

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.*



Gull Harbour lighthouse, Gull Harbour, Manitoba



Cape Norman lightstation, Cape Norman, Newfoundland

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

Pandemic Darlings

The onset of Covid-19 has caused the global economy numerous issues. Financial markets are extremely volatile and have yet to reach pre-pandemic volatility levels. Even though 2020 had its issues, non-traditional stay-at-home technology stocks took off. The names are endless and early investors benefited greatly from stay-at-home orders, hopefully, those investors decided to sell back in 2020 because 2021 has been an absolute mess for the same stay-at-home and hype stocks.

Every high growth 2020 winner has had a massive decline in 2021 and many retail investors were caught holding the bag on the way down, especially if they listened to Cathie Wood and other hype investors.

High Growth Boom/Bust (data as of 12/16/21)							
Company	Ticker	2020 Return	2021 Return	Company	Ticker	2020 Return	2021 Return
NIO Inc.	NIO	1112%	-39%	Redfin Corp	RDFN	225%	-43%
QuantumScape	QS	753%	-72%	FuboTV Inc	FUBO	214%	-42%
Workhorse Group Inc	WKHS	551%	-75%	Chewy Inc	CHWY	210%	-40%
Farfetch Ltd.	FTCH	517%	-53%	DocuSign Inc	DOCU	200%	-34%
Peloton Interactive Inc	PTON	434%	-74%	Zillow Group Inc	Z	183%	-54%
Pacific Biosciences Inc	PACB	405%	-22%	Five9 Inc	FIVN	166%	-26%
Sunrun Inc.	RUN	402%	-51%	CRISPR Therapeutics AG	CRSP	151%	-49%
Zoom Video Communications Inc	ZM	396%	-47%	Wayfair Inc	W	150%	-15%
Pinduoduo Inc	PDD	370%	-68%	Roku Inc	ROKU	148%	-35%
Fate Therapeutics	FATE	366%	-41%	Teladoc Health Inc	TDOC	139%	-56%
FuelCell Energy	FCEL	345%	-43%	Chegg Inc	CHGG	138%	-69%
Fastly	FSLY	335%	-56%	GSX Techedu Inc.	GOTU	137%	-96%
DraftKings Inc	DKNG	335%	-42%	Palantir Technologies Inc	PLTR	136%	-22%
Appian Corp	APPN	324%	-58%	Coupa Software Inc	COUP	132%	-55%
Lemonade	LMND	322%	-66%	Stitch Fix Inc	SFIX	129%	-69%
ChargePoint Holdings	CHPT	309%	-52%	Elastic NV	ESTC	127%	-22%
Ontrak Inc.	OTRK	279%	-91%	RingCentral	RNG	125%	-54%
Tupperware Brands	TUP	278%	-53%	PayPal Holdings Inc	PYPL	117%	-19%
Pinterest Inc	PINS	254%	-47%	Spotify Technology SA	SPOT	110%	-28%
iRhythm Technologies	IRTC	248%	-59%	StoneCo Ltd	STNE	110%	-82%
Block Inc	SQ	248%	-24%	Opendoor Technologies Inc	OPEN	110%	-41%
Twilio Inc	TWLO	244%	-24%	Virgin Galactic Holdings Inc	SPCE	105%	-40%
Penn National Gaming Inc	PENN	238%	-48%	Wix.com Ltd	WIX	104%	-43%
C3.ai Inc	AI	230%	-76%	Lordstown Motors Corp	RIDE	102%	-80%



@CharlieBilello

Most of these companies listed above, plus many more were completely overvalued, produced little revenue, and the investment thesis was based on disruptive hope. The road to profitability for many of these companies is also very grim.

Investors should not have been surprised that the high growth early-stage Covid-19 ended up popping.

Back in November 2020 when looking through the video conferencing sector, we highlighted Zoom's expensive trading ratios and said.....

“Zoom’s price to book ratio will come back to Earth to a more reasonable valuation. Buying now would be quite risky. Overall Zoom has had the best year due to lockdowns. However, as tides change, and a vaccine becomes more likely zoom will begin to lose revenue streams. 2020 was a year for these stay-at-home stocks that probably were underutilized and will be utilized more in the future than in years past but not as much as 2020. If one thinks video conferencing is a thing of the future and will be occurring more, it’s important to not completely go all in. Zoom is a one-stop shop, video conferencing and that’s it.”

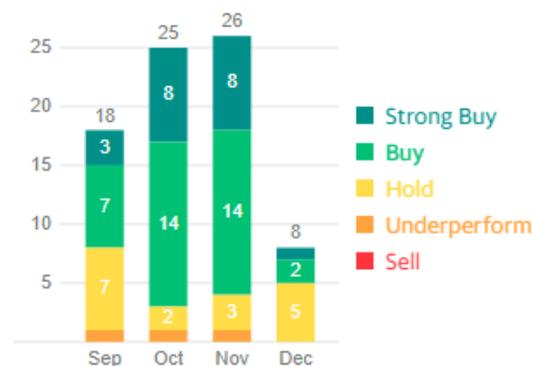


We recommended competitors who are more diversified and highlighted Zoom’s extreme valuation. That was when Zoom was trading above \$400, 12 months later, and Zoom trades below \$200/share.

The difference between Zoom and some of these other 2020 winners is Zoom creates revenue and the price increase made sense due to the stay-at-home order (maybe not at the amount it increased), a lot of these other names create minimal revenue and are not profitable and increased purely on Cathie Wood disruptive hype.

Even with the massive share price decrease in Nio, the company remains the 14th largest automaker in the world in terms of market capitalization. This makes Nio bigger than Honda, Hyundai, and Kia Motors. Nio has increased revenue in 2021 but, the profit margin has also decreased. Nio does not seem like it has a road to profitability in the short term and should not be compared to Tesla.

Even Wall Street has started to turn sour on the outlook for Nio, numerous analysts have dropped coverage of Nio in December and the bullish analysts seem to be decreasing.



EV’s could be the future but, pure EV producers are not the only way to play this trend. It also may take longer than many experts to think to mainstream EV’s. The best way to play EV’s remains, battery metals and the inputs needed to manufacture these cars.

We highlight these 2021 losers as many of them are hyped up and are regularly talked about in the media and on social media. This is a clear indicator to remember to check fundamentals when investing!



Down goes “Build Back Better”

The long-awaited Build Back Better Bill seems to have failed in Washington. A staple of the Biden campaign cannot get the in-party support to pass in Congress. The Bill had already been cut significantly but, it seems moderates in President Biden’s party do not seem to care, they believe it’s not the right time for this Bill, and it is too big to pass in general.

This past week Senator Joe Manchin went on TV and said he cannot support this Bill and will not be voting in favour of it in the New Year. This is a huge blow to Democrats as Manchin is a Democrat. With a 50-50 Senate, Manchin is siding with Republicans and Biden has no way forward with this Bill unless he gets Manchin on board somehow.

OUR COLUMNISTS

JOE MANCHIN KILLS THE BUILD BACK BETTER BILL

Manchin represents West Virginia, a state heavily reliant on coal mining, this Bill would negatively impact the entire coal industry and would have severe impacts on the West Virginia economy. Manchin has also mentioned the growing deficit and inflation as economic reasons he cannot vote in favour of this Bill.

Manchin’s actions have angered Democrats, a prominent Democratic political strategist even called West Virginians “dumb”, not the smartest way to gain support for a Bill.

It’s rare for a state that overwhelmingly voted for former President Donald Trump to support a Democrat but, that is what Joe Manchin does. Manchin has one of the highest approval ratings in the U.S. Senate, he is doing the job West Virginians elected him to do. Manchin is a true moderate in a time of polarization.

Peter King: Manchin may have just saved the country and Democrat Party

Duration: 04:44 2 days ago

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Steer clear of expert Jim Cramer

Jim Cramer, the host of Mad Money on CNBC has had a bumpy 2021 in terms of his stock recommendations. Cramer is one of the biggest financial television personalities and has a huge following (1.7 million Twitter followers).

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Cramer recommended numerous stocks to his viewers in early 2021 and a user online followed his early year picks throughout the year. We will just let you look at the picture.

company	ticker	date	in	paid	today	change
AgEag..	UAVS	Feb 12		14.7	4	-72.6%
Fuelc..	FCEL	Feb 01		21.9	6.5	-70.4%
Grits..	GRTS	Jan 20		25.5	7.5	-70.4%
Canaan	CAN	Apr 01		22	6.7	-69.3%
Romeo..	RMO	Jan 14		22	6.9	-68.2%
ang H..	EH	Feb 02		81.4	25.8	-68.2%
Fleet	XL	Feb 11		19.8	6.8	-64.9%
Ashfo..	AHT	Jun 18		50.9	17.9	-64.9%
Westp..	WPRT	Feb 10		11.4	4	-64.9%
Quant..	QS	Jan 07		62	22.6	-63.8%
Fuelc..	FCEL	Feb 23		17.2	6.5	-62.7%
Canop..	CGC	Feb 10		52.2	19.7	-62.7%
Danim..	DNMR	Feb 04		48.8	18.5	-61.6%
AppHa..	APPH	Feb 24		33.5	12.7	-61.6%
Plug ..	PLUG	Jan 13		69.5	27.1	-61.6%
Root	ROOT	Jan 22		19.6	7.8	-60.5%
Plug ..	PLUG	Feb 04		67.7	27.1	-60.5%
Poshm..	POSH	Jan 14		101.5	40.9	-59.4%
Plug ..	PLUG	Jan 14		66.5	27.1	-59.4%
Quant..	QS	Feb 23		55.5	22.6	-59.4%
Plug ..	PLUG	Jan 12		66	27.1	-59.4%
CEL-S..	CVM	Mar 04		18.3	7.7	-58.3%
Plug ..	PLUG	Feb 01		63.8	27.1	-57.2%
Fleet	XL	Mar 02		15.9	6.8	-57.2%
Lords..	RIDE	Mar 15		16.2	7.3	-55.0%
WiMi ..	WIMI	Feb 02		9.1	4.1	-55.0%
Balla..	BLDP	Jan 14		34.5	15.6	-55.0%
Quant..	QS	Jan 04		50	22.6	-55.0%
Skillz	SKLZ	Feb 24		33	15	-55.0%
Viaco..	VIAC	Mar 17		92.3	42.2	-53.9%
Quant..	QS	Apr 01		49.3	22.6	-53.9%
Canop..	CGC	Feb 05		42.9	19.7	-53.9%
Affirm	AFRM	Feb 12		125.9	59.4	-52.8%
Cardi..	CRDF	Jan 22		10.9	5.2	-52.8%
Surfa..	SURF	Jan 15		12.3	5.8	-52.8%
Fastly	FSLY	Feb 12		102.1	49	-51.7%
Canoo	GOEV	Jan 20		17.4	8.3	-51.7%
Workh..	WKHS	Jan 20		23.3	11.4	-50.6%
Veru	VERU	Feb 08		13.9	6.9	-50.6%

Many of these stocks are in the technology sector and are pure hype plays (Plug Power, Quantumscape, Workhorse, Fuelcell). Cramer took a page out of Cathie Wood's playbook and ignored fundamentals and recommended the future to his viewers.

The future may look a lot different today but, the present still cares about profitability, liquidity, and valuation.



Hopefully, you did not fall for the hype because 2021 was not kind for many of these investors. Wood and Cramer seem to always think, things will continue to go up as they ignore valuations, the economy, and historical trends.

U.S. Tax Record

We reported on the rumored tax bill of Elon Musk due to his Tesla stock selling and it appears he has set a U.S. record for an individual tax bill.

BUSINESS

Elon Musk's \$11 billion tax bill: biggest in history

Elon Musk said he will pay \$11 billion in taxes, responding to comments made by Sen. Elizabeth Warren

By Gitanjali Poonia | @gitanjalipoonia | Dec 20, 2021, 4:00pm MST

\$11 Billion in taxes is not chump change but, some in the U.S. government will continue to repeat that he does not pay his fair share.

A user on Twitter highlighted the real value of Musk's tax payment to the U.S. government in 2022.



Taxing the rich is all good and well until you realize how much the government spends. If Musk paid the government \$100 Billion, the U.S. government could not even operate for a week.

An article was written on Musk that calculated his 2021 tax payment on a per-day basis. Musk became an American citizen in 2002.



Whether you like it or not, Elon Musk pays a lot in taxes and adds tremendous value to society through his innovation.

Senator Elizabeth Warren continued her grudge at Elon Musk this week to which Musk replied that she does not offer value to the U.S. and that she pays almost nothing in taxes despite her net worth is over \$10 million.



Turkish Minimum Wage Hike

In [the November 26th edition of *The Weekly Beacon*](#), we mentioned that Turkey was combatting 20% inflation by cutting interest rates, this led to a Lira crash and inflation continued to run wild.

Over the past 2 weeks, the Turkish President decided to raise the minimum wage in 2022 by 50%.

December 16 2021 15:42:00



Minimum wage for 2022 raised 50 percent

ANKARA

A massive increase in the minimum wage would make progressives across the globe quite happy. The wage increase was a result of inflation eating away at the spending power of the Turkish population. This problem will continue to plague Turkey going forward.

The Lira hit another all-time low because of this policy decision last week.

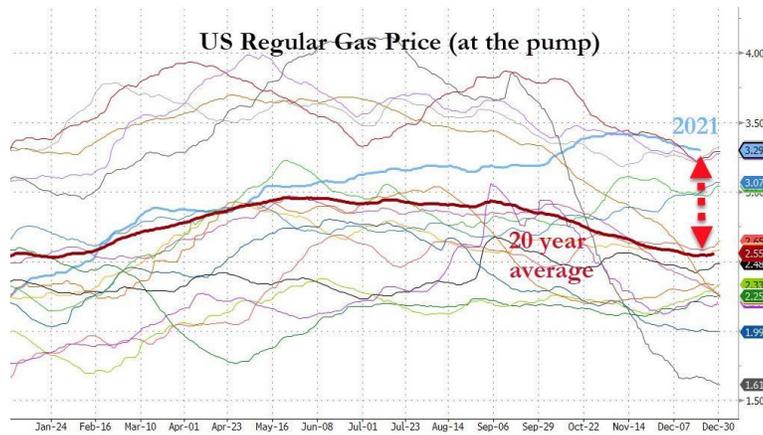
MARKETS

Turkish central bank cuts rates, sending lira to record low

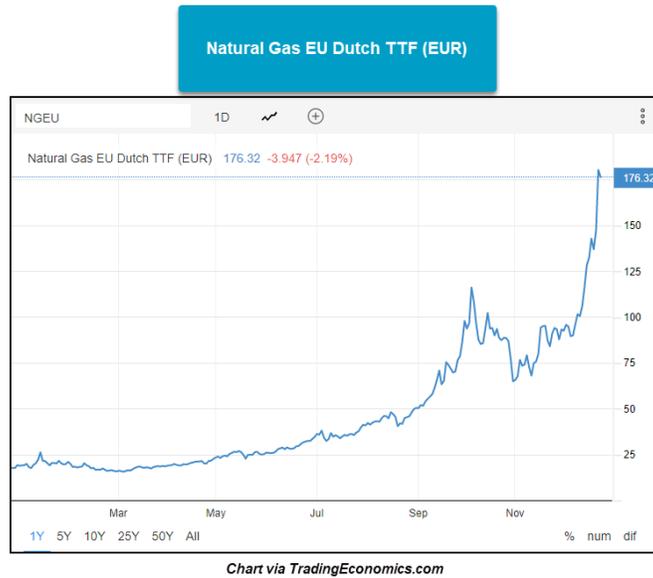
PUBLISHED THU, DEC 16 2021-6:06 AM EST | UPDATED THU, DEC 16 2021-10:18 AM EST

Holiday records

The 2021 Holidays have produced an unkind record to U.S. consumers, the average price of gas per gallon at the pump. We all have seen energy prices continue to run higher throughout 2021 but, prices may continue to increase as historically high prices paired with historically low output and reserves at seasonal lows will cause supply-demand deficits especially during the winter months.

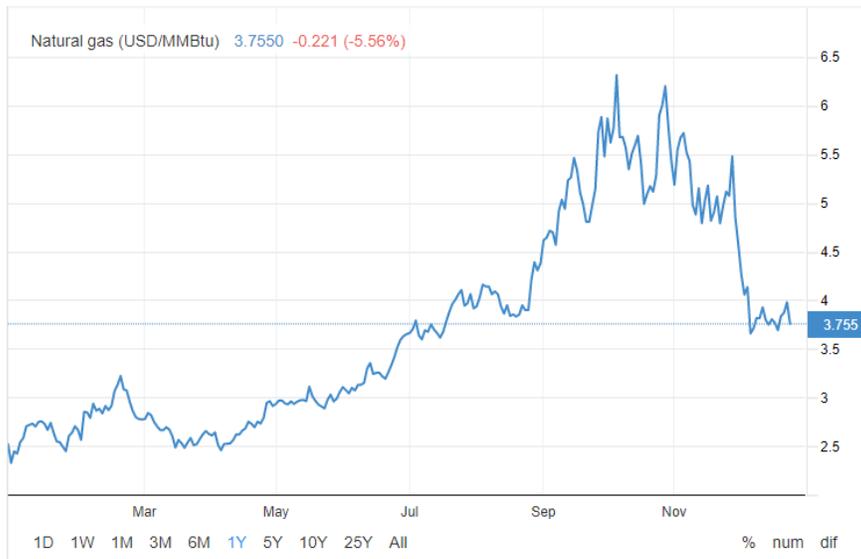


The European market could be a great predictor for North American Natural Gas markets next year. Natural Gas prices have dropped 20% over the last month across North America and more from it's 2021 highs but, in Europe, it's a different story....



European Natural Gas futures are up 600% and are basis points off all-time highs.

While U.S. prices have dropped quite substantially over the last few months.

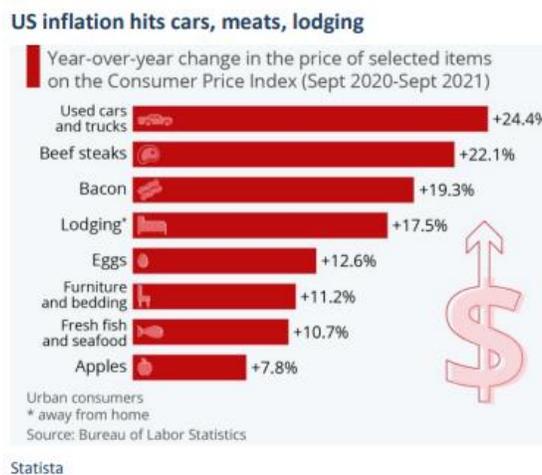


Look for Natural Gas prices to increase in 2022 especially as the West attempts to accelerate its transition to green energy. High regulation, carbon taxation, low supply levels, and emergency supply gaps.

Merry Christmas

Inflation continues to run hot globally heading into 2022 and we believe it is being underreported due to policy changes back in the 1990s that were made to underreport inflation.

Prices are up across the board, Christmas dinner will be more expensive than ever and even wrapping paper is up 10% over the last year, something that is ripped up and thrown in the garbage the day after Christmas.





Even the cost of wrapping paper is higher this year! (Consumer price index growth, SA, YoY % change)

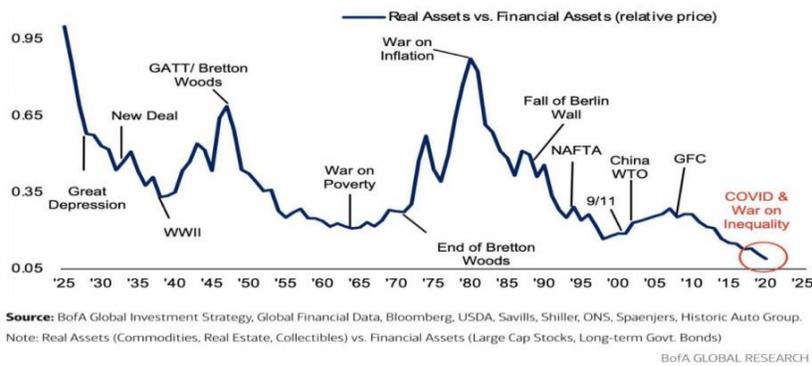


Do not fall for the inflation is short term narrative.

Heading into 2022

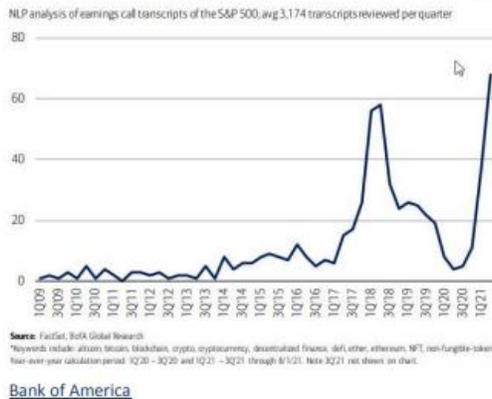
As we head into 2022, here are a few charts we will be following quite keenly.

Exhibit 1: All-time lows...real assets relative to financial assets since 1925
Real assets (Commodities, Real Estate, Collectibles) vs. Financial Assets (Large Cap Stocks, Long-term Govt Bonds) since 1925



2022 could be a tremendous year for real assets relative to financial assets.

Number of US companies that mentioned a digital assets keyword on an earnings call

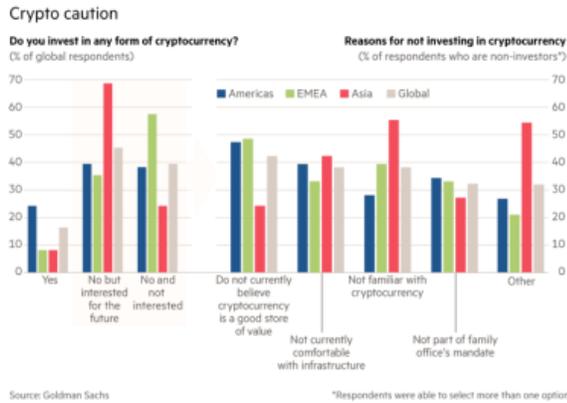


As U.S. companies like Tesla and Square dabble with cryptocurrency, will crypto become mainstream in the corporate world?

Consumer sentiment still has a long way to go for cryptocurrency to scale out in use.

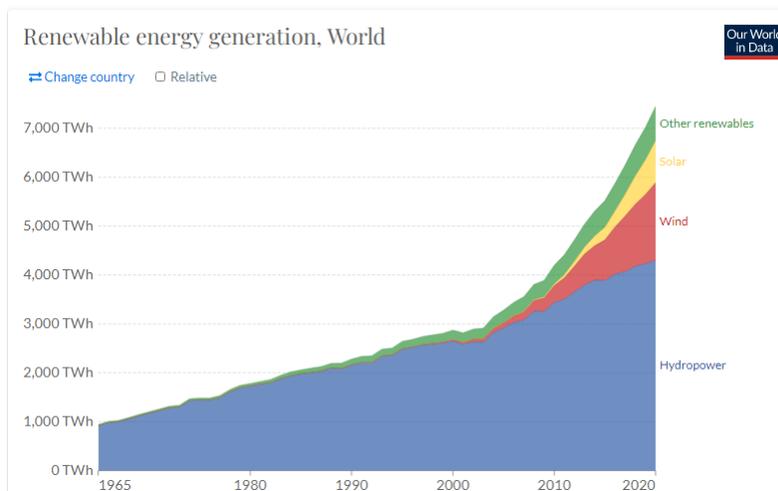


The rich seem as uncertain as the rest of us about cryptocurrencies



Financial Times

As the demand for energy increases across the globe, what will fill the increases in demand, renewables, or fossil fuels?



Happy Holidays!

**MacNicol & Associates Asset Management Inc.
December 24, 2021**