

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.*



Cape Notoro, Hokkaido, Japan



Happisburgh Lighthouse, Norfolk, England

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

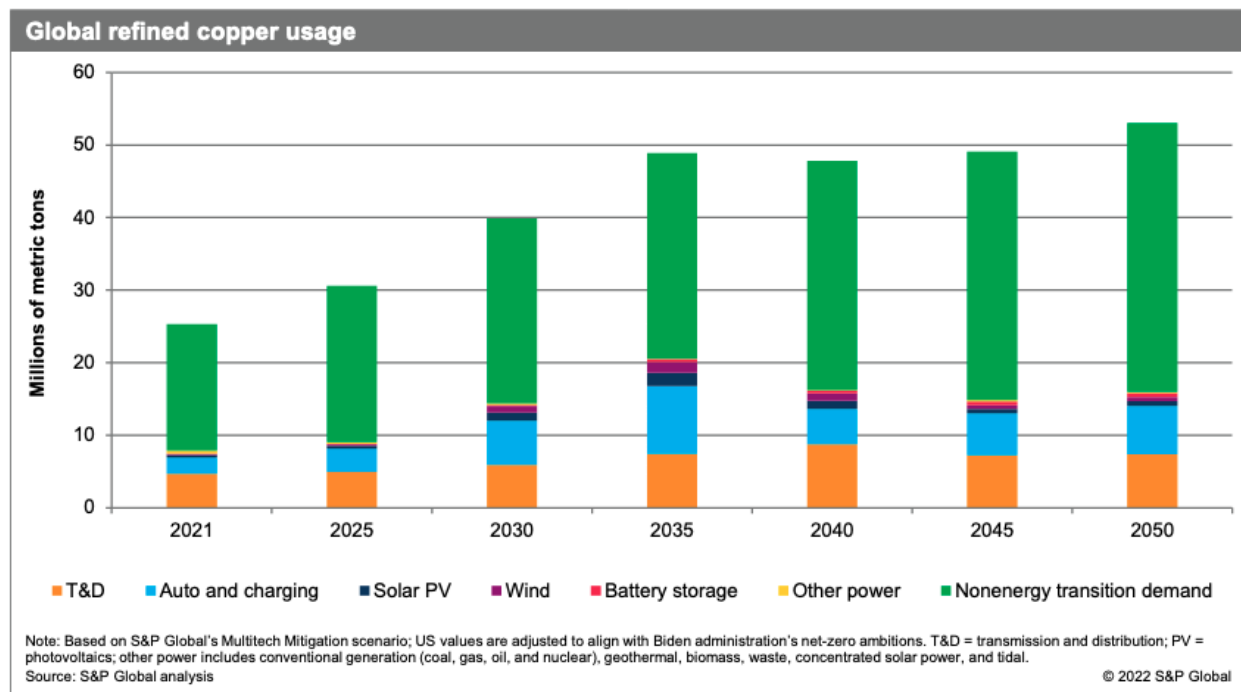


“Pipe” Dream

We have mentioned throughout [The Weekly Beacon’s](#) history that transitioning to renewable energy will be extremely difficult due to reliability. The other major issue will come from the supply side. We think supply issues will present the best opportunity in the battery space moving forward. We think picking an EV company or a battery company will be hard but buying the metals that all those companies use in their battery production will be much easier. Each metal that is used in battery production will have major supply shortfalls. From “new” metals to industrial-grade copper, every metal will have a large supply-demand gap.

So, if there will be such an issue sourcing these metals why play the risk? The government. Governments, specifically western governments are desperate to go green and are sacrificing everything. We expect them to throw hundreds of billions into green energy (even though it will fail), and they will buy billions of dollars of metals from China (China is the worlds largest metal refiner), and China will only gain more power. Think about this winter as a prologue of energy shortages for the next 10-15 years.

If you do not believe us. Here is a very telling stat on copper production. Humans have mined 700 million tons of copper over the last 5,000 years. The same 700 million tons will need to be mined over the next 22 years to meet energy transition targets using wind, solar, & electric vehicles.



Copper demand will double in the 25 years. Even with production increases, the world will eventually run out of supply, you cannot simply create copper in mines (even if Western governments believe they can). Either way, the energy transition is moving full speed ahead. Make sure to buckle up and play this the smart way, not by stock-picking companies trading at 40 times earnings (Tesla, Rivian, etc.).

Crypto Fall Out

The FTX situation is a mess. We will mention the few updates on the investigation that we have read about over the last week. The celebrities (Tom Brady, Stephen Curry, Larry David, etc.) that endorsed and spoke highly of FTX and Sam Bankman-Fried (SBF) are all named in a class action lawsuit. We are not sure if they will be found liable, but we can hope that this makes celebrities (who have massive influence) take a second look at a bag of money when it seems too good to be true. We also learned that SBF withdrew over \$300 million from FTX for personal use and had a real estate portfolio that made Bezos look poor. SBF even bought real estate through company bank accounts. SBF's parents even got in on the action snagging a nice place.



4 minute read · November 22, 2022 6:00 AM EST · Last Updated an hour ago

Exclusive: Bankman-Fried's FTX, parents bought Bahamas property worth \$121 million

By Koh Gui Qing

Both of SBF's parents are ethics professors who are well-connected at Stanford. It seems even "ethics professors" can get a tad dirty. Kevin O'Leary said FTX was the one crypto exchange he was happy to invest in due to SBF being the child of ethics professors. O'Leary also claimed he would back SBF all over again claiming he is a brilliant crypto trader. O'Leary's comments are out of touch and were perhaps released before all the news in the story had dropped but for now, they look extremely offside.

Guess that's what happens when your auditor is in the Metaverse.

The Audit Firm for Ftx.com was the first of its kind to HQ in the Metaverse #cantmakethisshitup

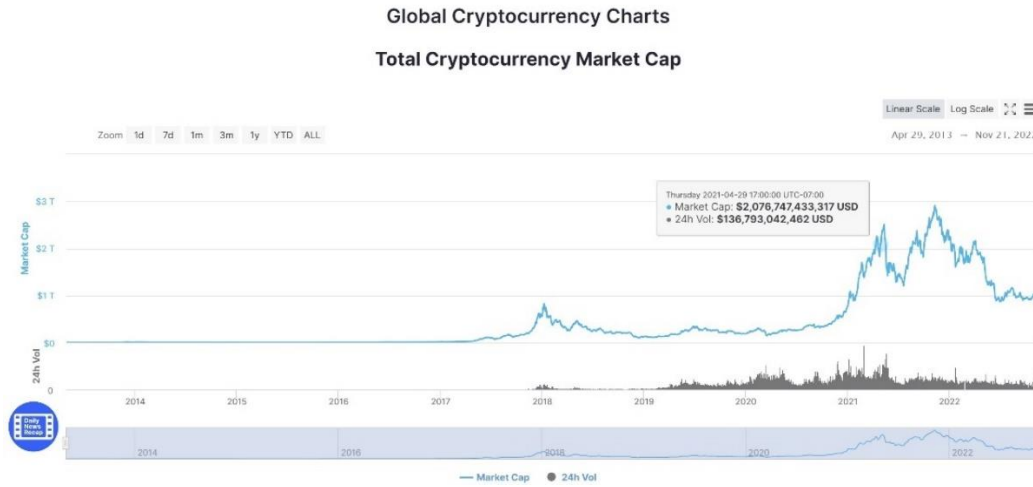
November 18th 2022 | 2 min | by @legalpdf ★ 1,181 reads

Speaking of a crypto meltdown, everything has been hit over the last few weeks as FTX's ripple effect continues to grow. Rumors have swirled over Coinbase's financial outlook. Coinbase is the most well-known crypto exchange and wallet provider in North America. Investors on public exchanges are losing confidence in the crypto space just like we predicted. We expect this to continue for some time going forward. This is a major contagion effect that was bound to happen with all the scandals that have gone on in the crypto space over the last year. How does the saying go? You see someone's true colors when things get ugly.

When crypto only went up people did not care, when the asset class went from 0 to \$3 trillion in 10 years nobody blinked. When that asset class is now worth \$1 trillion people are looking under the

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metaphorical hood and they do not like what they see. For now, we will remain on the sideline in this space.



We will also share this gem from Jim Cramer.



We like Coinbase to \$475

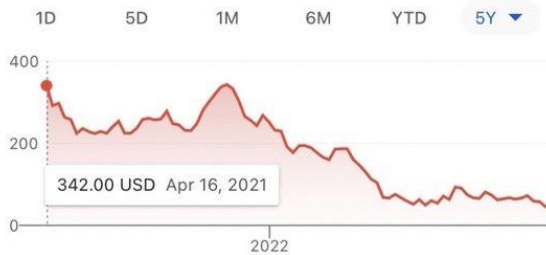
10:02 AM · 4/14/21 · TweetDeck

Coinbase Global Inc + Follow

NASDAQ: COIN

41.23 USD **-300.77 (-87.94%)** ↓ past 5 years

Closed: Nov 21, 5:58 PM EST · Disclaimer
After hours 40.95 -0.28 (0.68%)



Inverse Cramer does it again! Coinbase’s market capitalization was \$90 billion in November 2021, and a year later it’s below \$10 billion. All those news outlets that recommended this as an alternative way to play crypto in your registered accounts are probably deleting their articles as we speak. It’s also important to note, some of these companies give massive donations to news publications. We are not sure why billionaires would do this. Maybe we will ask Jeff Bezos who owns the Washington Post. The Post regularly writes puff pieces for their owner, wonder why.....

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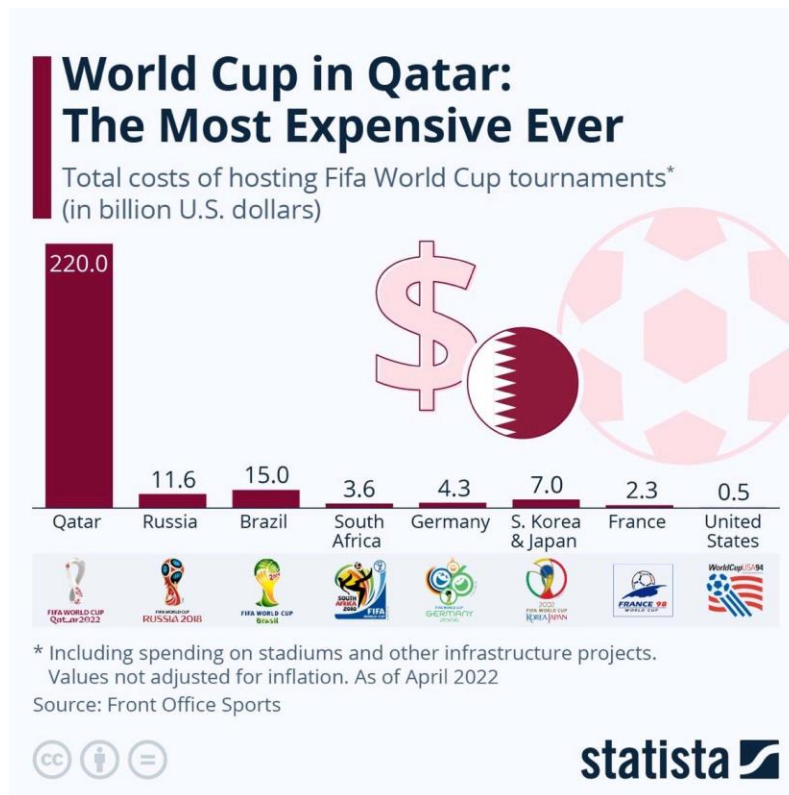
All those grants to news outlets are without mentioning his political donations which gave FTX and SBF even more power/cover. Certain news outlets have even covered the FTX fraud and Ponzi scheme quite favourably.

We do not feel bad for these organizations, or the people involved, we feel bad for the FTX users who trusted the app because of celebrity endorsement, online advertisements, Superbowl commercials, and sponsoring the Miami Heat arena. It's easy to grow users when you spend money that is not yours. The one thing that is quite telling is that SBF and his cronies pulled some of the most advanced and sophisticated investors in the world (Sequoia, Tiger Global). We bet some LPs will be pulling their money from these supposed sophisticated investors at the end of this year. Even before the FTX debacle, these high growth-focused investors were getting blown out of the water in 2022. Tiger Global was down 54% YTD even before FTX.

To summarize: the situation is a mess, and we are done writing about it.....at least for now.

World Cup Costs

We know the World Cup started this week and the headlines for the run-up to the festivities have been quite negative. We ran across an image that made us raise our eyebrows.



2022's World Cup will be the most expensive tournament ever. It reportedly cost \$220 billion. The last World Cup cost \$11.6 billion....

We know FIFA is reportedly an extremely dirty organization, but this seems ridiculous. We know Qatar needed to add infrastructure, roads, highways, and much more to host the games, but \$220 billion seems extremely hefty, especially for a nation with an annual GDP of \$179.6 billion (2021). Something seems a bit dirty here, either way, this was a huge investment that we hope will continue to be used past this year's tournament.

It would be horrible if Qatar's stadiums and infrastructure turned into Brazil's stadiums (from the 2014 World Cup).



[HOME](#) > [SPORTS](#)

Brazil spent an estimated \$300 million on a World Cup stadium that now sits nearly abandoned

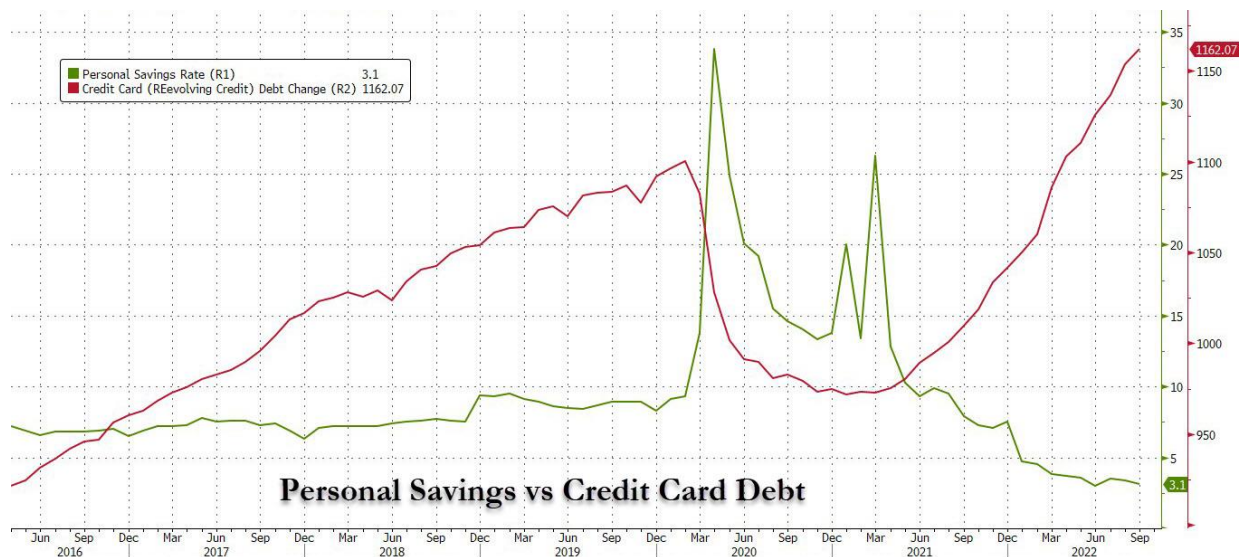
Gene Kim and Clancy Morgan Updated Jul 8, 2019, 3:08 PM



Personal Credit Catastrophe?

Covid-19 lockdowns brought us high personal savings rates. People were locked inside, and gyms, restaurants, malls, amusement parks, movie theaters, nightclubs, ski hills, cruise ships, and hotels were all closed. People were saving more because they could not find ways to spend their money. This is why the personal savings rate went from 8-10% to 30-35% in a matter of months. At the same time, consumers were doing the responsible thing and paying off their credit card debt. The irresponsible thing consumers did with this added cash fueled by high savings and extra stimulus cheques was buying high multiple technology stocks and speculative cryptocurrencies.

This is the time when we think the stock market went from a fundamentally driven market of investors to a gambling parlor full of speculators. We are not saying all retail investors are speculators, we think many are but not all. We think everyone should have access to their finances and should have a say. We think traditional Wall Street investors have historically tried to complicate financial markets for novice investors. That is why retail investors went all in on the short squeezes of 2020 and 2021.



2.5 years later and personal savings rates have plummeted, and people are saving less than they ever have over the last 5-10 years. Credit card debt has also ballooned in that time. People are financially struggling as prices surge. Affordability is a real issue. Governments have printed trillions over the last 10-20 years which have fuelled speculative bubbles. Where else did \$3 trillion in cryptocurrency come from? Everything makes logical sense in the financial world, everything occurring today was caused by something from yesterday.

We know it has been hard but if you were one of the people that was able to save in 2022 (as prices rose), we think you will be in a great position to take advantage of less expensive equity prices. We will be giving a forecast for 2023 in our webinar on [November 30th, 2022, at 12 pm E.T. \(Click here to sign up for the webinar\).](#)

We know this is not a “sexy” part of financial markets and it is quite grim, but we still think it is important to share with our readers. These pieces of data paired with a shrinking GDP, high inflation,

weak retail sales, tightening lending standards, and mass layoffs continue to point to us that we are in a recession.



Oil Plunges

Energy investors were reminded that this trade is not a short-term bet this week. Oil plunged 12% in a matter of days and reached an intraday low of \$76/bb on Monday. This happened due to some false realities and some false headlines it seems. This did not bother us as the trade is a bet on market fundamentals in the medium and long term.

A few hours later and oil had rebounded, a day later and it was trading near \$82/bb. We have warned our readers of the risks associated with commodity investments specifically in energy. Volatility in this sector of the market is real, \$5 price swings are not a huge deal, just stay along for the ride. We will warn readers when market fundamentals change. For now, they have not.

This week's price drop was due to rumors that Saudi Arabia was increasing production, just a few hours later Saudi Arabia denied the report. Was this a false western rumor to manipulate the price of oil before the biggest American holiday or was it an accident by Reuters, The Wall Street Journal, CNN, and almost every western news outlet? We will probably never know.....

OPEC policy is anything but predictable, but we think this was a falsified rumor. If OPEC can barely meet current production quotas, how will it increase production?

♦ WSJ NEWS EXCLUSIVE | MIDDLE EAST

Saudi Arabia Eyes OPEC+ Output Increase Ahead of Restrictions on Russian Oil

Raising oil production would partially reverse the group's contested decision to cut supplies in October

ENERGY & ENVIRONMENT

Saudi Arabia denies report it is discussing oil production increase

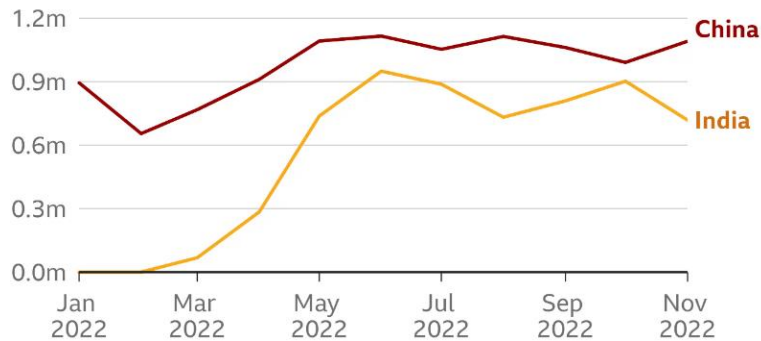
BY ZACK BUDRYK - 11/21/22 1:51 PM ET



The price of oil had already dropped over the last few weeks as European nations threatened Russia with price caps on Russian oil. Russia claims they will simply not sell to those nations, and we believe them:

Russian oil imports by India and China

Oil imported, barrels-per-day



Russia has turned to nations that have remained neutral during their invasion of Ukraine for trade. China and India have emerged as their two biggest and brightest allies. China is home to the world's second-largest economy and India is making the turn from a developing economy to an emerging economy. We think the Indian economy could grow at an accelerated rate over the next decade or two. Either way, Euro price caps will not do anything, and they will not change the global oil price. Plus, we do not think European politicians will follow through when their citizens are left out in the cold during a historically cold winter. The energy crisis will more than likely get worse this winter.

Even though oil prices have declined in recent weeks, natural gas prices have done the opposite.



This is due to the increasing demand for power homes including an increase in heating demand. Russia is also a large exporter of natural gas which Europe is lacking now. We think Europe will probably

continue to buy Russian gas out of bare necessity. We hope this winter and the stranglehold that Russia has on the European energy supply finally wake up western nations. Eventually, these renewable bets they are making will have horrific impacts on their respective populations.



Even though natural gas has increased in price over the last month, it is historically much more volatile on a day-to-day basis than oil. These energy trades are by no means short-term plays.

It is important to remember that price caps are possible, we just fear they will do more harm than good. In other news, Germany is planning an excessive windfall tax on energy firms which will more than likely lead to higher prices and less supply.

European Markets

2 minute read · November 23, 2022 8:51 AM EST · Last Updated 2 hours ago

Germany plans 33% windfall tax on gas, coal and oil firms - sources

Reuters

The levy, called "EU energy crisis contribution", would affect a low double-digit number of companies, targeting their 2022 and 2023 profits, and would be implemented by the end of 2022. The new levy would affect oil, coal, and gas companies and refineries whose profits for this and next year exceed by 20% or more than their 2018-2021 average. The issues with this are 1. It will deter energy companies from increasing production 2. It may deter companies from having headquarters within Germany 3. Energy companies struggled through 2018 when oil prices were low (many went bankrupt).

Perhaps Germany should rotate its spending from renewables which have failed them to more oil and gas production so they can help their people with reliable energy sources that are produced domestically. Increasing domestic oil production would also reduce Russia's global influence.

A shift to 100% renewables for power will likely make it all that much more expensive. Germany has already spent **more than \$150 billion** on its climate change ambitions, principally for scaling up renewable power. A full-fledged green-energy transition is estimated to cost more than \$5 trillion in the coming years. [Mar 24, 2022](#)

It seems western governments do not want to learn from their mistakes. For some reason, they think more money will solve the failed technology. Unfortunately, all the money in the world cannot create more sunlight or more wind.

Germany is making yet another unforced error in its energy policy and Russia will more than likely benefit from this mistake (less western production paired with growing demand).

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If you thought the energy crisis could not get worse, think again:



The Observer

Tokyo residents urged to wear turtlenecks to save on energy bills

Shrinking Money Supply


2022 has been a historic year for equity markets, inflation, interest rates, and debt markets for all the wrong reasons. The FED has slowly ground down the market over a long period by raising interest rates and applying new policies. As we all know, the FED has hiked interest rates and has been planning to trim its balance sheet. Many might ask, why would they need to trim their balance sheet when we know growth is better. It is because the government (the FED) has blown up its balance sheet over the last 20-25 years by creating cheap debt and cheap money by purchasing bonds.

Below is the U.S. M2 Money Supply by year dating back to 1959. The supply of money has grown in the U.S. every year except in 2022. The money supply has grown by 10x over the last 60 years. Over the last 35 years, the largest growth in the money supply was in 2020 and 2021. No wonder inflation is sky-high. We have consistently said inflation is due to excessive money printing in response to Covid-19.

For those of us that forgot Macro Economics 1 - The U.S. M2 Money Supply is a calculation of the money supply that includes all elements of M1 as well as "near money." M1 includes cash and checking deposits, while near money refers to savings deposits, money market securities, and other time deposits (in amounts less than \$100,000).



US M2 Money Supply (1959 - 2022)								
Year	M2 (\$Bil)	% Change	Year	M2 (\$Bil)	% Change	Year	M2 (\$Bil)	% Change
1959	298		1981	1,756	10%	2003	6,067	5%
1960	312	5%	1982	1,906	9%	2004	6,418	6%
1961	336	7%	1983	2,124	11%	2005	6,682	4%
1962	363	8%	1984	2,306	9%	2006	7,072	6%
1963	393	8%	1985	2,492	8%	2007	7,472	6%
1964	425	8%	1986	2,728	9%	2008	8,192	10%
1965	459	8%	1987	2,826	4%	2009	8,496	4%
1966	480	5%	1988	2,988	6%	2010	8,802	4%
1967	525	9%	1989	3,153	5%	2011	9,660	10%
1968	567	8%	1990	3,272	4%	2012	10,460	8%
1969	588	4%	1991	3,372	3%	2013	11,029	5%
1970	627	7%	1992	3,425	2%	2014	11,682	6%
1971	710	13%	1993	3,475	1%	2015	12,344	6%
1972	802	13%	1994	3,486	0.3%	2016	13,210	7%
1973	856	7%	1995	3,630	4%	2017	13,852	5%
1974	902	5%	1996	3,819	5%	2018	14,359	4%
1975	1,016	13%	1997	4,033	6%	2019	15,319	7%
1976	1,152	13%	1998	4,375	8%	2020	19,125	25%
1977	1,270	10%	1999	4,638	6%	2021	21,490	12%
1978	1,366	8%	2000	4,925	6%	2022	21,415	-0.3%
1979	1,474	8%	2001	5,434	10%			
1980	1,600	9%	2002	5,772	6%			

 Data Source: FRED (as of October 2022) @CharlieBilello

When you print more money and have the same amount of goods (sometimes less), prices go up as money becomes intrinsically worth less than before. We have finally seen a reduction in the supply of money. The FED is trying to slowly reverse its mistake and that includes retiring assets on its balance sheet and decreasing the money supply. This data set by Charlie Bilello only dates to 1959 but he highlights that the M2 shrunk by almost 30% in the great depression which in turn created a deflationary spiral throughout the economy.

MacNicol & Associates Asset Management
November 25, 2022