

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 ships (Investors) of dangerous areas.** It is like a traffic sign on the sea.*



Roman Rock Lighthouse, False Bay, South Africa



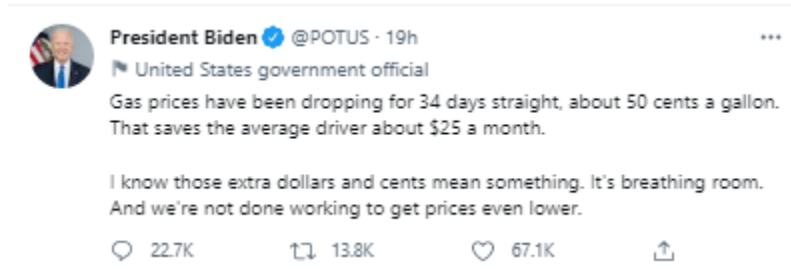
East Point Lighthouse, Prince Edward Island, Canada

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



Reality vs. False Realities

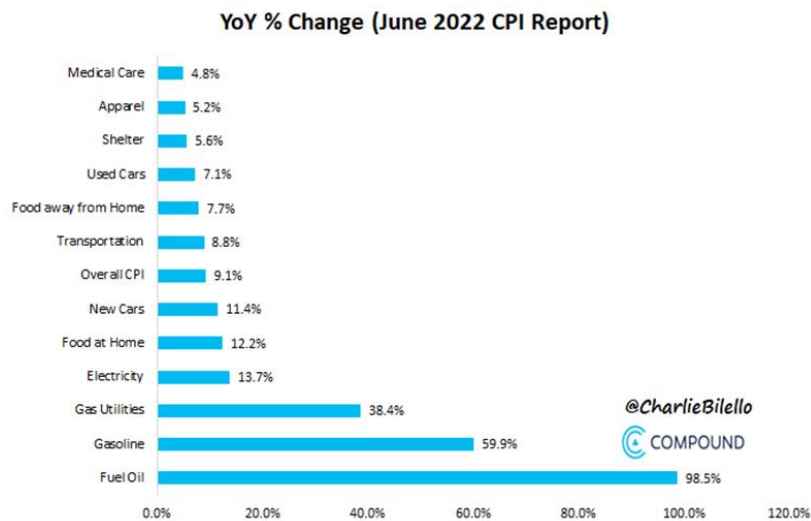
Many members of the Biden Administration have been applauding gas prices coming down over the last month. After all, oil prices have retreated from \$120/bb to \$100/bb. (Remember everyday oil is above \$100/bb. Oil companies create more and more free cash flow).



The ironic part of this price decrease and national savings at the pump is the Biden Administration has taken full credit for it, but all the price increases were blamed on Putin, and greedy oil companies. As the national gasoline price has dropped from \$5.00 to \$4.50 per gallon over the last month, we hope that people stock up because this could be the lowest prices for some time to come.

Although this price decrease is a good sign for consumers as prices seem to be dropping, it is still historically expensive compared to historical average oil and gas prices. Gone are the days of extremely low oil and gas prices. We might average \$90-110/bb for the next year or two and that sustained price pressure will be horrible for consumers. That is without us even mentioning a circuit breaking and oil surging to \$150/bb+ over the next year or two (which many analysts have predicted). Either way, the macro play has yet to change, market fundamentals are weaker now than they were in the winter, and oil companies continue to be discouraged to increase production and take on new projects.

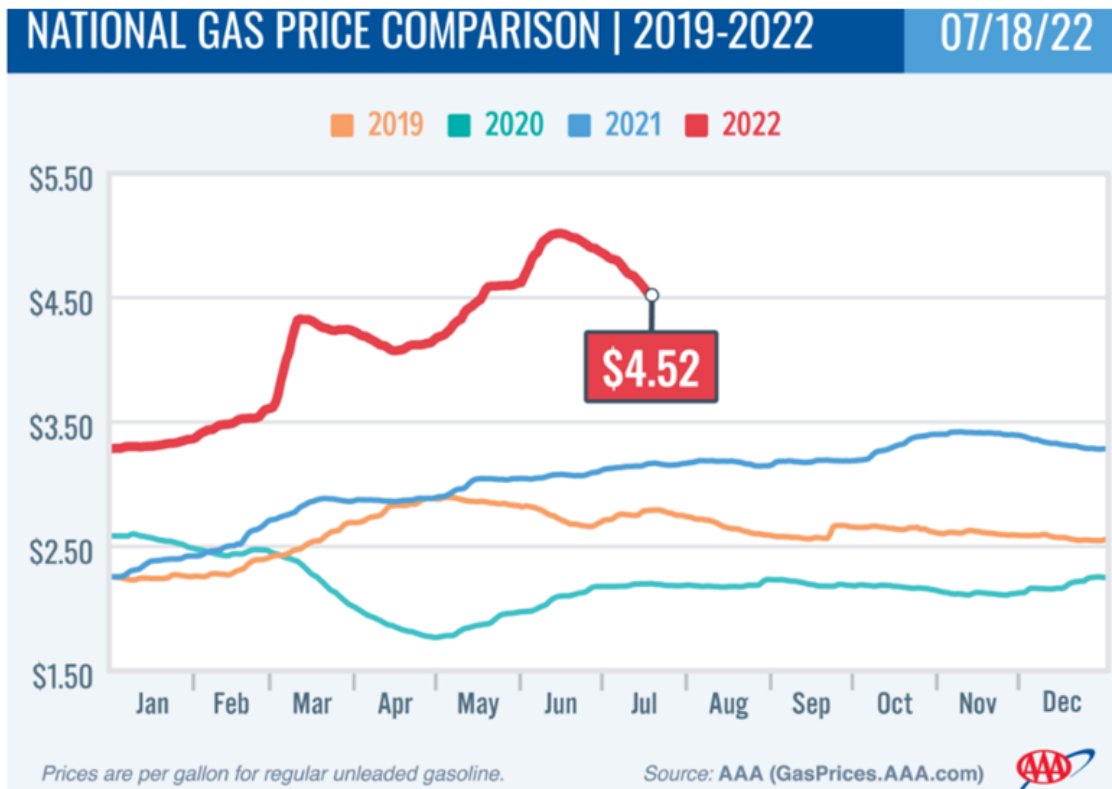
We will leave this CPI breakdown with you and let you come to your own conclusions:



Gas and oil are up over 55% over the last year and the U.S. government is cheering on a one month price movement. We would encourage them to zoom out on their Bloomberg and compare prices to 2021 or even pre-Covid-19 levels.



If you want to compare annual gas price trends, go to AAA Gas Prices which tracks all prices across the U.S.. We will remind readers, as we are sure you are aware, 2022 will be historic for oil and gas producers.



Manchin Saves the Day

The most powerful man in the world has yet again flexed his muscles and shown backbone. No, we are not talking about Joe Biden. The other Joe we have mentioned in this publication is Joe Manchin, a West Virginia Senator. It appears he has saved the U.S. and his party yet again. How many times has he done that in the first 20 months of Joe Biden's Presidency? We cannot keep track as he has done it too often. Manchin has stalled massive Bills throughout Biden's term citing inflation worries and he was right too. The inflation problem could be worse if the Senate was not split 50/50 (the Senate is currently split 50/50 between Democrats and Republicans). That is why Manchin is the most powerful man in the world. He has not budged on anything he does not support.

JULY 18, 2022 LIBERALS & DEMOCRATS

Joe Manchin Saves Democrats from Themselves. Again.



This past week Manchin announced that he will not support any tax increases or climate spending in a potential Democrat-backed spending Bill. He cited today's economic environment as a reason he could not support this new legislation. He said high energy prices would get higher with any major climate spending that would decrease fossil fuel supply. He stated, "It would add fuel to the fire". We are glad some people are waking up.

After Manchin's rejections, the Bill will probably be limited to healthcare spending and drug pricing reforms.

Manchin was the face within President Biden's party that rejected the Build Back Better agenda in December. The cost of the Bill was widdled down to \$1.8 Trillion but was still rejected by Manchin. (Imagine inflation with an extra \$1.8 Trillion floating around - and no, we know cash is not immediately printed for Bills like these. It's a hypothetical).

The best thing for the last 2 years of Biden's Presidency would be gridlock in Washington, which would stall massive deals and would cause bipartisan spending on deals that make sense for the entire country.

Pelosi Does It Again!

Speaking of the government, did you see the news on Speaker Nancy Pelosi this past week?

NEWS



Nancy Pelosi's husband buys millions in computer-chip stocks before big subsidy vote

By Rich Calder

July 16, 2022 | 9:08am | Updated



This news piece is lighter but reflects the corruption within Western politics. Paul Pelosi purchased 20,000 shares of Nvidia on June 17. He exercised 200 call option contracts that he had owned but exercised them at an interesting time. The Senate is expected to vote on a bipartisan competition bill that includes a \$52 billion subsidy for domestic chipmakers. Voting could begin as early as this week. Nvidia is a technology company that produces computer chips.

Nvidia shares had soared over 5 days ending July 19th.



Quite the return if you analyze them.

Maybe the Pelosis should open a hedge fund! Pelosi Capital has a ring to it and we would love to allocate them capital. The Pelosis essentially print money in their personal accounts.

The funniest part of this trade by Paul Pelosi was the Speaker's response to being questioned on the trade and its timing.

"The Speaker does not own any stocks. As you can see from the required disclosures, with which the Speaker fully cooperates, these transactions are marked 'SP' for Spouse. The Speaker has no prior knowledge or subsequent involvement in any transactions," Nancy Pelosi's spokesman, Drew Hammill, told the *Washington Examiner*.

The SP mark on the Congressional Financial Disclosures form should clear all of our minds as Paul Pelosi had no knowledge of the upcoming semiconductor Bill from his wife, the Speaker of the House.

Until stuff like this gets cleaned up, Congress will never fix any issues that typical Americans deal with.

The Irony with Twitter and Musk



A few months ago when Elon Musk put a tender offer to buy Twitter and bring them public, many news outlets and even Twitter brushed off the thought. Even though Musk offered the company a premium to current shareholders, they called it a smokescreen, fake news, and unhealthy for democracy. They said one man should not have that much power as a communication tool (Zuckerberg would beg to differ). Once Musk released how he would take the company private and how the deal would be funded, Twitter's management changed its tune. The company's founder Jack Dorsey publicly liked the deal and suddenly Twitter wanted Musk. Why the sudden change? Well, Twitter's stock has run flat since IPOing over 10 years ago and this deal offered shareholders a premium at a time when most technology stocks were down 20-50%.

Twitter shares were trading water while technology stocks imploded. Facebook, Snap, Pinterest, and every other Social Media stock took a beating after beating in public markets while Twitter chugged along as many thought they had a deal secured.

Fast forward a few months. Musk has backed out of the deal, citing fake numbers and fake internal audits. Musk and his team believe "bot" accounts make up a significantly larger percentage of accounts than what Twitter reported to him. He stated that his deal was based on real, audited numbers and Twitter misled him.

Musk Backs Out of \$44 Billion Twitter Deal Over Bot Accounts

by Kurt Wagner, Sarah Frier, 7/9/22

On top of the bot accounts, we see what Musk sees. There is no profitability in Twitter and he could probably pay less. He jumped at the deal when markets were close to all-time highs. Fast forward a few months, and not so much. His wealth has even dived in recent months due to Tesla's stock slumping.

We bring all this up because Twitter is suing Musk. They say he has to buy Twitter and he is obligated to pay that \$44 billion. Twitter claims his pulling out of the deal has hurt shareholders and has left the company in "limbo".

The funny thing is Musk and Twitter are probably both in the wrong in this situation. Musk has long had a "big mouth" on Twitter and has gotten himself in trouble because of it. He has battled the SEC and has been fined numerous times. Twitter, who originally said Musk buying Twitter was anti-democratic is now suing him in court to buy the company because they know they will never get a better deal and they want to cash out.

Either way, the entire situation is a mess and it looks like it will unfold in the coming months for us all to see as Twitter was granted trial dates in October. We will see what happens but do not be surprised if Twitter shares pop in the coming weeks as many legal pundits believe they legally have a great chance of winning.

One thing we are glad of is we did not buy for the arbitrage hype of a Twitter deal like many did and we are even more glad that we have not owned Facebook, Snap, or other social media stocks over the last few years. They are overvalued, not profitable, and have ridiculous multiples.



Market Summary > Meta Platforms Inc

175.97 USD

+ Follow

-160.95 (-47.77%) ↓ past year

Jul 19, 3:13 p.m. EDT • Disclaimer

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



Market Summary > Snap Inc

14.13 USD

+ Follow

-45.45 (-76.28%) ↓ past year

Jul 19, 3:14 p.m. EDT • Disclaimer

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



Market Summary > Twitter Inc

39.37 USD

-26.65 (-40.37%) ↓ past year

Jul 19, 3:14 p.m. EDT • Disclaimer

[+ Follow](#)1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max

The Musk-Twitter deal was first offered back in March. Shares popped but have since retreated. Even with that deal being floated, shares are almost half the price they were last summer. Hopefully, your GEN Z relatives did not convince you to buy Snap or Facebook shares solely based on how much they use the platforms.

MacNicol & Associates Asset Management Inc.

July 22, 2022

