Real assets remain the best hedge against inflation.

Update on Uranium

An ongoing topic we have followed within the energy industry is nuclear energy.

The ongoing climate goals set by developed nations that will decrease emissions from fossil fuel burning will create an opportunity. Many believe this decrease in fossil fuel reliance will be filled with renewable and green sources of energy. Renewable sources of energy have already shown how unreliable they are even in a small sample size (17% of the EU's electricity grid is powered by renewables and the EU is currently dealing with an energy supply shortage due to historically low wind speeds). Nuclear energy could be the answer to this issue.

Nuclear energy is reliable in comparison to renewable sources, and it is also cleaner than fossil fuels.

On Tuesday, France announced it was planning to build new nuclear reactors.



French leadership cited climate goals as one of the reasons to build the new reactors.

France is more dependent on nuclear energy than any other nation globally, but its reactors are aging, and rapid replacement will need to happen to avoid energy shortages.

France will consider nuclear energy as a renewable source. This is a very bullish move for nuclear energy in Europe.

Led by France, 10 EU countries call on Brussels to label nuclear energy as green source COMMENTS

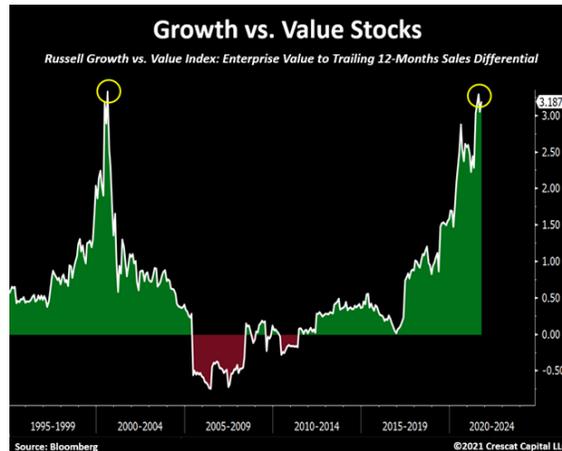
By Euronews • Updated: 12/10/2021

Look for more countries to come to this harsh reality as energy shortages continue going forward. The energy shortages we are seeing are self-inflicted wounds by policymakers that will probably get worst.

Growth vs. Value

Growth stocks relative to value stocks are trading at the highest multiples since the early 2000s at the Dot Com Crash.

Our friends at [Capitalist Exploits](#) had a great image that describes this.



Might be time value stocks begin to outperform these hypergrowth companies but, don't tell Cathie Wood that!

Electric Vehicles Galore!

Last week we highlighted the much-anticipated Rivian IPO that was supposed to raise between \$8.5-9.6 Billion valuing the company over \$50 Billion despite only producing 56 cars so far.

On Tuesday Rivian released that it had raised \$11.9 Billion through its IPO selling shares at \$78/share. Rivian began trading on Wednesday afternoon under the ticker RIVN. According to the Wall Street Journal, Rivian will open with a valuation of \$77 Billion at \$78/share. This would value Rivian as the 9th largest automobile manufacturer across the globe. Rivian's market cap would only be \$2 Billion less than Ford's and would be larger than BMW, Ferrari, and Honda. Rivian would only be trailing Tesla in terms of the market caps of electric vehicle makers.

Raising \$11.9 Billion through IPO would be the 7th most since 1995 across North America.

Rivian shares closed over \$100/share on Wednesday, a nice 29% IPO pop.

Ford is an investor in Rivian. Ford's investment would be worth 10% of Ford's total market cap at Rivian's open.

Rivian remains extremely overvalued at the current valuation.

Another electric vehicle maker, Nikola released its 3rd quarter financials last week.

Nikola was one of the biggest SPAC darlings but, since last summer has fallen dramatically.



Nikola is trading 75% lower than it did at its peak last June, but it is also trading well below its 52-week high.

Nikola's financials in the 3rd quarter can be highlighted by 1 tweet.



Nate Anderson is an analyst at Hindenburg Capital, a notorious short-selling firm. Hindenburg put out the initial short report on Nikola last year.

Nikola remains pre-revenue and is burning cash at a fast rate. Nikola also has run into trouble with the SEC on fraud and will pay a 9 figure fine.

Hopefully, the market starts properly valuing production as well as the underlying technology, not just valuing a company on how innovative it is. The technology is groundbreaking but, not the only aspect when producing automobiles. The market is in a time where technology trumps all.

MacNicol & Associates Asset Management Inc.
November 12, 2021