

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.*



Tsurugisaki Lighthouse, Miura, Kanagawa Prefecture, Japan



Crisp Point Lighthouse, Shipwreck Alley, Newberry, Michigan

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



Europe's Dirty Habit

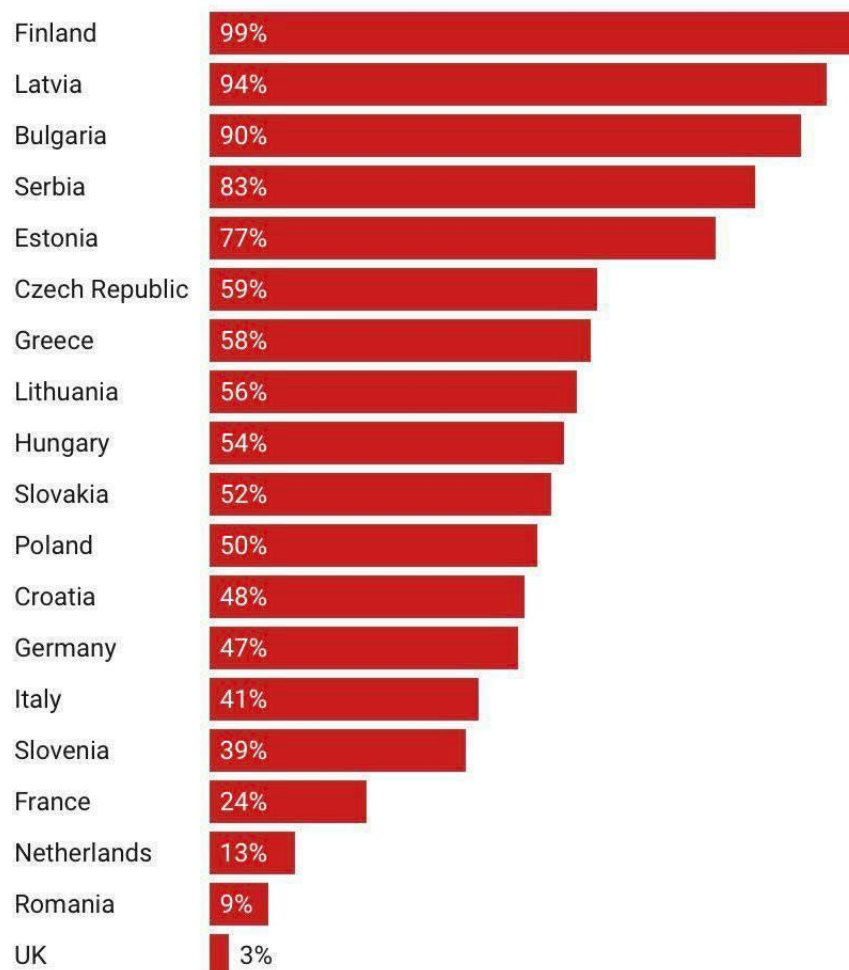
Europeans are known as the most forward-thinking and green energy-reliant people on Earth.

So why are the most forward thinkers buying fossil fuels from a communist dictator?

Last week, in [The Weekly Beacon](#), we mentioned the U.K. stopping Russian energy imports and the EU phasing out their reliance on Russian energy. The stark difference in policy can be explained by this graph:

European reliance on Russian gas

Averages of total imports between 2016-2020 . Selected countries



3% of U.K. energy imports are from Russia, while most of the EU sits above 50%. Many warned the EU that this reliance would end up biting them in the but, they never listened. Even as Russia storm the

capital of Ukraine, the European Union is spending millions per day on Russian oil and gas. They are helping fund the Russian military and there is no other way to put it.

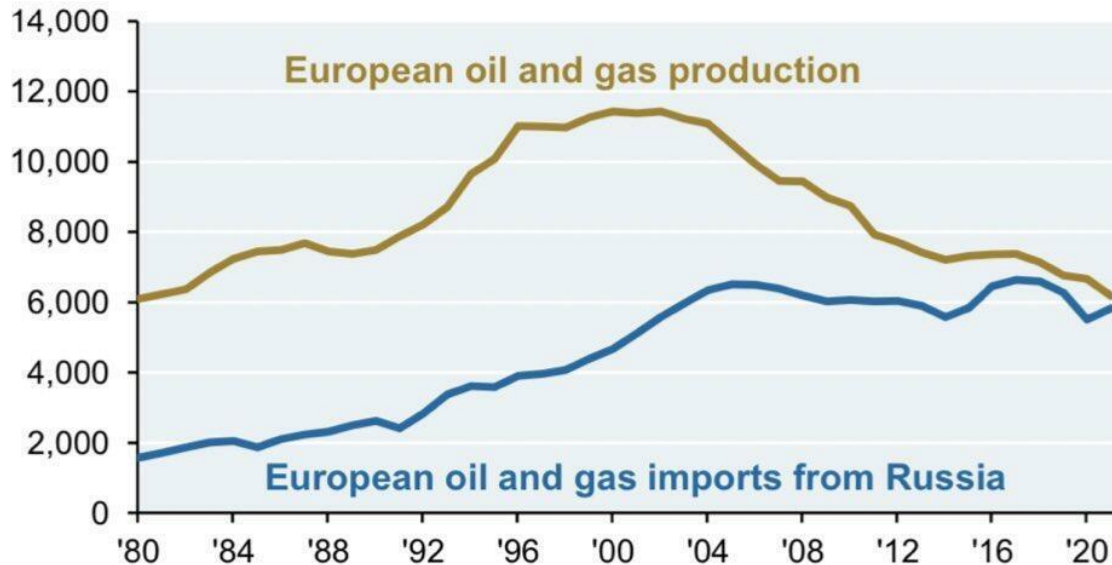


So how did we get here? European regulation.

As production decreases domestically due to permits and carbon taxes, imports increased from Russia.

European reliance on Russian energy

Thousand barrels per day of oil equivalent



Source: BP, Gazprom, Eurostat, Perovic et al, Russia Federal Customs Service, JPMAM calculations. 2021.

The chart is uncanny.

Regulate at home, import from Russia, solve climate change.

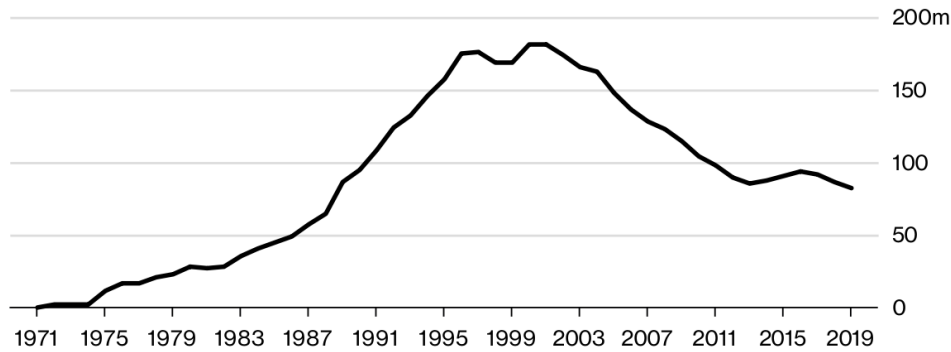
Green activists need to understand unless China, Russia, India, and Africa agree to net zero, there is no point for the West to decrease fossil fuel dependency.

Even on a country-by-country basis, the proof is in the pudding.

Norway has Europe's largest proven oil reserves and was the world's 12th largest oil producer in 2020. However, Norwegian oil production has been decreasing since 2000.

Norway's Decline

Oil output could reach lowest level since 1988



Note: Production measured in cubic meters. 2019 is a forecast.
Source: Norwegian Petroleum Directorate

Bloomberg

Even with the recent reduction in price for oil, prices will remain elevated for years to come due to underinvestment from the west and ballooning demand for energy.

Even countries that rival Russia in terms of dependency on oil exports refused to produce more oil when President Joe Biden called.

An image of Biden and the leaders of Iran and Venezuela went viral this past week and the image is spot on. The U.S. begging dictators to increase oil production while they limit domestic permits and production.





Energy Shortages

We have long warned our readers of the dire energy shortages we will face in the future. Aside from a few contrarian investors, certain economists, and limited news personalities, this idea has been ignored. Wall Street and the West have fallen in love with Tesla, solar panels, wind turbines, and ESG investing and have forgotten about pipelines, gasoline, and oil exploration.

Well CNBC (yes Jim Cramer's employer) ran an article this week on a global supply crisis in the energy market that will be the largest in decades.

OIL AND GAS

Oil market heads for 'biggest supply crisis in decades' with Russia's exports set to fall, IEA says

PUBLISHED WED, MAR 16 2022-9:01 AM EDT | UPDATED 3 HOURS AGO

The IEA (International Energy Agency) works with countries around the world to shape energy policies for a "secure and sustainable future".

For those that have not heard of IEA, they are an organization with goals of reaching net zero. They are pro-green energy.

The IEA's official members are limited to Western nations. Every country is in North America, Europe, or is a major western ally (South Korea, Japan, Australia, New Zealand). The green energy crew.

Member countries

Australia
Austria
Belgium
Canada
Czech Republic
Denmark
Estonia
Finland
France
Germany
Greece
Hungary
Ireland
Italy
Japan
Korea

Lithuania
Luxembourg
Mexico
New Zealand
Norway
Poland
Portugal
Slovak Republic
Spain
Sweden
Switzerland
The Netherlands
Turkey
United Kingdom
United States

Association countries

Brazil
China
India
Indonesia
Morocco
Singapore
South Africa
Thailand

We highlight this because even the IEA is warning the world of supply shortages due to sanctions on Russia. We believed a shortage would arise in the future but, this invasion may have sped up the process.



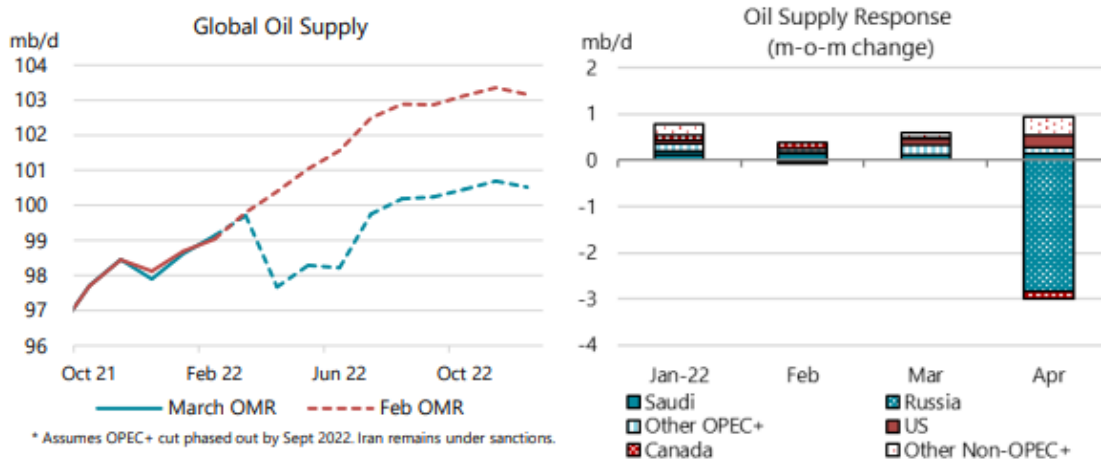
In the IEA's Monthly Newsletter for March 2022:

"The prospect of large-scale disruptions to Russian oil production is threatening to create a global oil supply shock," and that this could ultimately be the "biggest supply crisis in decades." "The implications of a potential loss of Russian oil exports to global markets cannot be understated,"

Russia has a massive role on the world stage in exporting oil, they are the world's largest exporter and 3rd largest producer.

In January 2022, total Russian oil production stood at 11.3 million barrels per day, or bpd, of which around 8 million bpd was exported.

The image below shows the projection of global oil supplied throughout 2022. The blue line is the new projection, the massive change over the last month is all about Russia invading Ukraine. Demand will be the same but, supply will be lower. IEA suggests global supply will be cut by 2.5 million bpd all of which are Russian exports. This projection is on the low end. The gap could become worse if sanctions increase and reliance decreases.



No country has shown a real desire to increase production to fill that void. We will have to wait and see what happens next.

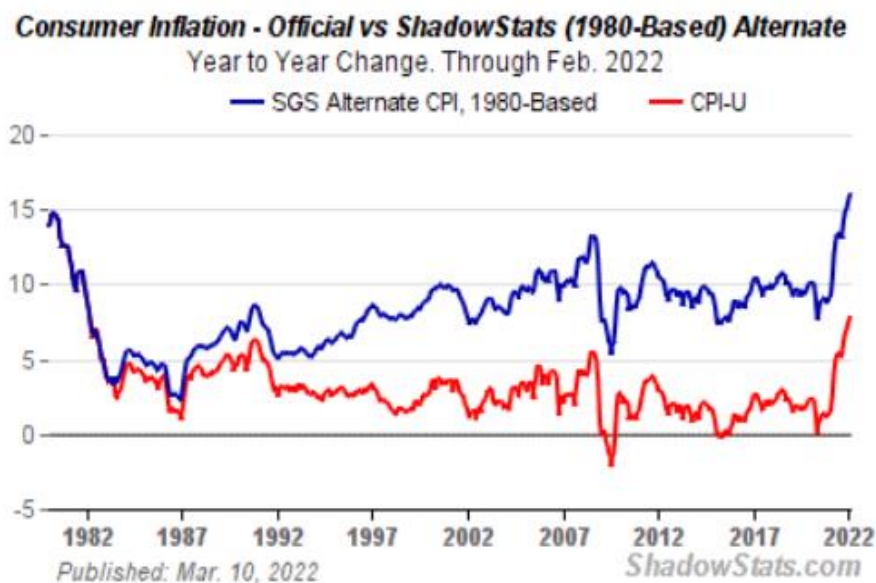


Inflation Records in the U.S.

One of the most pressing issues, since we started publishing [The Weekly Beacon](#), has been global inflation.

We have explained that we believe inflation has been quite high even before Covid-19. Global governments have been underreporting the CPI for decades. They have done this by changing the formula that is used to calculate rising costs.

[Our friend from Shadow Statistics, John Williams spoke with us a week ago \(click here to watch the video\)](#). John is an economist and one of the people we look to for macroeconomic commentary. John's firm has calculated the CPI as it was originally calculated back in the 1980s.

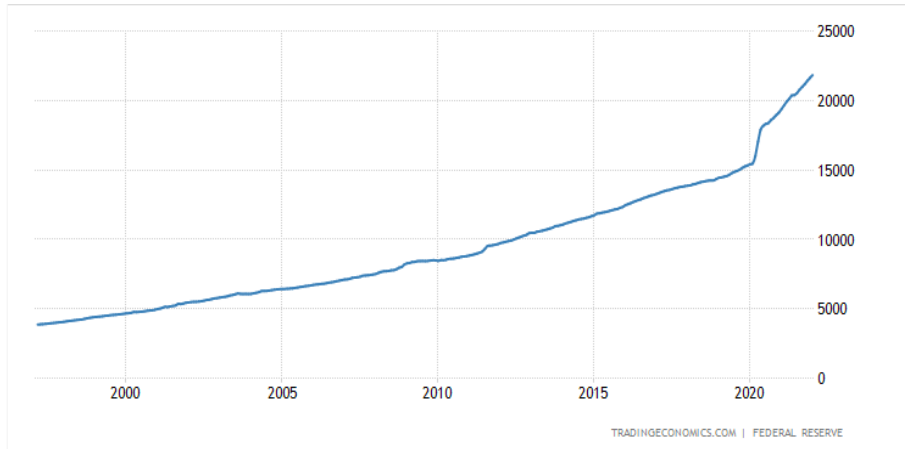


According to John, inflation if calculated properly would be above 15% YOY. Instead, we have a reported number for February 2022 of 7.9%.

The latest CPI reflected a 40-year high which has angered consumers. However, consumers only see inflation at 7.9%, imagine if they saw the real number which was more like 15%.

Inflation is here to stay in the U.S. and it's no secret why.

The U.S. M2.



The largest expansion occurred during Covid-19 through rescue packages released by Biden and Trump. Biden also minted a \$1 Trillion Infrastructure Package last year and is on his way to other Trillion Dollar government packages surrounding energy, health care, social assistance, and much more. Government spending never stops, no matter the party.

Perhaps the funniest response to inflation has been by the President and his administration.

WHITE HOUSE · Published March 14, 2022 6:02pm EDT

Biden blames Putin, COVID for record-high inflation in US

He says his administration has nothing to do with it

Joe Biden won't get away with blaming Vladimir Putin for inflation

Inflation has been rising for six months, well before Russia's invasion of Ukraine. Republicans are trying to make sure voters don't forget that.



Biden Urges Americans to Blame Rising Prices on Putin. Many Do, for Now.

News that inflation has hit a 40-year high is another blunt reminder of just how much the president is asking voters to sacrifice in an election year.

The Biden Administration thought they could pass inflation onto Putin. You cannot make this up, either politicians think we are dumb or political strategists are frauds. The Biden Administration has dealt with numerous issues in his first year and has voters to answer to in the 2022 midterms, both the Senate and House are up for grabs. Inflation is not a great thing for incumbents during elections, perhaps his team is grasping at straws.

The Biden Administration even got young TikTok stars on a call to post videos on rising costs. The influencers were told to blame Putin for skyrocketing costs. We are truly in crazy times. TikTok and geopolitics.

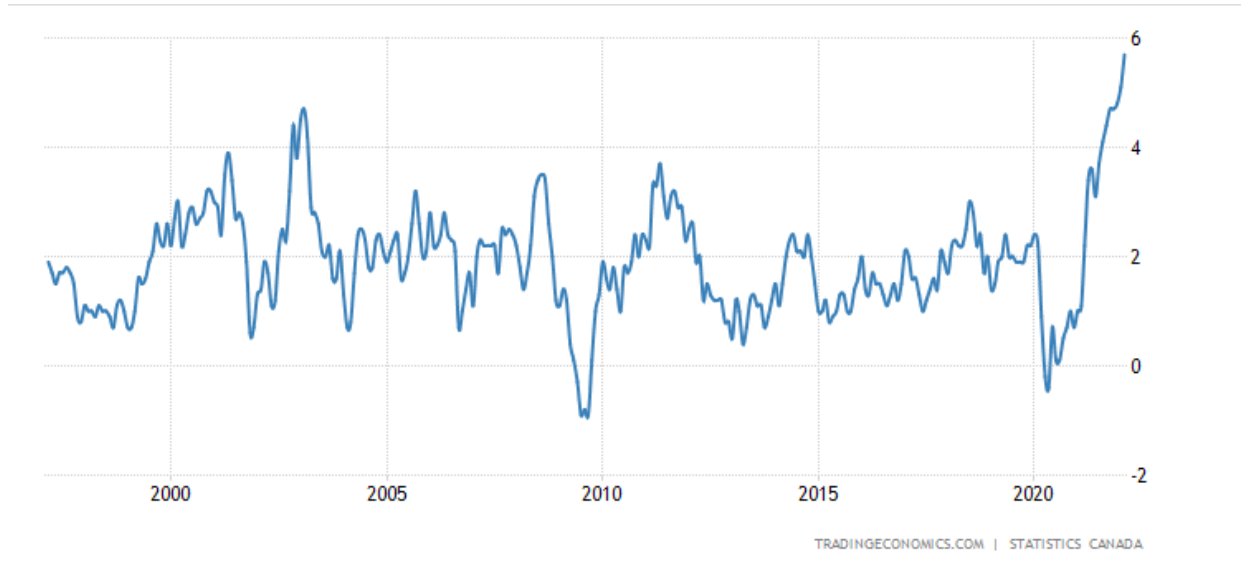
Joe Biden deploys teenage TikTok stars to blame soaring gas prices and inflation on Russia as US's worst cost-of-living crisis in 40 years tanks president's ratings ahead of midterms

- **The Biden Administration is looking towards TikTok influencers to help get their message across to younger people particularly on issues of Russia and inflation**
- **It's partly a way of battling Russia's propaganda machine about its invasion of the Ukraine**
- **Ellie Zeiler, an 18-year-old who has more than 10 million followers produced a video explaining why gas is so expensive**
- **Biden has been accused of cynically trying to distract from the fact that inflation was a serious issue for months before the Russian invasion of Ukraine**
- **Last week, The White House held a zoom briefing for about 30 popular social influencers**
- **Jen Psaki helped lead the White House message Influencers on the call said the White House emphasized its work with allies**

Global Inflation

Inflation is not exclusive to the U.S. up in Canada the CPI was released on Wednesday and we hit yet another record!

Inflation came in at 5.7% in February which is a 30-year high. Economists believe that we have not reached the peak in terms of inflation. Prices will presumably continue to rise into the summer especially as Canada ends Covid-19 restrictions after 2 years of restrictions. Demand will balloon in the warm months in Canada for almost everything.



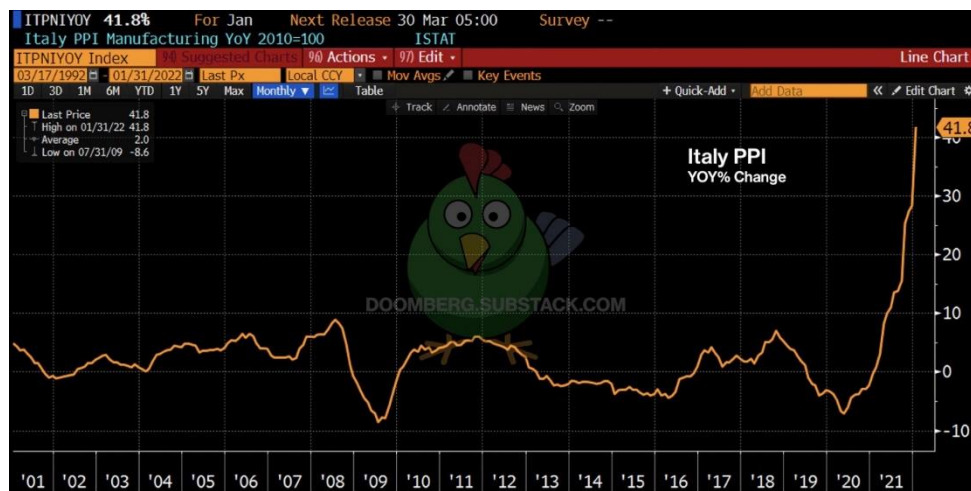
We think inflation will remain elevated relative to recent historical levels for years to come.

PPI Paves the Way

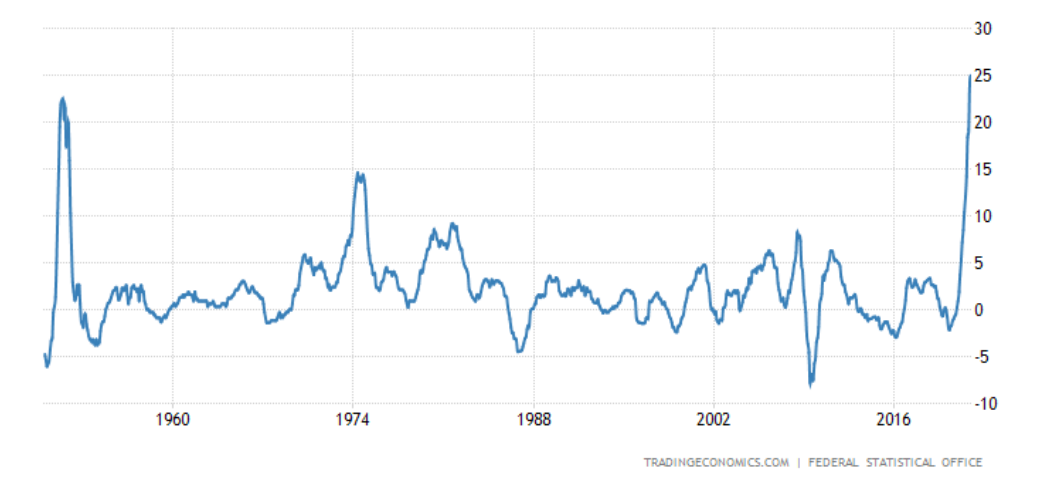
A few months ago, when many media members and analysts said inflation has peaked, we disagreed. We highlighted shortages, the supply chain, and the PPI as reasons for it. The PPI is the producer price index, so input price rises for consumer products.

The PPI for many countries paints a dark, dark picture.

The Italian PPI, at 41%, before this recent run-up had not been above 10% over the last 20 years.



The German PPI paints an even scarier picture, price rises that we have never seen before.



These are a few of the many countries that are facing record-breaking producer price rises. These are not third-world nations that regularly battle inflation, these are G7 nations that are global leaders.

Hopefully the PPI numbers we show you, put out the fire that Elizabeth Warren has lit.

 **Elizabeth Warren** ✓
@ewarren

It's appalling, and it's nothing new: Working people are paying the price for corporate greed.



businessinsider.com
It's not just inflation — corporate greed is also partially to blame for the rising p...
Starbucks blamed labor costs and supply shortages for higher prices — all while increasing their CEO's pay by 40% to \$20 million.

5:17 PM · Feb 14, 2022 · Twitter Web App

763 Retweets 55 Quote Tweets 2,975 Likes

Warren has completely blamed inflation on companies increasing profit margins and shareholder profits. To her inflation is greed by Fortune 500 companies.



Quite the take from an elected official who is in the U.S. Senate.

Back in Canada and the U.S., the PPI remains above the CPI but is below 10% in both countries. We think inflation will continue going into the future and think it will continue to rise in months to come.

Rising prices will be fueled by ballooning demand post-Covid-19, food shortages, and energy shortages. (Remember Russia and Ukraine'sglobal agriculture exports).

We are currently at the start of planting season in Ukraine and it looks like supply will take a hit this year.

Visiting another Cramer call

A few months ago, we highlighted a few of Jim Cramer's horrible calls. This week we bring you another one of his most infamous calls. Cramer called DiDi Global a must-buy back in June 2021. DiDi Global is like China's version of Uber.

The IPO was massive and was listed in the U.S.

CNBC WATCH LIVE

MAD MONEY

Get as many Didi shares as you can after the Chinese ride-hailing giant goes public, Jim Cramer says

PUBLISHED MON, JUN 28 2021 6:57 PM EDT
UPDATED MON, JUN 28 2021 8:57 PM EDT

Tyler Clifford
@_TYLERTHETYLER_ WATCH LIVE

KEY POINTS

- CNBC's Jim Cramer recommended investors get in on the initial public offering for China-based ride-hailing company Didi.
- "If you want to speculate on a Chinese IPO, you've

Even though DiDi Global was up 42% on Wednesday, the stock is one of the worst global performers over the last 8 months. DiDi is down 83% from its first day of trading in July 2021. The market cap has collapsed from \$80 billion to \$12 billion.

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Market Summary > DIDI Global Inc - ADR

2.56 USD

NYSE: DIDI

-12.97 (-83.52%) ↓ today

Mar 16, 3:35 p.m. EDT • Disclaimer

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

Open	2.56	Mkt cap	12.42B	52-wk high	18.01
High	2.72	P/E ratio	-	52-wk low	1.71

Great call by Cramer!

This call by him went wrong for different reasons than his U.S. calls. The technology crack-down by the CCP was a surprise to certain investors but, to us was expected. The CCP has one goal: control and power. They do not care about shareholder profits. Chinese investments have a massive geopolitical risk factor that is hard to quantify.

We only highlight this due to the timing; Chinese stocks have finally caught a bid this week and look to have bottomed.

The Chinese government announced it would support IPOs abroad and called an end to its tech crackdown. This was all global investors needed to pile back into some of these companies on Wednesday. To us: some of these investments may make money but, you never know when the next time the CCP will decide to crack down on public companies.

The Hang Seng Index was up 9% on Wednesday and numerous Chinese companies listed in the U.S. had their best day in years.



Market Summary > Alibaba Group Holding Ltd - ADR

104.78 USD

NYSE: BABA

+27.97 (36.41%) ↑ today

Mar 16, 3:47 p.m. EDT • Disclaimer

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



Open	92.00	Mkt cap	267.74B	52-wk high	245.69
High	104.78	P/E ratio	27.97	52-wk low	73.28
Low	87.12	Div yield	-		

Market Summary > Baidu Inc

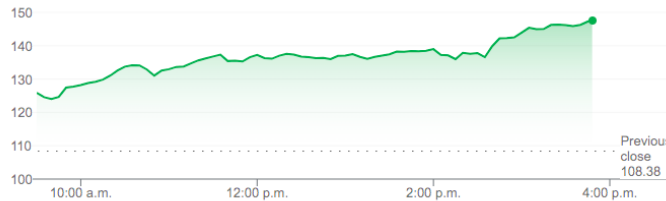
147.71 USD

NASDAQ: BIDU

+39.33 (36.29%) ↑ today

Mar 16, 3:48 p.m. EDT • Disclaimer

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



Open	126.04	Mkt cap	48.01B	52-wk high	278.21
High	148.65	P/E ratio	32.36	52-wk low	102.18
Low	122.81	Div yield	-		

Market Summary > JD.Com Inc

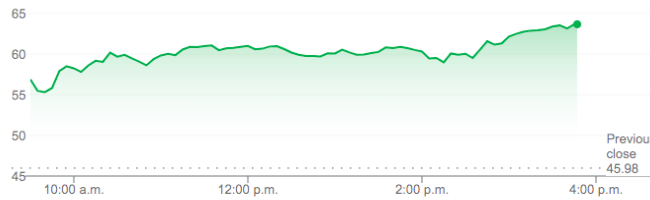
63.72 USD

NASDAQ: JD

+17.74 (38.57%) ↑ today

Mar 16, 3:47 p.m. EDT • Disclaimer

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



Open	56.96	Mkt cap	85.24B	52-wk high	92.69
High	63.83	P/E ratio	-	52-wk low	41.56
Low	54.75	Div yield	-		



Market Summary > Nio Inc - ADR

18.66 USD

NYSE: NIO

+3.73 (24.98%) ↑ today

Mar 16, 3:49 p.m. EDT • Disclaimer



Large-cap Chinese technology names are acting like penny stocks.

Perhaps that's how certain Chinese investments should be treated (like a penny stock). Until the CCP shows consistency and is not all about control, we have little reason to trust them.

Do not get fooled by the new shiny object, Chinese stocks destroyed certain investors over the last year.

China Internet Market Cap (\$B)

Company	2/17/21	3/10/22	% Change
Tencent	930	462	-50%
BABA	734	249	-66%
Meituan	343	110	-68%
PDD	249	45	-82%
Kuaishou	223	44	-80%
JD	165	86	-48%
BIDU	105	49	-53%
BEKE	78	13	-83%
JD Health	71	18	-75%
BILI	51	8	-84%
TME	45	7	-84%
Total	2994	1091	-64%

Chinese Internet stocks wiped out tens of billions in shareholder wealth all induced by the CCP.

Changing World

For the first time Saudi Arabia is considering closing some of its oil sales in the Yuan over the USD.



A surprising move but one China loves, and the west had to expect would eventually happen. China has pushed countries on every continent closer to itself over the last 2 decades. They are a strong trading partner with almost every country in the world.

Keep your eyes on this and any other nation that decides to settle deals in the Chinese Yuan over the USD.

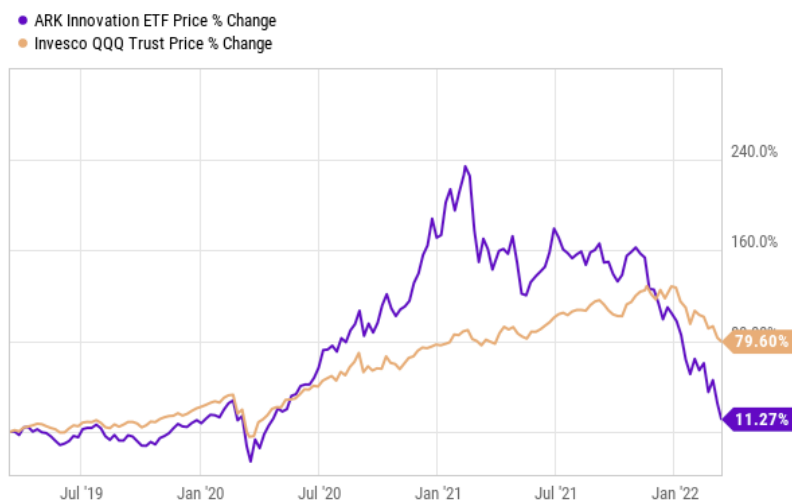
Ark is not having fun

Ark Investments enjoyed 2020 but, 2021 and 2022 have not been good to shareholders nor Cathie Wood. ARKK is down 38% YTD but, what is more, eye-opening is her performance versus her benchmark, the Nasdaq.

Over the last 3 years, ARKK is up around 11% while QQQ is up 79% over the same timeframe. QQQ is an Invesco ETF that follows the Nasdaq Index.

ARKK at one point was up almost 240% during this period, imagine buying into the hype back then? Yikes.

Stay on the sidelines on anything that is marketed more than researched. ARKK might have the best marketing department in the entire financial sector.



MacNicol & Associates Asset Management Inc.

March 18, 2022