

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.*



Robbins Reef Lighthouse, Bayonne, New Jersey



Cape of Good Hope, South Africa.

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



Wealth Tax: Fiction vs. Reality

Many policymakers use buzz words like “Tax the rich” and “Wealth-tax”, both of which are quite popular amongst young voters. These politicians cite theoretical studies for success with these policies.

Senator Bernie Sanders is one of the biggest supporters of these statements. He is a self-described socialist, supports high taxes, and mass government spending. He helped architect the original \$3.5 Trillion Reconciliation package citing the Bill should be double the size. The Bill has been since slashed in half and is unlikely to pass anytime soon.

Sanders has publicly sparred with moderate members of his party regarding government spending.

Scoop: “How about zero?” Manchin, Sanders get heated behind closed doors

 Alyna Treene, Hansa Nicholas

Over the past weekend, Elon Musk went on Twitter again and “trolled” Senator Bernie Sanders replying to Sanders’s tweet.





As of Monday afternoon, Tesla stock dipped below \$1,000/share and was down 15% over the previous 5 days. Tesla’s market cap also is under \$1 Trillion for the first time since cracking that feat last month. Fast forward to Wednesday and Tesla had erased that loss, the company is back to being worth \$1.1 Trillion+.

Tesla investors like always are along for the volatile ride. Big gains and big losses are just another part of investing in Tesla. Tesla investors may want to turn on Elon Musk Twitter notifications to react to short-term price changes.

Elon Musk who had a net worth of over \$306 Billion on November 2nd has lost quite a lot over the past few weeks.



According to the Forbes Live Billionaire Index, Musk's net worth is \$261 Billion as of Monday afternoon. \$45 Billion lost in 2 weeks! The gap between Musk and the field has grown exponentially over the last few months.

	1	Elon Musk	\$261.1 B	▼ \$10.4 B -3.83%	50	Tesla, SpaceX
	2	Jeff Bezos	\$204.4 B	▲ \$1.3 B 0.62%	57	Amazon

Musk also clashed with the famous fund manager, Michael Burry this past week.

Burry who has publicly bet against Tesla, said Musk's recent behavior makes him think that Musk knows Tesla stock is trading too high. Burry also believes Musk may owe back the loans he has taken out to finance his life. Musk historically has not taken a salary at Tesla and uses Tesla stock as collateral for those loans.

Musk did not seem to like Burry's comments....



Musk has never been a fan of shorting companies and believes it should be illegal. Burry made his name by shorting the housing market. A match not made for each other!

All Hail Nuclear!

The U.S. seems to be jumping onto the Nuclear train. As the green transition accelerates and President Joe Biden helps the U.S. lead the way, some sort of reliable source of energy will need to fill the gap fossil fuels will leave.

We are not suggesting oil and gas are dead. They will be alive and well for decades to come. There may just be a scale-back of consumption especially in Western developed countries that have extremely progressive green energy goals. This transition also may be short lived if people face energy shortages.

The \$1.2 Trillion Infrastructure Package that Joe Biden signed into law over the weekend has allocated \$62 Billion to the U.S. Department of Energy. \$2.5 Billion has already been designated to advanced nuclear energy through the DOE's Advanced Reactor Demonstration Program. \$6 Billion has been designated to prevent the retirement of existing and aging U.S. nuclear reactors.

There will also be many other winners from this Bill being signed into law.

Nuclear-supporting infrastructure bill becomes US law

16 November 2021



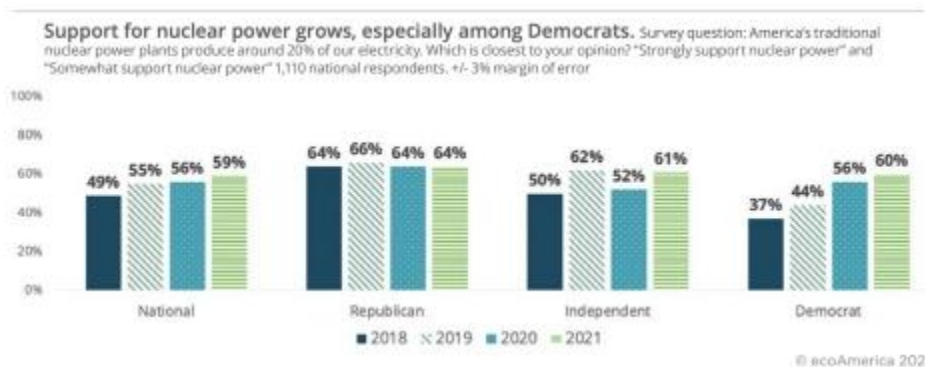
US President Joe Biden yesterday signed into law the bipartisan *Infrastructure Investment and Jobs Act* (also known as the Bipartisan Infrastructure Deal). The USD1.2 trillion package is a key part of the president's Build Back Better agenda and contains a total of more than USD62 billion for the US Department of Energy (DOE) to deliver a "more equitable clean energy future", including preventing the premature retirement of existing nuclear plants and investing in advanced nuclear projects.



President Biden signing the act yesterday (Image: The White House)

It also appears the U.S. public is leaning into nuclear energy.

A survey was conducted on Americans' support of nuclear energy and how has it changed over the last 4 years.



59% of this survey support the use of nuclear energy, Americans are realizing what we all knew, nuclear energy will need to play a key role in energy going forward. Wind and solar may sound good but neither are reliable on a large scale (17% of the EU power grid was powered by renewables and now the EU

faces shortages). How can you increase energy reliance on wind and solar energy when it's unstable in its current limited use?

The media also seem to be championing this nuclear shift.



SCIENCE • CLIMATE CHANGE

A New Generation of Nuclear Reactors Could Hold the Key to a Green Future

How nuclear power plants could help solve the climate crisis

Nuclear power is used to produce energy that's both reliable and clean. Why aren't we using more of it?



Daniel Van Boom · Nov. 16, 2021 11:27 a.m. PT

▶ LISTEN - 17:56



Keep watching nuclear and uranium prices.

European Style Blackouts Head West?

As Europe braces for blackouts due to an energy shortage, some in the U.S. have slowly started to sound the alarm regarding possible blackouts.

No blackouts have occurred on a large scale as of now... but that could change.

Biden has asked for OPEC and U.S. Oil and Gas Producers to increase production to counter high prices as consumers are not happy with the rise at the pump and on electric bills (not to mention all the other products that have risen in price due to oil).

Last Friday, Spire Energy, a Missouri utility company warned President Biden of the consequences of shutting down the STL Pipeline.

Missouri Utility Warns Of Blackouts As Biden Administration Considers Shutting Pipeline

Spire Energy emailed its customers (1.7 million homes) that a federal review of the pipeline could jeopardize the company's energy supply.

This move is yet another counterproductive move by the U.S. government to counter high energy prices and secure a reliable energy supply. The Keystone XL was revoked earlier this year, an Alaska oil drilling project was canceled, and Line 3 in Michigan is also under federal review.

Domestic oil prices do not look like they will be dropping anytime soon.

With all this new regulation and no cooperation from OPEC, the U.S. reduced its strategic petroleum reserves to the lowest level in 18 years.



Supply in the mid-term will drop which will raise prices, in the short-term prices may drop slightly but, that trend will not continue for long.

Xi is Playing Chess While the U.S. Play Checkers

According to a recent report by McKinsey & Co. released on Tuesday, China has overtaken the U.S. as the world's richest country.

 NewsBytes  @NewsBytesApp

Yesterday

China overtakes US as world's richest; experts sound caution

China has overtaken the United States as the world's richest country, a recent report by the research arm of consultants McKinsey & Co. revealed. The study examined the balance sheets of 10 countries representing over 60% of world income.

Photo via @NewsBytesApp

China's wealth has grown from \$7 Trillion in 2000 to \$120 Trillion in 2020. The same metric had U.S. wealth growing to \$90 Trillion in 2020, doubling since 2000.

McKinsey highlighted this wealth jump is not the same as GDP. The U.S. still has a higher GDP than that of China. Economists are split on when China will surpass the U.S. in terms of total GDP. Some believe it will take 50 years, but some are sounding the alarm that it could happen at the end of this decade.

According to this report, 68% of global wealth is held in real estate, the highest figure on record. Melt up leading to higher real asset prices.

Rivian is Worth How Much?

In the [November 5th edition of *The Weekly Beacon*](#), we mentioned the highly anticipated IPO of the electric car maker Rivian. Rivian has been dubbed as the most serious competitor to Tesla to date. Even though we do not agree with Tesla's valuation, it seems like a much better deal than Rivian does at these levels.

When investors put production on the back burner and just think about hype and innovation, you get Rivian.

Monday, 25 October 2021 22:58

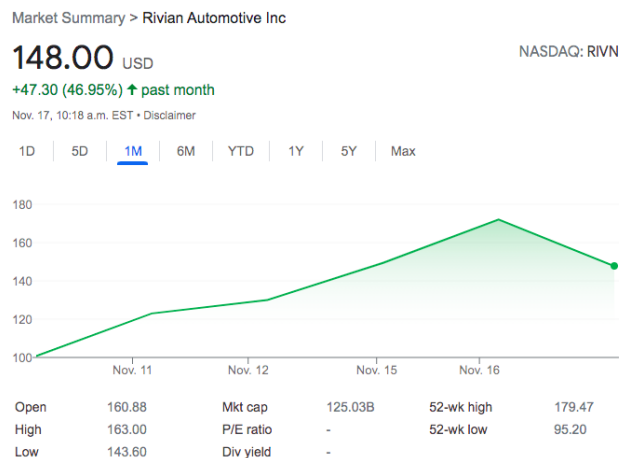
Rivian Has Built 56 R1Ts As of Oct. 22---2 Vehicles Per Day

Written by Dan Mihalascu, Inside EVs



As of a month ago, Rivian had only produced 56 cars.

As of Wednesday morning, Rivian shares were trading just shy of \$150 even with a 12% pullback on Wednesday morning. Shares peaked on Tuesday at \$179/share.



Rivian went public last week with a reference price of \$78/share which was already quite overvalued. Doubling in price in 2 weeks, the hype is real.

Rivian hopes to deliver 1,000 vehicles by the end of 2021.

As of Wednesday morning, Rivian had the 5th largest market cap for an automaker. Before the Wednesday morning pullback, Rivian was only behind Tesla and Toyota in terms of total valuation.

At a market cap of \$125 Billion, each delivery for Rivian would be worth \$125 Million if they were able to deliver on their 1,000 car promise.

Valuations have been truly thrown at the window.

Inflation Stays Hot up North

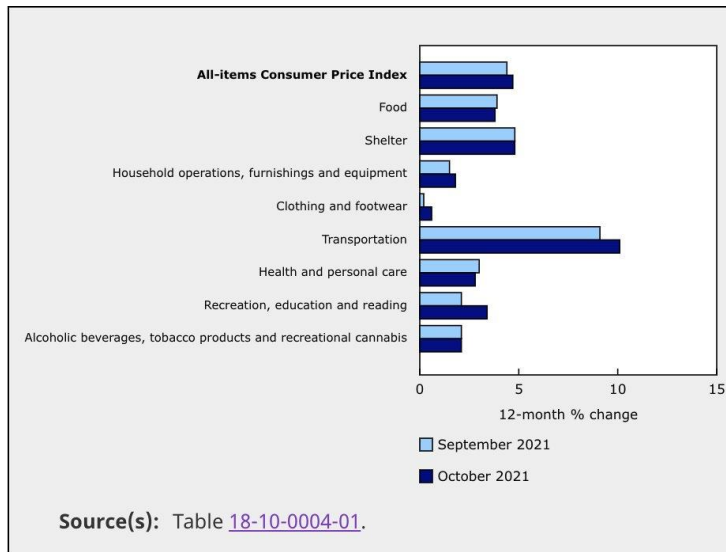
Canada's October CPI was released this past Wednesday.

Canada's inflation rate jumped to an 18 year high of 4.7%.

Canada's inflation is still lagging the U.S. who saw inflation rise to 6.2% at the end of October. The U.S. inflation rate could be some foreshadowing for Canada. Canada has opened at a slower rate than that of the U.S. which may just delay the inflation problem.

Prices for Canadians are rising everywhere.

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Transportation saw the largest jump, and this could continue especially with vaccine mandates by Provincial and Municipal Governments.

TTC plans to reduce service next month due to staff shortage caused by vaccine mandate



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Even if the TTC does not raise prices, substitute prices will rise as the demand grows.

Even some of the Big Banks are starting to get uncomfortable with current inflation and are sounding the alarm.

Politics

Trudeau Risks Stoking Inflation With Stimulus Plans, Scotia Says

By [Shelly Hagan](#) +Follow

November 16, 2021, 9:39 AM EST

Within this Bloomberg article....

Trudeau's Liberals promised C\$78 billion (\$62.3 billion) over five years in [new spending measures](#) during the election campaign. That's on top of C\$140 billion in spending earmarked over five years from Freeland's 2021 spring budget.

It's safe to say the Government has already stoked inflation even without this future spending.

Stimulus and generous economic recovery plans throughout Covid-19 led to this issue. Government money printing will only make the issue worse as the deficit expands.

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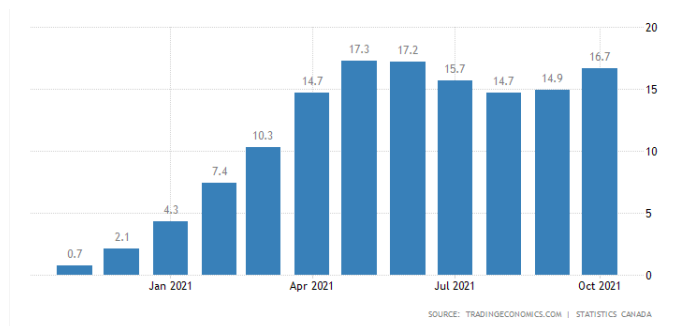
Canada's PPI is also a nice indicator that foreshadows consumer inflation and well it tells us inflation is not going anywhere, anytime soon.

The Canadian PPI is at record levels.



The producer price index is at the same levels as the 1970s.

October's PPI came in at 16.7%, a 1.8% jump from the month previous. The downtrend that started in July looks to be over as input prices are roaring higher.



These prices will result in consumer price increases for months to come.

Notable MP, Pierre Poilievre has been warning Canadians about inflation for months, summarized the changing view on inflation by the Government of Canada.



Perhaps the craziest opinion on inflation comes from some mainstream media outlets.



Jon Schwarz
November 10 2021,
3:25 p.m.

Inflation Is Good for You

Don't panic over milk prices. Inflation is bad for the 1 percent but helps out almost everyone else.



Inflation is a good thing? What?

5% price rises destroy the savings of the middle class and decrease their salary's purchasing power.

Poillievre also highlighted an article from Bloomberg where President Obama's Former Chair of Global Development says the FED cannot be trusted, inflation is not transitory, and inflation hurts the poor the most.



The tide seems to be turning, inflation is real, and people are waking up.

Climate Expert?

Self-proclaimed climate expert, Congresswoman Alexandria Ocasio-Cortez (AOC) seemed to confuse Natural Gas and Oil in a long-form Q&A. She assumed the canceled Keystone XL and Line 3 pipelines were proposed to increase natural gas exports.

The pipelines import crude oil from Canada, the pipelines were to promote North American trade and independence in energy supply. AOC claimed these lines were used to maximize profits and sell as much oil to Canada.

We only highlight this story because these are the people in charge of our governments! If they have no idea what is going on, then how can they help their constituents. This is especially true for AOC, the author of The Green New Deal, a hyper-aggressive climate Bill that would end fossil fuels and invest in green energy. The Bill has an estimated price tag of \$93 Trillion. The Bill was voted down a few years ago. At \$93 Trillion, this Bill makes the U.S. Debt pile look small. The U.S. National Debt is currently at \$29 Trillion.

MacNicol & Associates Asset Management Inc.
November 19, 2021

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