

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.



St Abb's Head Light, Scotland



Douglas-Saugatuck Lighthouse, Douglas, Michigan

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



Cathie Wood: continues to sell Tesla

Cathie Wood, who we have mentioned numerous times in past editions of [The Weekly Beacon](#), has recently started to trim her holdings in Tesla.

For clients who have held Tesla, we would agree with Wood to start realizing Tesla stock gains and rotate out of the company. Tesla has historically traded at extreme multiples. The recent price run has increased those levels to all-time highs. Tesla stock is up 50% over the last month and up 190% over the last year. Wood selling her holdings in Tesla is a smart move.

We only highlight this move by her as it contradicts her entire platform and investment principles.

Earlier this year Wood set a 5-year price target for Tesla at \$3,000, this would value Tesla at over \$3 Trillion. Ark Investments owned over \$3.3 billion (approximately 5.4 million shares) worth of Tesla stock at this price prediction back in March.

AUTOS

Tesla Stock Could Hit \$3,000, Cathie Wood Says. How That Compares With Wall Street.

By Al Root Updated March 24, 2021 8:44 am ET / Original March 23, 2021 12:06 pm ET

Or

Ark has not bought Tesla since June 3rd and has unloaded 37% of its shares since August 3rd. The majority have been sold over the last month. So why is one of the biggest Tesla bulls selling? Tesla is trading just above \$1,100 and at a \$3,000 target, Wood believes Tesla can still triple.

Wood and Ark have missed out on profits with the recent Tesla price surge. Tesla has been one of the largest winners in Ark's holdings this year. Ark's flagship fund ARKK, is down 0.59% year to date.

Her views on the market have not altered, she remains very bullish on today's markets. Bullish on technology, EV's, and her favorite, disruptive innovation.

Perhaps she is rotating away from Tesla as she realizes it might be overvalued. Some of her recent price targets have been even more outlandish than her Tesla price prediction.

Cathie Wood predicts bitcoin will surge to \$500,000 in 5 years - and says Ark Invest's confidence in ether has shot up dramatically

Wood's even recently said the bull market could continue until 2038 citing millennial support and market sentiment.

MoneyWise

Cathie Wood says this tailwind will push the bull market to 2038



Jing Pan

October 20, 2021 · 4 min read



17 more years! Wow, the stock market would essentially be a casino at that point.



We disagree with her on the “*never-ending bull market*”.

Market manipulation or delusion?

A few weeks ago, Netflix released the T.V. show, Squid Games. Millions have watched the hit T.V. show.

On October 20th a Squid Token Cryptocurrency was launched. The coin has no affiliation with Squid Games or Netflix. The Squid Token is yet another “meme coin” that has no usefulness; similar to crypto darlings, Dogecoin and Shiba-Inu.

The price chart over the last week or so paints a grim picture. Was this manipulation or just more market delusion?



The price collapsed immediately after surging.

A BBC article published Monday night:

Squid Game crypto token collapses in apparent scam

9 hours ago

Within the article.....

Last Tuesday, Squid was trading at just 1 cent. In less than a week its price had jumped to over \$2,856.

The chart does not even do the price justice! The chart only shows the run-up to \$600 but it reached almost \$3,000 at one point. The price collapsed by 99.9% and has wiped out retail investors who got in.



According to reports, retail investors could only buy coins and were barred from selling at a certain point. Crypto experts warned investors that this project had the potential for a scam. Developers ran away with millions dumping their holdings at the top.

A user on Twitter pointed out the minute-by-minute manipulation we saw in the Squid Token.



Looks like manipulation, down to 5-minutes. Squid Token investors who looked away from their phones for just minutes would have been shocked upon returning.

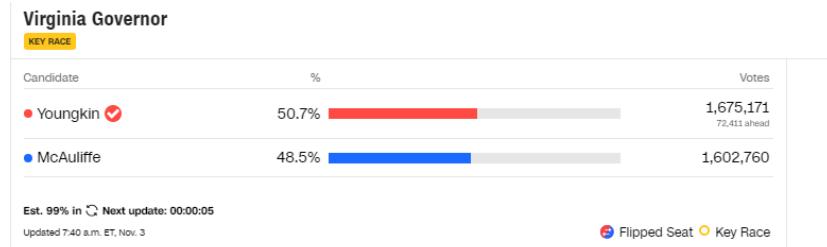
Squid Token and other “pump and dump” schemes will continue to cause issues for the entire cryptocurrency industry. These coins overshadow any good that can be found throughout crypto.

Election day In Virginia

In last week's issue of [The Weekly Beacon](#), we mentioned the Virginia Governor's race as the one to watch during this week's off-year elections in the U.S.

Well looks like we have something to watch leading up to next year's midterms. Governor-elect Glenn Youngkin upset former Governor Terry McAuliffe.

Youngkin won the vote by over 2%, not much in the grand scheme of things but a massive shift.



In the last Virginia Governor's race, the Democrat won by 8%. It had been 12 years since a Republican won a statewide election in Virginia (Governor, President, Senate).

The race was not just about the gubernatorial candidates, the vote followed the same trend all the way down the ballot. Republicans won the Lieutenant Governor and Attorney General elections. The Republican party also looks to have reclaimed the Virginia House of Delegates.

Republicans claim House majority in Virginia after Tuesday election

This will allow Youngkin to have much more support when passing legislation.

We do not highlight this because we are political junkies, but because we see a major trend that will continue.

A decently blue state that President Biden won by 10% a year ago and that Terry McAuliffe was leading in polls by 8% just 6 weeks ago. So, what happened?

Voters in Virginia seem to be sending a message to Democrats. People are not happy about gas prices being up, inflation soaring, shelves being empty, immigration being a mess, and many other issues.

The trend we see unfolding is not just in Virginia.

The New Jersey Governor race is dead even as of Wednesday morning and is too close to call.



The race being even is a massive loss for Democrats. In the 2017 Governor's election, Phil Murphy won by 15% and in 2020 President Joe Biden won by 16%. That is a massive swing even if the Republican-backed candidate loses.

The real question: What will Democrats do to solve the issue they have on their hands?

It seems they have already started the blame game.

Far-left Democrats blame Manchin, Sinema for McAuliffe's loss in Virginia



Voters punish Democrats amid left drift

 Margaret Talev

Progressives blaming moderates and moderates blaming progressives. Classic Washington.

Virginia as a “blue state” is not extremely progressive, moderate voters shifted their party support. Voters have followed what’s going on in Washington and have punished extreme progressivism.

We mentioned this election will impact the midterms and more than likely will shift the power dynamic in Congress. The short-term implications may be more impactful on financial markets.

Moderate Democrats who worked to cut the \$3.5 Trillion Reconciliation Bill down to under \$2 Trillion may be weary to vote for the Bill even with the cuts. Voters turned out and may have given them enough of a political nightmare to change their vote.

The Reconciliation Vote has not been voted on and the \$1.2 Trillion Infrastructure Bill that was passed in the Senate has yet to be passed in the House due to progressives holding the Bill up until the larger Reconciliation Bill is passed.

Many point out the results in Virginia give moderates no reason to change their vote on the larger Reconciliation Bill. There could be some Washington gridlock in the coming months. We still believe the Infrastructure Bill will pass which will benefit Construction Equipment Manufacturers, Electric Vehicle Charging Companies, Water Utility Companies, Broadband Towers, and Internet Providers. However, the process could continue to be delayed.



Rivian IPO

We have mentioned the company Rivian a few times in past issues when discussing the largest electric vehicle companies. Rivian remains a private company but will officially IPO on November 8th, 2021.

Rivian was founded in 2009 and was the first electric vehicle maker to manufacture an electric pickup truck (they beat Tesla).



Rivian will be valued between \$50-55 Billion which is much lower than original rumors which pegged the valuation of Rivian near or above \$80 Billion. Rivian will raise between \$8.5-9.6 Billion through its IPO.

At \$55 Billion, Rivian would have the 3rd largest market cap by an Electric Vehicle maker (Tesla and Nio). Rivian is backed by Amazon who owns 20% of Rivian and by Ford who owns 5% of Rivian. After the IPO completion, Rivian would be worth more than Ferrari, Hyundai, and Kia Motors.

Rivian expects to start delivering vehicles to customers in December 2021. At September's end, Rivian had received 48,390 orders and \$1,000 deposits from U.S. and Canadian consumers. The deposits are refundable. At the current run rate of 2 vehicles per day, Rivian would run out of cash before they deliver the 48,000 vehicles. Production speed needs to increase.

We mentioned Rivian would be bigger than the automobile giant, Hyundai. Hyundai expects to sell 4.16 million cars in 2021, 86 times the size of Rivian's pre-orders.

Rivian Has Built 56 R1Ts As Of October 22 Or Two Vehicles A Day

The EV startup has delivered 42 electric pickups to customers, most of them company employees.

The most interesting thing about Rivian; the company will be worth almost \$56 Billion, yet they have only built 56 cars so far. \$1 Billion for every car built!

We understand to look forward and Rivian does look more promising than other EVs that have gone public over the last year or so. However, the valuation looks quite expensive at this point.

Many point to Amazon ordering 100,000 cars from Rivian as a great sign. When looking deeper, Amazon or Rivian has the option to cancel this order at any time if they want. No major financial commitment.

The numbers:

Rivian had a net loss of over \$1 Billion in 2020. That is likely to double in 2021. Even though Rivian will start seeing revenue in the 4th quarter, the company warned investors that they will be operating in a loss for years to come as they rapidly grow. That is quite normal for new companies, however, the biggest red flag in [Rivian's S1 filing](#), Rivian expects "cumulative spending on capital expenditures to be approximately \$8 billion through the end of 2023 to support our continued commercialization and growth objectives as we strategically invest in infrastructure, including additional manufacturing



capacity, battery cell production, service operations, charging networks, experience spaces, and software development."

The company also highlights proceeds from the IPO will allow them to meet operational expenses, working capital, and capital expenditures for at least the next 12 months. What happens if it is only enough for 12 months? Will they have another cap raise?

Rivian may be a big player going forward but, we are a long road away from that.

Climate Summit

In last week's edition of *The Weekly Beacon*, we mentioned the COP26, a United Nations Climate Summit that will be going on for the next few weeks. This past weekend was the highlight of the Summit. The Summit had over 25,000 attendees from 200 countries including 120 heads of state.

The Summit has similar goals to the Paris Climate Accord and highlights a rapid expansion to green energy, divestment from fossil fuels, and for developed nations to assist the developing world on the path to a green world.

First off, much of the developing world lives in the dark and does not have access to electricity. How are they going to be able to maintain expensive green energy? It will be costly for developed nations to transition; how high will taxes be to transition the whole world? There are also more pressing issues that plague the 3rd world that could be solved rather than the climate; famine, disease, health care, and war just to name a few.

Perhaps the funniest part of the Climate Summit, 400 private jets flew into Glasgow for the Summit over the weekend. Fifty-two within a few hours that caused major landing issues. The traffic jam led to empty jets flying 30 miles away to find parking. Amongst the attendees were President Joe Biden, Prime Minister Justin Trudeau, Amazon founder Jeff Bezos, Microsoft founder Bill Gates, former President Barack Obama, Oscar award winner Leonardo DiCaprio, Prince Harry, and many more of the elite across the world.





Four hundred jets at a Climate Summit? Seems counterproductive at a minimum. Seems like excessive use of oil for a conference trying to minimize oil use.

There is also the massive U.S. Presidential envoy that uses 85 gas-powered cars that are all privately transported from the U.S. abroad. This is not a solely Biden decision but just seems like overkill and seems extremely hypocritical when attending a Climate Summit.



NEWS

Biden tours Rome with 85-vehicle motorcade ahead of 'climate' summit

By Steven Nelson

October 29, 2021 | 2:12pm | Updated

Last week President Biden asked U.S. companies to increase production of oil and gas while he simultaneously promoted the decrease in reliance on fossil fuels at the Climate Summit.

Perhaps Biden forgets that he canceled the Keystone XL project between the U.S. and Canada on the first day of his presidency.

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

He has been begging OPEC to increase production for months as prices have soared.

We have mentioned oil and gas are going nowhere even if the West wants it to. The divestment by Western oil producers (Canada and the U.S.) will just transfer power to OPEC nations and Russia who will be more than happy to increase production.

Trudeau went on to reconfirm his stance on decreasing emissions at the Summit.

"We'll cap oil and gas sector emissions today and ensure they decrease tomorrow at a pace and scale needed to reach net zero by 2050," Trudeau told the leaders.

"That's no small task for a major oil and gas producing country. It's a big step that's absolutely necessary."

Even with the global energy shortage that is plaguing Asia and Europe, the Summit reaffirmed that this should only speed up the transition to green energy.

While the Summit gathered, there were a few notable absences. Chinese leader Xi, Russian President Putin, and Turkish President Erdogan. Covid-19 and domestic issues were cited as reasons for absence.

Perhaps those leaders see energy a little differently. Russia depends on oil and gas exports and is holding the EU captive over the Nord Stream 2, China is facing a similar energy shortage to Europe, and Turkey wants to continue to grow at a fast rate.

While Summit attendees took shots at President Xi, China quietly increases its use of coal.



What climate crisis? China tackles energy shortage by boosting coal production by a million tonnes a day as world leaders – minus President Xi – attend COP26

Who thought coal was dead? Looks like it may be the only way China can avoid major energy shortages this winter.

The Prime Minister of Norway who attended the Climate Summit made an interesting statement while in Glasgow. A user on Twitter thankfully translated it.

 LookingForHiddenValue
@gjermundgroen

I had to retweet this this. Norway's Prime Minister Jonas Gahr Støre in Glasgow:
"High energy prices in Europe can be partly explained by us scaling back use of fossil energy sources.
Nuclear power has been phased out, and renewables are not stable enough to replace it"

 Pepsigro @Pepsigro - Nov 1
Goda at Støre er ærlig om hva som skjer i Glasgow. I motsetning til legnpressen.

:02 Støre om energikrisen i Europa ▾
Energipriser i Europa kan delvis forklares med fossil energi er bygget ned, sa statsminister Jørn Støre (Ap) på klimatoppmøtet i Glasgow mandag. – Atomkraft er faset ut, og det fornybare ikke stabilt nok og oppe og går til å erstatte

3:14 AM · Nov 2, 2021 · Twitter Web App

27 Retweets 2 Quote Tweets 108 Likes

Renewables causing the shortage across Europe is a thesis we have repeated but to have a Western leader finally agree with us is quite surprising.

Even though many experts use Norway as a leader in the green transition, the country seems to have a realistic approach.

(J) JUNE 12, 2021

Norway sees oil in its future despite warnings

by Pierre-Henry Deshayes

Norway also exports the 10th most oil across the world, the most in Europe.

Oil and gas are not disappearing anytime soon.

Speaking of energy:

The energy shortage, the globe is presently battling will continue as the green transition accelerates.

To move off things like coal, countries will look to nuclear energy as a renewable source.

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China is currently using coal to fend off supply issues.

China has announced it will move to nuclear power to cut emissions. China has announced it will be building 150 new nuclear reactors over the next 15 years.

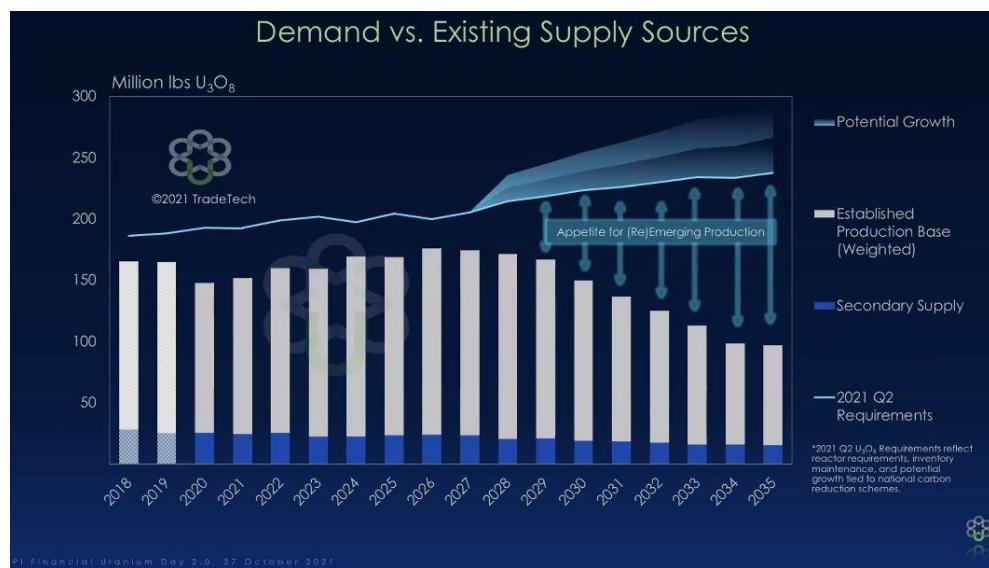
COMMODITIES 22h ago

China's climate goals hinge on a US\$440B nuclear buildout

Dan Murlaugh and Krystal Chia, Bloomberg News

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China has also set a goal of quadrupling the country's nuclear supply from 50GW to 200GW by 2035. This will increase the demand for Uranium substantially. PI Financial hosted a webinar on October 27th called Uranium Day 2.0 and displayed an image that shows how much that demand could increase while supply lags.



MacNicol & Associates Asset Management Inc.

November 5, 2021