

## 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.*



Jeddah Light, Saudi Arabia (Worlds Tallest Lighthouse)



Pico Island, Azores from Harris K.

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



## Up, Up and Energy Away

In [The Weekly Beacon's](#) history, we have been bullish on current energy prices due to major macro issues including over-regulation and under-investment in fossil fuels which will lead to major energy shortages. Parts of Europe are already dealing with this major issue and it will be something to watch for years to come.

Many green energy activists will proclaim wind and solar energy as the future. We have no issues with wind and solar energy but, both have major flaws especially when you scale out the reliance on those sources.

The Green New Deal is nothing but, a progressive pipe dream. Fossil fuels will remain a part of the world for decades to come.

Coal was proclaimed dead years ago.

Just a few months ago, the West outlined a plan that would end coal usage, at the same time Asian countries are building new coal-burning plants. No matter what the headlines read, fossil fuels are not dead.

SUSTAINABLE FUTURE

## **COP26 aims to banish coal. Asia is building hundreds of power plants to burn it**

PUBLISHED MON, NOV 1 2021 5:00 AM EDT

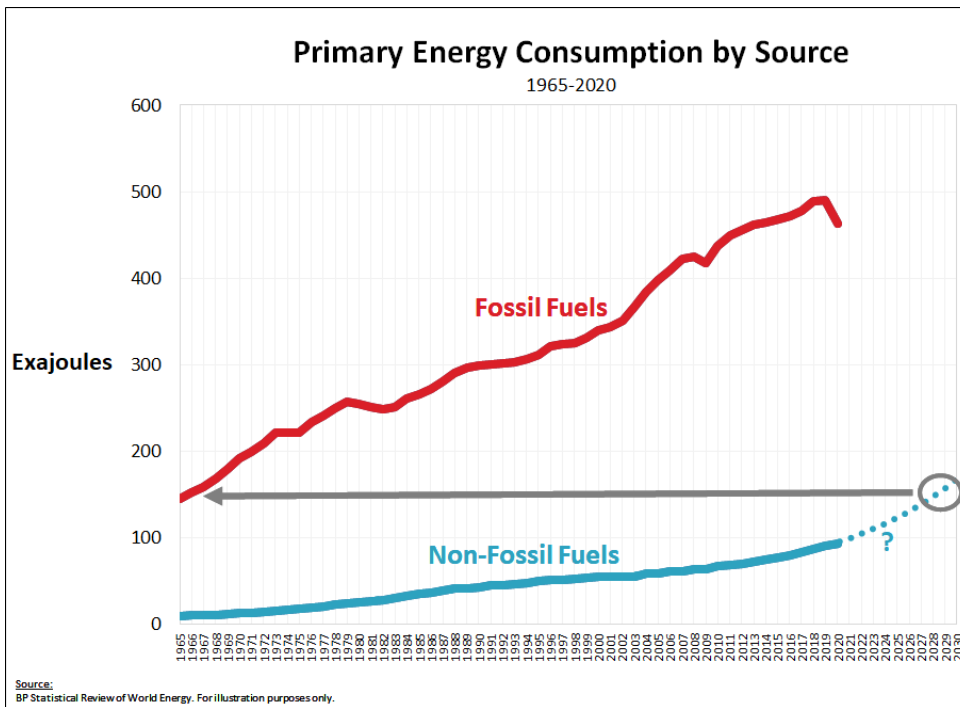
Coal prices are essentially trading at 12-year highs even with the major push to end coal usage.



Natural gas and crude oil are also trading close to multi-year highs. In the medium to long term, energy prices might be the story of the decade. Major underinvestment for years paired with unrealistic green policies is not a recipe for success. There will be a transition, countries, and consumers will demand more energy from renewables. The major issue with this trend will be that the public has been misled on the readiness and scalability of renewables. When energy shortages increase in frequency, the public will be put in an interesting spot; use renewables or power your house.



Studies being conducted by the energy industry have forecasted non-fossil fuels as a source of energy. The good news: by 2050 non-fossil fuels will produce the same amount of energy as fossil fuels did back in 1965.



This chart includes Nuclear (Uranium) as a non-fossil fuel which increases the overall capabilities of the group. If Nuclear was stripped out of this group, the forecast would be much grimmer over the next few decades.

Nuclear has massive hurdles to jump over before its consumption increases. However, Nuclear energy will play a huge role in powering the world going forward. If a transition is what the world wants, renewables on their own are not enough. There will be major gaps. Nuclear energy is probably the missing puzzle piece for green energy activists.

It will not be all smooth sailing when investing in Nuclear energy.



Even though Uranium is trading at a 12-year high, the price per pound has dropped 14% since the September price high. Uranium equities have been hit harder since this move; the Global X Uranium ETF (URA) is down over 25% since mid-September. Even with recent market activity, some uranium miners have been hit hard, even though the macros and fundamentals are there, trading energy sources pose an added political risk. These risks will also not be going anywhere, anytime soon.

Nuclear energy is a highly controversial topic for some. The arguments can be highlighted by two close ally countries, Germany and France. France has the heaviest reliance on Nuclear energy in the world and is pushing for the EU and other organizations to consider Nuclear energy a renewable source of energy. Germany is on the other side of the argument; they are shutting down Nuclear power plants and lobbying for no Nuclear energy.

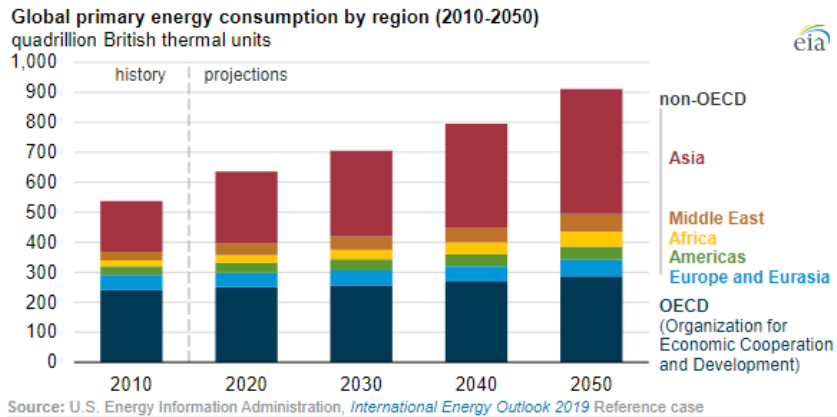
EUROPE

## France's nuclear power program sparks tensions with Germany over what is clean energy

January 17, 2022 · 4:18 PM ET

Either way, Nuclear energy will be an ongoing issue across the world going forward.

Comparing the fossil fuel and non-fossil fuel energy consumption projections, to the overall energy demand the globe will have in 2050, we notice massive gaps. If fossil fuel usage is supposed to decline and renewables will provide only 150 Exajoules\* of energy, what will provide the rest?



eia



Global energy demand is supposed to increase by 50% in 2050 to 900 Exajoules\*. Fossil fuels will be the path especially for developing nations lifting themselves out of poverty.

If 900 Exajoules\* will be the globe's energy consumption in 2050 and renewables are projected to provide 150 of that, the other 750 Exajoules\* will come from where?

Fossil fuels are not going anywhere.

**1 Quadrillion BTU = 1 Exajoule\***

How much energy is an Exajoule?

The exajoule (EJ) is equal to **one quintillion (10<sup>18</sup>) joules**. The 2011 Tōhoku earthquake and tsunami in Japan had 1.41 EJ of energy according to its rating of 9.0 on the moment magnitude scale. Yearly U.S. energy consumption amounts to roughly 94 EJ.

### **Market Bounce Back: Here to Stay or False Signal?**

The markets take the stairs up and the elevator down.

We are sure you are aware of markets getting off to a choppy start in 2022. 2022 had one of the worst starts for a year in decades. As of January 27<sup>th</sup>, the S&P 500 was down almost 10% to start the year; the Nasdaq was down 16% from its all-time high. Many were pointing to this as the correction the market needed. Since those bottoms, major indices and stocks across the board have jumped. The S&P 500 had its best two-day performance since April 2020 when markets rebounded from a 30% Covid-19 induced correction.

Even companies that are dealing with growth, fundamental, and extreme valuations issues like Netflix, Peloton, and Zoom have rebounded quite nicely over the last five days (as of February 1<sup>st</sup> market close).

We bring this to your attention because all the macro issues and valuation issues that led to a choppy market are still present in markets even with this "rebound". It is entirely possible that this bounce could be temporary.

Investors agree with our uncertainty.



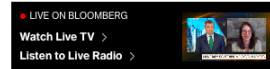
## Markets

# Worst-Ever Outflows for SPY ETF as QQQ Bleeds Most Since Dot-Com

- Investors ditched largest ETFs during January stock drama
- Monday rally met with biggest SPY exit in almost four years

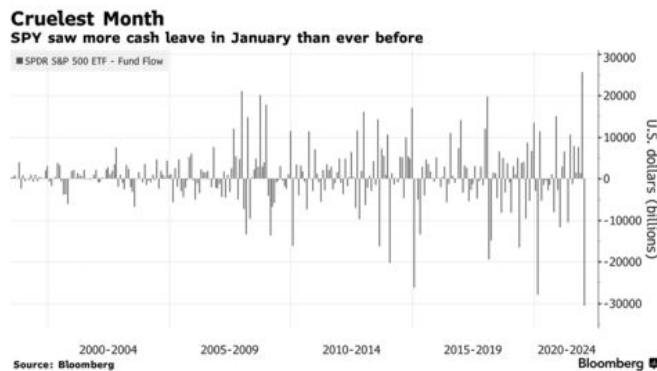
By [Sam Potter](#)

February 1, 2022, 8:29 AM EST



Markets are still at all-time highs, valuations are still trading at extreme levels, we have not seen for decades.

On Monday, the popular SPY ETF saw its biggest redemption since 1993.

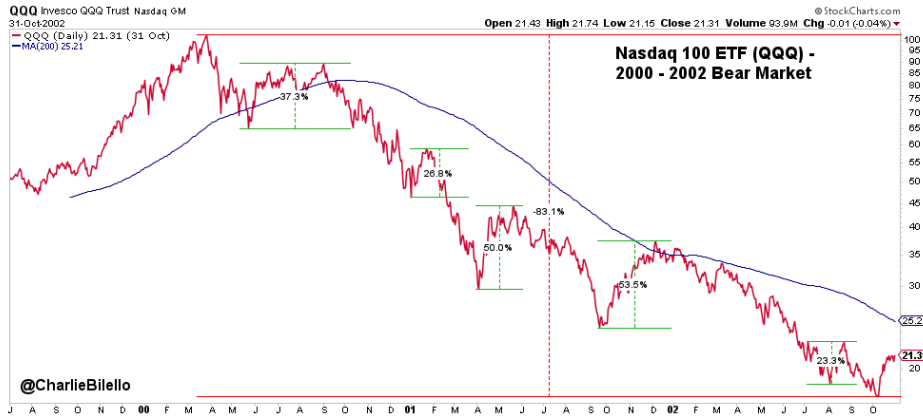


The Nasdaq-based QQQ ETF posted its worst monthly outflow in over 20 years.

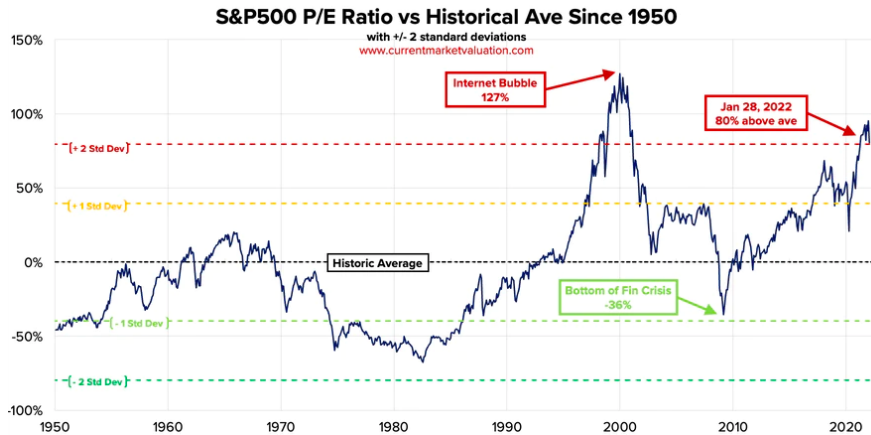
Investors seem to think this recent rebound could be a head fake as they seem to believe the bleeding could continue across financial markets.

It is important to remember, markets historically do not go straight down, the Covid-19 rebound was extremely unique in that way.

During the Dot Com Crash, the Nasdaq-based QQQ ETF rebounded 5 times over 20% during its collapse. To make it short: there will still be opportunities if markets continue to be choppy but, do not get complacent and believe we are in the clear because of this 10-15% drop we have seen.



Today's markets remain in the most expensive area on record.



The S&P 500 is trading 80% above the historical P/E average over the last 70 years.

### Anti-Cramer Index

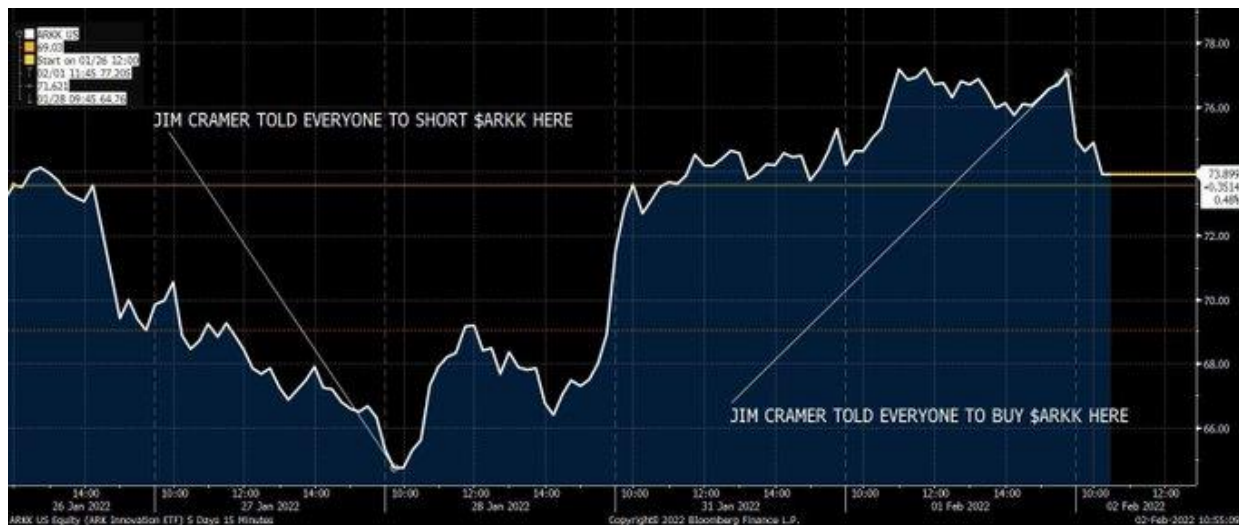
In last week's edition of [The Weekly Beacon](#), we highlighted the horrible calls by Jim Cramer. Robinhood, Coinbase, Plug Power, and many more.

Well, it seems we are not the only ones who have picked up on this "guru's" horrible calls.

A Twitter account was created this week and will track his recommendations, creating an "Anti-Cramer Index".



The account already has over 5,000 followers and has tracked some pretty funny recommendations by Cramer.



Cramer essentially told his followers to short ARKK when it reached its bottom and has changed his opinion only a few days later. Hopefully, no CNBC viewers listened, or they would have a nice margin call almost instantly.

Just this week, Cramer gave us another layup, on his show on January 31<sup>st</sup> he recommended PayPal.

## Cramer's Investing Club Profile: We like PayPal as much for payments as its wider fintech roadmap

PUBLISHED MON, JAN 31 2022-3:53 PM EST | UPDATED MON, JAN 31 2022-4:07 PM EST



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The stock dropped 25% on Wednesday to its lowest price since May 2020.





You really cannot make up how bad his recommendations have been.

Make sure to follow along on what to buy (or not buy).

### Alphabet's Stock Split

On Tuesday afternoon, Google's parent company announced the company will be conducting a stock split in July, a 20:1 stock split.

Shares jumped about 6-8% after this announcement. The announcement came with Alphabet releasing its 2021 Q4 earnings, earnings smashed expectations. Alphabet beat revenue estimates by over \$3 billion and beat earnings expectations by over 10%.

Alphabet listed bringing its shares to the masses as a reason for the major stock split. Currently, GOOGL shares are trading just below \$3000/share. A steep price for small investors who want some exposure to Google.

Alphabet shares have almost tripled from the March 2020 price low.

A Barron's report also signaled that this move could pave the way to Alphabet shares joining the Dow Jones Index. Alphabet currently has the fourth-highest market capitalization in the world and is third in North America. Currently, Microsoft and Apple are the only two large-cap technology stocks on the Dow Jones Index.

If Alphabet were to be added to the Dow Jones, the index would increase its technology exposure leading to a higher correlation with the S&P 500.

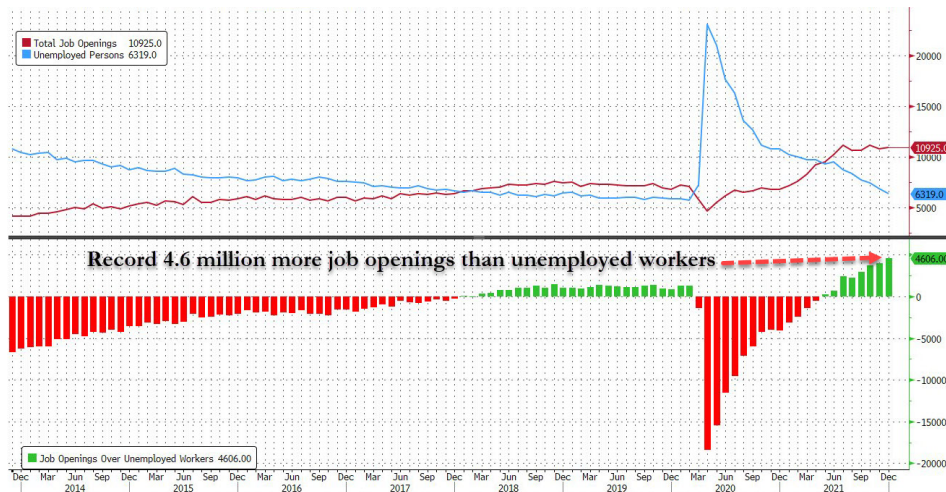
The move could also be a signal for Amazon to complete a stock split, whose shares trade above \$3,000 and who last completed a stock split in 1999.



## U.S. Job Market

The latest figures from the U.S. Job Market were released this week.

The latest release revealed a record number of open jobs. 4.6 million more open jobs than there are unemployed workers.



What has done this? Record level stimulus by the government, inflated asset prices over the last 2 years, an increase in day traders, and slow wage growth. Wages continue to grow at a slower rate than inflation as workers spending power is decreasing.

The U.S. private market also shed over 300,000 jobs in January while analysts expected an addition of 200,000 new private jobs.

The economy has issues all over and markets will continue to remain choppy unless these issues are addressed. The addition of certain vaccine mandates is also not helping fill these employment openings.

“The tendency of an inconvertible paper money is to create fictitious wealth, bubbles, which by their bursting produce inconvenience.” - *Lord Liverpool*

**MacNicol & Associates Asset Management Inc.**

**February 4, 2022**