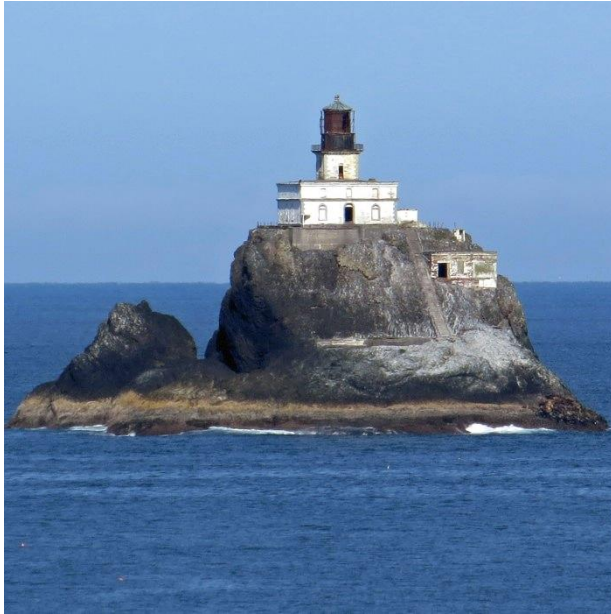


## The Weekly Beacon

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.*



Tillamook Rock Lighthouse, Oregon.



Koojessie Inlet Range Rear Light, Iqaluit, Nunavut.

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

## The Dow Jones “anti-curse”

A Twitter account highlighted moves by the most recent addition to the Dow Jones Industrial Average and most recent removal.



SalesForce replaced the oil and gas titan ExxonMobil. The removal of ExxonMobil left Chevron as the only Energy company on the Dow Jones. As of December 31<sup>st</sup>, 2021, the Dow had a 2.67% energy weighting versus a 7.56% weighting on December 31<sup>st</sup>, 2016, and 25% in 1980. Energy makes up historically low values on the other major indexes.

Market performance and energy performance have an extremely low correlation.

ExxonMobil is up 94% since being removed from the Dow and SalesForce is down 16% since being added. The S&P Global committee selects the company's that should be on the Dow Jones.

The committee dropped ExxonMobil when oil prices were extremely low due to Covid-19 and many did not understand why the Dow needed to have Chevron and ExxonMobil on the exchange.

Adding and subtracting companies as the economy evolves is needed, but this move seemed like a move for the future. It was made at a time when many thought “oil and gas are dead, we do not need them”, 18 months later and we know how the story around oil and gas has gone.

Years of underinvestment, extreme regulation, and reliance on renewables have led to massive shortages.

A contrarian opinion but, one that will stand true for years to come. Oil and gas are not going anywhere, anytime soon.



## ARKK continues to crater

We have mentioned Cathie Wood and Ark Investments throughout [The Weekly Beacon's](#) history. We first talked about Ark in the August 20<sup>th</sup> edition of [The Weekly Beacon](#) when Michael Burry made a big bet against the flagship Ark fund, ARKK. Burry bought puts against ARKK for his fund, we understood his narrative as most of the holdings within ARKK produce little revenue, trade at extreme valuations, and have an uphill battle to profitability.

At the time ARKK was down from about 25% from its February 2021 all-time high.

### ARK Innovation ETF (ARKK) ☆

NYSEArca - Nasdaq Real Time Price. Currency in USD

**76.96** -3.28 (-4.09%)

As of 03:59PM EST. Market open.



After being down 25% from the highs, numerous articles and experts told investors now is the time to buy ARKK.

Investors listened:

## ARK ETF investors continue to pile in despite poor performance

*ARKK has seen \$5.9bn inflows this year*

By Jessica Ferringer  
20 August 2021





After a stellar 2020, we assume most of the inflows were from retail investors who wanted disruptive exposure through an ETF.

Investors who bought in at this time have had quite the wild ride and are down another 35% as of January 18<sup>th</sup>. ARKK was down another 4% on January 18<sup>th</sup> and every substantial holding was also in the red. Most of its holdings are down 50%+ over the last year.

ARK INNOVATION ETF	ARKK US	d	177.52	-2.72	-3.39%	-51.12%
BEAM THERAPEUTICS INC	BEAM US	d	162.54	-5.28	-7.79%	-54.62%
BERKELEY LIGHTS INC	BLI US	d	19.53	-0.14	-1.45%	-88.82%
CERUS CORP	CERS US	d	5.59	-0.25	-4.28%	-33.53%
COMPUGEN LTD	CGEN US	d	13.80	-0.09	-2.31%	-73.15%
COINBASE GLOBAL INC -CLASS	COIN US	d	1222.655	-7.38	-3.21%	-48.22%
CRISPR THERAPEUTICS AG	CRSP US	d	165.015	-2.76	-4.07%	-68.84%
3D SYSTEMS CORP	DDD US	d	19.17	-0.71	-3.57%	-66.07%
DREYFUS GOVT CASH MGMT-I	DGCXX US		.03y	--	--	--
DRAFTKINGS INC - CL A	DKNG US	d	122.53	-0.66	-2.85%	-69.78%
GINKGO BIOWORKS HOLDINGS I	DNA US	dS	15.405	-0.39	-6.65%	-65.93%
DOCUSIGN INC	DOCU US	d	129.13	-1.31	-1.00%	-59.00%
EDITAS MEDICINE INC	EDIT US	d	120.2601	-1.84	-8.33%	-73.65%
EXACT SCIENCES CORP	EXAS US	d	176.89	-1.54	-1.96%	-51.80%
FATE THERAPEUTICS INC	FATE US	d	141.30	-1.98	-4.57%	-65.57%
ROBINHOOD MARKETS INC - A	HOOD US	d	14.6401	-0.53	-3.49%	-82.79%
IOVANCE BIOTHERAPEUTICS INC	IOVA US	d	14.65	-0.84	-5.42%	-72.40%
IRIDIUM COMMUNICATIONS INC	IRDM US	d	36.22	-1.22	-3.26%	-33.76%
MATERIALISE NV-ADR	MTLS US	d	19.455	-1.25	-6.01%	-77.74%
INTELLIA THERAPEUTICS INC	NTLA US	d	186.42	-4.95	-5.42%	-57.31%
INVITAE CORP	NVTA US	d	11.26	-0.48	-4.09%	-81.36%
PACIFIC BIOSCIENCES OF CALIF	PACB US	d	11.28	-1.15	-9.25%	-79.02%
UIPATH INC - CLASS A	PATH US	d	35.52	-1.21	-3.29%	-60.60%
PAGERDUTY INC	PD US	d	29.99	-1.01	-3.26%	-48.63%
PALANTIR TECHNOLOGIES INC-A	PLTR US	d	15.195	-0.82	-5.09%	-66.28%
ROBLOX CORP -CLASS A	RBLX US	d	77.77	-1.28	-1.62%	-45.11%
ROKU INC	ROKU US	d	166.01	-1.47	-0.88%	-66.22%
SIGNIFY HEALTH INC -CLASS A	SGFY US	d	12.26	-0.72	-5.55%	-69.99%
SHOPIFY INC - CLASS A	SHOP CN	d	1294.13	-95.42	-6.87%	-41.84%
SKILLZ INC	SKLZ US	d	5.6684	-0.37	-6.15%	-87.75%
SPOTIFY TECHNOLOGY SA	SPOT US	d	212.21	-6.35	-2.91%	-45.34%
BLOCK INC	SQ US	d	132.17	-1.12	-0.84%	-54.34%
STRATASYS LTD	SSYS US	d	23.46	-0.58	-2.41%	-58.72%
TELADOC HEALTH INC	TDOC US	d	176.265	-3.31	-4.15%	-75.25%
TRIMBLE INC	TRMB US	d	75.31	-0.61	-0.80%	-21.97%
TESLA INC	TSLA US	d	1042.69	-6.92	-0.66%	-16.37%
TUSIMPLE HOLDINGS INC - A	TSP US	dS	22.14	-2.48	-10.07%	-72.26%
TWILIO INC - A	TWLO US	d	209.04	-6.12	-2.84%	-54.32%
2U INC	TWOU US	d	15.77	-0.66	-4.02%	-73.64%
TWIST BIOSCIENCE CORP	TWST US	d	57.02	-2.80	-4.68%	-73.42%
TWITTER INC	TWTR US	d	37.43	-1.01	-2.63%	-53.68%
10X GENOMICS INC-CLASS A	TXG US	d	195.615	-8.39	-8.06%	-54.18%
UNITY SOFTWARE INC	U US	d	113.61	-4.31	-3.65%	-45.98%
VERACYTE INC	VCYT US	d	28.395	-1.95	-6.41%	-67.15%
ZOOM VIDEO COMMUNICATIONS	ZM US	d	159.35	-0.37	-0.23%	-64.75%

ARKK's largest holding is Tesla and even though we believe Tesla is overvalued, it looks really good from a valuation perspective compared to ARKK's other holdings. Tesla is up 59% over the last 6 months and has arguably propped the ARKK fund up from imploding.

We reported a few months back that ARKK was selling large pieces of Tesla daily. This was because of massive capital outflows which caused Wood and Ark Investments to sell the most liquid assets in the ARKK fund.



Wood remains bullish as ever, recently stating that the current bull market will go on for another decade or so. She remains extremely bullish and confident in the names she invests in and believes these disruptive companies are the best investment going forward.

Wood has also been quite off with some of her other market calls.

On July 15<sup>th</sup>, 2020, oil is dead and is headed to \$12/bb:



On May 11<sup>th</sup>, 2021, oil top at \$70.....

## ARK's Cathie Wood weighs in on oil, sees \$70 ceiling

May 11, 2021 2:24 PM ET | **Crude Oil Futures (CL1:COM), CO1:COM** | COM, USO, ARKK... | By: Kim Khan, SA News Editor | 256 Comments

In September 2021.....



Oil was below \$75/bb at the time and has since risen to \$85/bb. She claims peak demand for oil has been reached and it will decrease going forward due to EV production and consumer preference shifts. Oil usage will not decline. Oil usage may increase as the world battles to lift billions of people out of poverty. The development of Africa, parts of Asia, and other impoverished nations will lead to an increase in demand for oil. We also recommend Wood looks at some of the data across Europe surrounding renewable sources of energy and the growing concern of unreliability on a large scale. Oil may have some dips, but it will not be disappearing especially with demand greatly outweighing supply.

130 Bloor St. West, Suite 905, Toronto, ON M5S 1N5  
Tel: 416-367-3040 Toll free: 1-866-367-3040 Fax: 1-877-215-4044  
Email: [info@macnicolasset.com](mailto:info@macnicolasset.com) URL: [www.macnicolasset.com](http://www.macnicolasset.com)



Oil is now trading at a higher dollar value than ARKK, how the tides have turned.

### World's Best Hedge Funds

Last week, after we released [our January 14<sup>th</sup> edition of The Weekly Beacon](#), we came across an interesting report that we wished we could have shared right away.

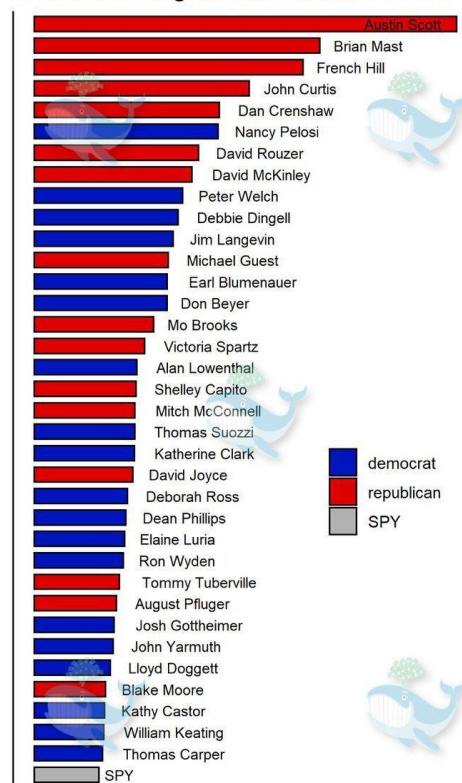
This week we bring you that article.

The study compares major funds to the S&P 500 in 2021.

On Wall Street, only 3 major Hedge Funds beat the return of the S&P 500 in 2021.

The article studied the returns of all members of Congress, it highlighted at least 35 Senators or Representatives that beat the S&P 500 in 2021.

Members of Congress that beat \$SPY in 2021



@unusual\_whales / UnusualWhales.com

Congress members are the new Barron's of Wall Street. Out with Hedge Funds, ask Rep. Austin Scott or Speaker Pelosi's husband Paul to manage your money.

The study also highlights that the number of members who outperformed the index could be larger than 35 due to private equity, venture capital, or any other investments that have no reported market value.

The trading of individual equities by high-ranking members of the government should be ended, some of these individual's trade-in sectors they help regulate through committee memberships. Both parties are gaming the system, Republicans and Democrats are both taking advantage of legal insider trading.



We are certainly not advocating for Congress members to be not allowed to have any investments but, trading public individual equities should be barred. Allow them to invest through a blind trust or invest in index funds. If Congress made a rule, they must divest all personal nonretirement savings into cash at the start of their term, perhaps we would have less inflation.

Pelosi bought Microsoft call options two days before a Microsoft U.S. Military partnership was announced, the calls increased by 150%. Two Republican Senators bought Bitcoin right before the legislation was drafted for regulating cryptocurrency. Numerous Congress members bought Lockheed Martin shares and options right before Lockheed won a \$10.9 billion contract with the U.S. government. Every year there are more examples of these insider trades and it seems to be more obvious every year.

When the Speaker of the House is the best trader of all time, why would her coworkers on both sides of the aisle not do what she is doing. She has amassed a fortune of over \$250 million just from working in Congress.

The trades by Congress members are published online for public viewing so follow along.

The U.S. population agrees with us when we say that Congress members have an unfair advantage when trading stocks.

## **76% of voters disagree with Pelosi, think members of Congress have an 'unfair advantage' in trading stocks: poll**

Bryan Metzger Jan 7, 2022, 2:06 PM



76% of voters is a lot but this will never be a major issue for voters, it needs to be an internal wave inside Congress that stops this practice. With all the current, pressing issues across the world, this issue would rank quite low in the grand scheme of things.

After some of these reports, there has been support from both sides of the aisle in banning stock trading by sitting members of Congress.

## **Hawley Introduces Bill Banning Insider Trading in Congress**

Thursday, January 13, 2022

**U.S.**

### **Senators Jon Ossoff, Mark Kelly Introduce Bill to Ban Stock Trading by Congress Members**

BY JAKE THOMAS ON 1/12/22 AT 8:11 PM EST

130 Bloor St. West, Suite 905, Toronto, ON M5S 1N5  
 Tel: 416-367-3040 Toll free: 1-866-367-3040 Fax: 1-877-215-4044  
 Email: info@macnicolasset.com URL: www.macnicolasset.com

Dueling Bills were introduced by Senator Josh Hawley (R) and Senators Jon Ossoff (D) and Mark Kelly (D) that would ban stock trading by sitting members of Congress.



We will see how far this legislation goes. We all know how slow the government moves and on something like this, we do not think they will rush to move their feet.

In the meantime, follow some of the best as they trade on insider information.

### **Microsoft bets on the metaverse**

On Tuesday Microsoft announced that they plan to acquire video game publisher Activision Blizzard in an all-cash transaction. The deal values Activision Blizzard at \$68.7 billion and results in \$95/share. Activision shares closed on Friday at \$65.39 implying a 45% premium.

Shares shot up to \$82/share and have settled in that area since the deal announcement.

Activision was a company that tremendously benefited from Covid-19 and was considered a “stay at home” stock to us. From March 2020 to February 2021, shares doubled. However, from February 2021’s top to December 2021, shares lost all of those gains. Activision was trading at extremely expensive ratios during its run-up in 2020. It had a Price to Sales ratio of 37x in 2020 which has fallen to 24x as of Wednesday.



A wild ride for this millennial-focused company.

Activision was founded in 2008 and is a video games holding company with 5 business units. The company’s intellectual properties include Guitar Hero, World of Warcraft, Candy Crush, and the Call of Duty series.

Activision has over 400 million monthly active players in 190 countries.

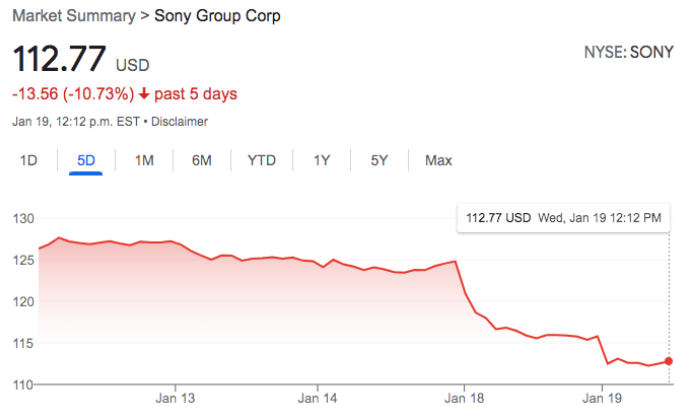
This deal is Microsoft’s largest acquisition to date. Microsoft sells the popular video game console XBOX. Microsoft believes this deal will help their console and mobile gaming units as well as give them a block they need in their pursuit of the Metaverse.





XBOX's rival, PlayStation is made by Sony and the deal sent Sony shares down. Many believe the acquisition will lead to PlayStation not being able to run Activision games like Call of Duty.

A major question for Activision Blizzard, how will they address lost revenue if PlayStation (Sony) is not allowed to run their games. As much as 65% of Activision Blizzard's console revenue comes from the current PlayStation 5.



Microsoft believes the future of gaming lies in a Netflix-like subscription service.

Microsoft increases its diversification but, will the addition of this overvalued technology company end up biting them in the long run? We will have to see how much synergy can be salvaged from this deal especially when looking at the Metaverse.

### El Salvador and Bitcoin

El Salvador made headlines a few months back by making Bitcoin legal tender across the nation. There were a few problems with this announcement. El Salvador has 6.5 million people and 50% of those people do not have Internet access - can't use crypto without that.

Since then, El Salvador has reported lost value in its Bitcoin as it purchased most of its Bitcoin over \$50,000 per coin.

coinmarketcap.com

El Salvador Has Lost \$12M on Its Bitcoin...

Table of Contents

In cash terms, El Salvador's Bitcoin buys have cost **\$73.2 million** — but at the time of writing, this BTC is worth a mere **\$60.7 million**, resulting in a loss of more than **\$12 million**.

Most acquisitions were completed when BTC was trading above **\$50,000** — a stark contrast to the current price of **\$43,700**.

Unfortunately, there's a lot we don't know when it comes to El Salvador's investment. Finance minister Alejandro Zelaya has said the country has actually converted some of its Bitcoin back into dollars — but we don't know when these transactions took place... and how much BTC was sold.

To compound the problem, the address where El Salvador's crypto is held isn't publicly known, making it difficult to track when buys and sells are made.

They have also converted some of their Bitcoin back to fiat currency, we would assume for volatility.

It was an interesting experiment but, one that was not set up properly and one that could hurt the population of El Salvador.

The Credit Rating of El Salvador was also downgraded when the move was made last year.

The El Salvador 5 Year Credit Default Swap has also sustainably increased since this move was made.



The global financial system knows Bitcoin is volatile and is backed by nothing. The industry as a whole is in its infancy. Bitcoin is not a currency and has had issues holding its value over the years.



The country's President is an avid Twitter user and regularly tweets out pro-Bitcoin advice like a crypto holder. He has even tweeted that he has "bought the dip" for his country.

We hope this story does not lead to El Salvador defaulting on its sovereign debt. Either way a fascinating story unfolding in real-time, one that Bitcoin bears and bulls will be monitoring quite closely.

### **Scamath said what**

Chamath Palihapitiya has been an ongoing theme of [The Weekly Beacon](#), the SPAC King has fallen belly up as he pumps his SPAC ideas to retail investors.

The CEO of Social Capital has launched 6 SPACs through Social Capital Hedosophia Holdings, 4 of which have officially merged with companies that focus on technology and disruption, and 4 through Social Capital Survetta Holdings which focus on Biotechnology. Chamath has also made 8 PIPE Deals through SPACs which he has announced, the performance is not pretty....

A user created a nice picture to illustrate the February 5<sup>th</sup>, 2021, to January 5<sup>th</sup>, 2022 returns of his SPAC's and PIPE's:

## The Evolution of Trash



1995



1998



2006



2015

2/5/2021-1/5/2022	
SPCE	-77.2%
OPEN	-55.1%
CLOV	-71.0%
IPOD	-37.1%
SOFI/IPOE	-36.9%
IPOF	-33.7%
MP	51.4%
DM	-84.5%
MILE/INAQ	-88.9%
PTRA/ACTC	-63.2%
LTCH/TZIA	-59.8%
SUNL/SPRQ	-66.1%

2022

All down substantially, we do not think Chamath stayed invested in all of these and probably sold some when the PIPE lockup period ended. The sad truth is he went on Twitter with every investment and tweeted a one-page thesis on why he was investing in these revolutionary companies. Lesson to all retail investors: do your homework and do not follow self-proclaimed gurus.

This is the same guy who compared himself to the great Warren Buffett on February 12<sup>th</sup>, 2021 at the height of the SPAC Bubble.

**Markets** | Hyperdrive

## The King of SPACs Wants You to Know He's the Next Warren Buffett

With all his bad investment advice, Chamath is in the news for an even worse statement he made last week. His SPAC and PIPE investments look good in comparison to something he said on a podcast he co-hosts with other Silicon Valley executives called "All In".



When talking about a few social issues, the treatment of Chinese Uyghur's came up and well the statement says it all:

**Calacanis:** *His [President Biden's] China policy, the fact that he came out with a statement on the Uyghurs, I thought it was very strong.*

*You know, it's one of the stronger things he did, but it's not coming up in the polls.*

**Palihapitiya:** *Let's be honest, nobody, nobody cares about what's happening to the Uyghurs, okay? You bring it up because you really care. And I think that's really nice that you care but ...*

**Calacanis:** *What? What do you mean nobody cares?*

**Palihapitiya:** *The rest of us don't care. I'm just telling you a very hard truth.*

**Calacanis:** *Wait, you personally don't care?*

**Palihapitiya:** *I'm telling you a very hard truth, okay? Of all the things that I care about. Yes, it is below my line. Okay, of all the things that I care about it is below my line.*

Pretty horrible statement from a guy who runs Social Capital which has a mission statement of "advancing humanity by solving the world's hardest problems."

He followed that statement up by questioning the Western stance that the Chinese Communist Party is a dictatorship. He seemed to want to tiptoe across the line but has completely crossed it with these comments. China may not be a traditional Dictatorship but, the regime is authoritarian and draws similarities to Dictatorships.

Chamath has ties to China, MP Materials is partly owned by Chinese smelter Shenghe Resources, he also owns a stake of the Golden State Warriors in the NBA which will heavily rely on China going forward in the league's future growth.

Perhaps Chamath misspoke or misworded this statement. Perhaps, he makes money off China in a way non publicly disclosed, we do not know.

No matter how bad his recent investments have become, this will stick out to the general population, a billionaire who does not care about human rights violations on the other side of the world.

The Golden State Warriors and NBA came out against his statement.

## **Canadian Macro Update**

Canada's inflation numbers came out on Wednesday and we hit a record yet again up north.

The CPI came in at 4.8% for 2021, a 30-year record.

Prices were up all across the board, chicken up 6.2%, beef 11.9%, bacon 19.1%, natural gas 19.6%, and filling up at the tank 33.3%.

The 4.8% increase is without including the real estate price increases we have seen; housing prices have increased 26% over the last year across Canada.

In reality, we believe inflation is much higher than 4.8% due to changes in the calculation of CPI over time.

Prices were blamed on the reopening of the economy and a global supply chain crisis that hit everyone. However, in Canada, this will continue as truckers plan to strike in solidarity with their fellow workers. Prime Minister Trudeau plans to implement a mandatory vaccine for truckers entering Canada (foreign truckers will need to be immunized). An already depressed workforce will be hit even harder, grocery stores will be affected, and will lead to empty shelves. Might want to stock up on some essentials.

As Canada implements new Covid-19 mandates, the UK has pivoted 180 degrees and will no longer mandate masks or vaccines.

The last wage growth release by Statistics Canada has wages growing at an annualized 2.7%, an increase nominally but with inflation at 4.8% a real wage loss for Canadians.

Reuters even published a piece that inflation in Canada will continue to rise on our path to net zero. Something we warned readers about months ago, renewable sources are more expensive and less reliable. The fossil fuel industry has also had underinvestment and has increased regulation over recent years which will lead energy prices higher for years to come.

January 13, 2022  
12:51 PM EST  
Last Updated 6 days ago

## Environment

# Canada's shift to net-zero emissions likely to drive higher inflation

By Julie Gordon

As prices continue to increase, interest rates will follow, do not get caught surprised by this.

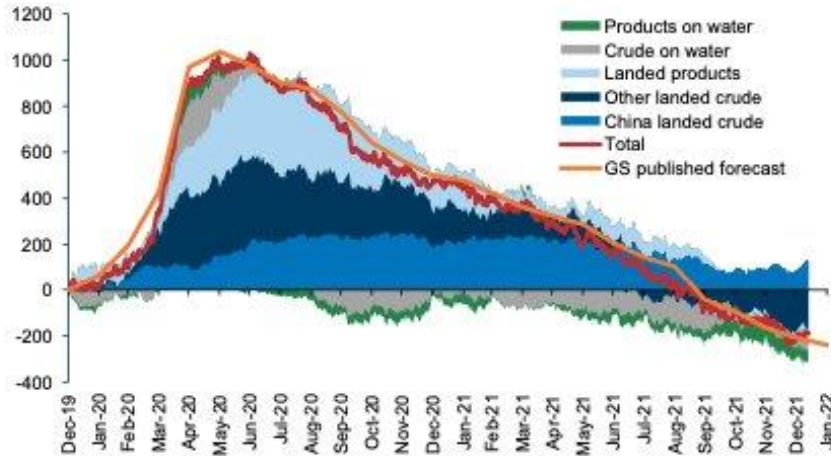
## **Brief Energy Update**

We like to update readers on what we are seeing in the energy industry and a chart caught our eye this week.

A Goldman Sachs research report concluded that the Omicron variant of Covid-19 has not increased oil inventories. Oil is still in heavy demand and supply shortages are worsening.



**Exhibit 10: Omicron has not yet driven up global crude inventories**  
Global high frequency stocks vs. Dec-19 vs. implied from our S&D balances (mb)



Source: Kpler, EIA, IEA, Oilchem, DME, PAJ, PJK ARA, IE Singapore, Goldman Sachs Global Investment Research

**MacNicol & Associates Asset Management Inc.**  
**January 21, 2022**