

## 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.*



Black Rock Lighthouse SERVICE Black Rock Desert, Pershing County, Nevada, US (Burning Man 2017)



Sitka Lighthouse, Sitka, Alaska

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

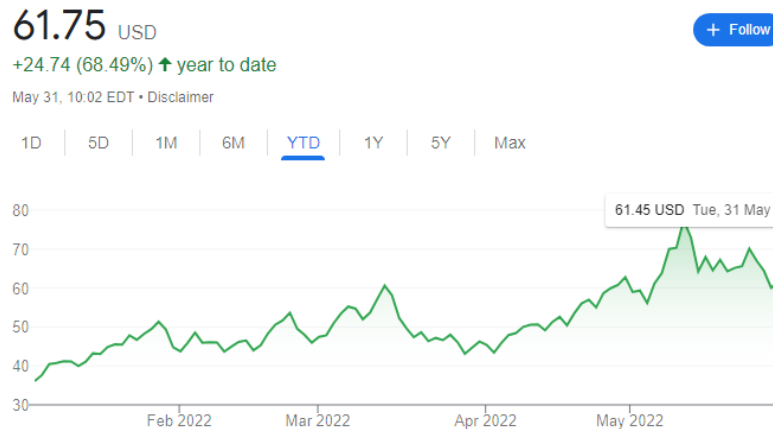


## SARK over ARKK

In the [November 26<sup>th</sup>, 2021 edition of The Weekly Beacon](#), we mentioned a newly launched ETF, the Tuttle Capital Short Innovation ETF. The ETF seeks to inverse the returns of Cathie Wood's flagship fund ARKK. If you buy SARK, you are betting against Cathie Wood. You are betting against absurd valuations.

SARK has had a great 2022.

Market Summary > Tuttle Capital Short Innovation ETF



We all know ARKK has not.

Market Summary > ARK Innovation ETF



Remember as her funds flutter, Wood is a weekly guest on CNBC.

In February 2022 she gave us a gem of a quote that will go down infamously.



We tend to disagree with her quote. Even though we have questioned her abilities and stated that her funds are overvalued and major stay always, we are not betting against innovation. After all, innovating is defined as a new method, idea, product, etc. We are all in on new ideas, just not some of hers.

Think of SARK this way, you are betting against her and Ark Investments' ability to pick innovation.

Entering a position in SARK now would come with added risk. Even though ARKK still has major holdings that are trash, this is the time it could bounce when the Cathie cult gets reenergized (circa 2020). Either way a fascinating story.

After all, it could be worse for Cathie Wood, she could have shorted oil at its bottom in 2020 when she said it was going to \$12/bb. Where are we now? We forget. Oh, wait.....





If oil gets back to \$120, oil will be trading 10x higher than she predicted. Maybe, she will get a prize. We are certainly not claiming to always be right, after all, everyone has blunders. This was just an all-time blunder if you read any energy data. Oil isn't going anywhere. The fact that she said it was makes us think, does she think her followers are dumb?

### **Hold Your Horses**

Even though the stock market has faltered over the last five to six months, it does not mean every asset class has correlated with it.

Even though mortgage rates are up across North America, real estate prices as of March 31, 2022, are also at record levels.

Economy | Housing | **Bloomberg**

## **Locked out: US mortgage rates climb to 5.3%, highest since 2009**

*The average rate for a 30-year loan was 5.3 percent, up from 5.27 percent last week and the highest since July 2009, according to United States data.*

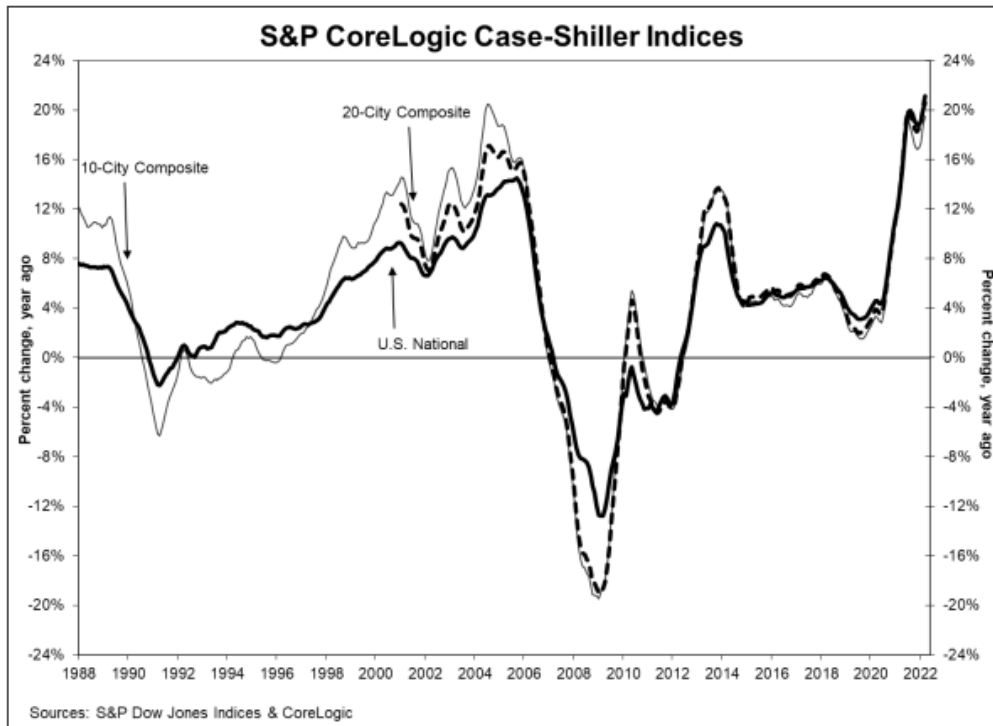
Although mortgage rates have dropped slightly since this high earlier in May, real estate prices have not been impacted as much as equity markets in 2022. Yes, we know the numbers are slightly delayed and real estate numbers were down in April and May. We are simply stating a fact that this asset class has not followed the overarching trend of financial markets.

Economic Report

## **U.S. home prices rise at new record rate, Case-Shiller shows**

Last Updated: May 31, 2022 at 9:47 a.m. ET

First Published: May 31, 2022 at 9:36 a.m. ET



From the release:

*The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, covering all nine U.S. census divisions, reported a 20.6% annual gain in March, up from 20.0% in the previous month. The 10-City Composite annual increase came in at 19.5%, up from 18.7% in the previous month. The 20-City Composite posted a 21.2% year-over-year gain, up from 20.3% in the previous month.*

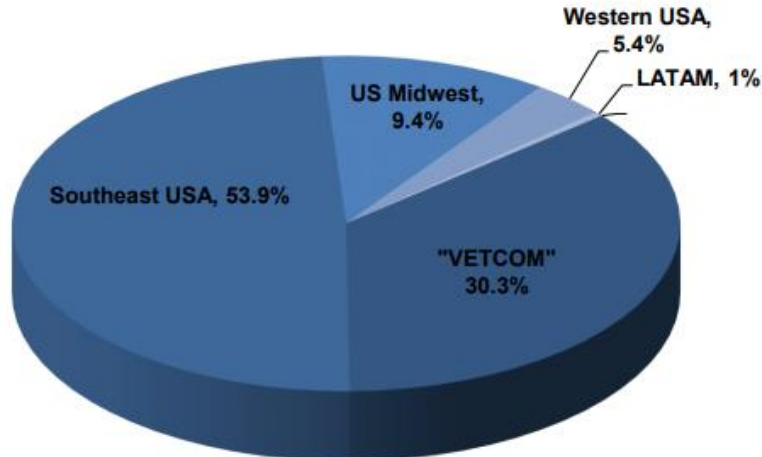
*Tampa, Phoenix, and Miami reported the highest year-over-year gains among the 20 cities in March. Tampa led the way with a 34.8% year-over-year price increase, followed by Phoenix with a 32.4% increase, and Miami with a 32.0% increase. Seventeen of the 20 cities reported higher price increases in the year ending March 2022 versus the year ending February 2022.*

The data release further confirmed our focus on the southern area of the U.S., an area we believe will have the highest population growth and wealth growth over the next decade. A transformation is unfolding before our eyes. The exodus from northern states like Illinois and New York to sunbelt states. [Click here to learn more about our MAC 360 Degree Real Estate Fund which is a part of our Alternative Asset Trust.](#)

The Geographic Exposure of our Real Estate Fund (as of April 30, 2022):



### Geographic Exposure



We not only believe in Florida but other key states throughout the south of the United States.

We highlight this only to show investors the importance of alternative investors that go beyond stocks and bonds. If you have your retirement account in the S&P 500 you are having quite the tough 2022, we recommend diversification not only across equity sectors but asset classes.

To note, we do not only buy single family homes and residential real estate.

### Not Done Yet

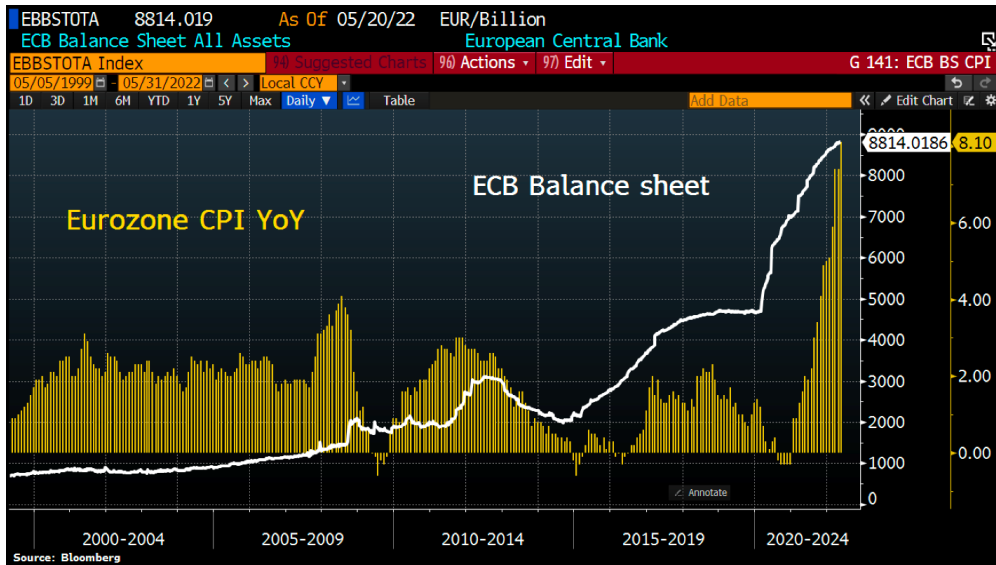
Inflation has not peaked. No matter what they tell you. Oil is up. Natural gas is up. Food is up.

The latest CPI for the Eurozone CPI was released on Tuesday. All these records would be nice if we were talking about sports or the Oscars but rising prices, not so much.

## Eurozone CPI Hits New Record High of 8.1% in May

Investing.com | Economic Indicators | 9 hours ago (May 31, 2022 05:06AM ET)

We also noticed a nice correlation that is too good to not share:



In the latest release, both trends meet. It's no surprise inflation started running wild when the EU Balance Sheet started growing exponentially. Print Money = Pay Later with Inflation. There is no such thing as a free lunch even if you got a \$2,000 CERB cheque or \$1,200 stimulus cheque.

Expect numbers to moderately rise throughout the summer especially as more energy is consumed, and agriculture shortages are realized.

It's also not being caused by developing countries in Europe.

Germany is seeing the highest inflation they have recorded in 50 years.

## Germany's annual inflation rate jumps to 7.9%, highest since early 1970s

Germany's annual inflation rate accelerated to 7.9% in May, its highest level in nearly half a century, according to an official estimate Monday.

### Topics

Germany

AP | PTI | Berlin

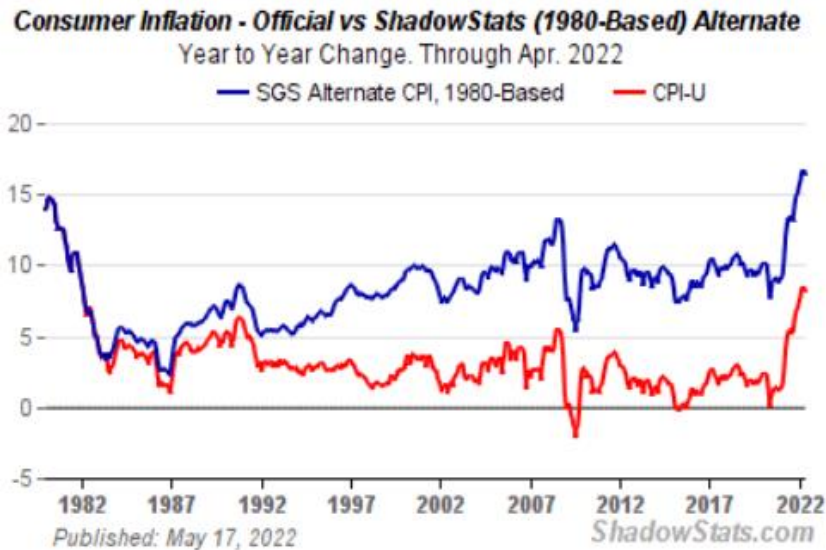
Last Updated at May 30, 2022 19:16 IST

This data is without their new Russian energy sanctions that will certainly spike energy prices through the end of this year. Germany's dirty habits will be exposed yet they will not fill the void with strong energy, they will use renewables that have already failed them. "If it's broken, don't fix it."

Energy prices in Germany were 38.3% higher than in May last year and food prices were up 11.1%.

It also appears certain media members are realizing governments underreport inflation. We have mentioned for months in this publication how and why governments purposely understate inflation.

The U.S. is underreporting inflation by a significant margin versus the 1980s calculation. And do not worry, the U.S. is not alone.



MarketWatch published an opinion piece on why inflation numbers are misleading this week. Perhaps the writer is getting ahead of the CPI release (2 weeks from now).

Outside the Box

## Opinion: Inflation has been pummeling the middle class for decades, but the out-of-touch CPI masks this reality

Last Updated: May 28, 2022 at 9:51 a.m. ET  
First Published: May 27, 2022 at 1:06 p.m. ET

By Eugene Ludwig

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In the article:

### CPI understates rising costs

Over the 20 years that preceded the present crisis, prices for things middle- and low-income Americans *must* purchase rose 40% beyond what CPI would indicate, more than wiping out a median earner's income gains. In short, the CPI-driven narrative is something akin to "fake news."

Something we can agree with. We also agree with the headline. Inflation eats away at lower and middle-class families. Remember, last year when people said inflation was good for the lower-class.



## Why inflation can actually be good for everyday Americans and bad for rich people



By [Allison Morrow](#), CNN Business  
Updated 11:24 AM ET, Wed December 1, 2021



## Inflation Is Good for You

Don't panic over milk prices. Inflation is bad for the 1 percent but helps out almost everyone else.

We would assume the two writers above make enough money where grocery and gas prices do not matter to them. Either way quite ignorant comments. Look for the Canadian CPI release for May on June 22<sup>nd</sup> and the U.S. CPI on June 10<sup>th</sup>.

### New High

We have regularly commented on gas prices throughout this publication. As a firm who have a focus on the energy sector, we follow everything including how prices affect average consumers. We did a study two weeks ago on how prices south of the border vary versus in Canada. We found the average price in California was the same as in Canada. The only unfortunate thing, California has the most expensive by a wide margin in the U.S.

Canada is getting screwed with taxes on energy.

This week, however, a gas station in Los Angeles displayed standard gasoline for \$8/gallon. That would be \$2.67/liter CAD. We may have it bad in Toronto, but it is certainly not that bad. Although this is a one-off it is regardless absurd that gas has got to this point. \$8/gallon is higher than the U.S. Federal Minimum Wage which is \$7.25. (The minimum wage in LA is not \$7.25.)



## Gas hits \$8 per gallon at one LA station

Mon, May 30, 2022, 8:16 PM

Gas prices continue to go up throughout the holiday weekend, including one station in LA charging more than \$8 a gallon for regular.

The average mileage for 2020 SUVs and Cars is 25.4 miles/gallon. A worker would be out an hour of pay if they lived 12 miles from work. Bad policies by governments keep biting regular citizens in the butt.

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We are not solely blaming the Biden Administration for this crisis, as many of the flaws have deeper, global roots. The Biden Administration have just managed to add to the problem in a short period of time.



### Wealth Wipeout

2022 has seen equity markets drop almost 20%. Some of the largest companies in the world have lost 30-50% of their value, and some even more.

How much wealth has been wiped out?

[HOME](#) > [INVESTING](#)

## Americans See \$5 Trillion Disappear In Stock Market Crash

With U.S. wealth numbers in decline, what can investors do to stem the tide?

**BRIAN O'CONNELL • MAY 24, 2022 3:26 PM EDT**

That seems like a lot of money. Most of that wealth was lost by the 1% of Americans:

Below is a table of the value of wealth held by various economic groups in the U.S.

Households Q4 2021	Totals (\$ trillions)	Share (%)
<b>Stocks</b>	<b>\$42.6</b>	<b>100.0%</b>
Top 1%	\$22.9	53.9%
90-99%	\$14.9	35.0%
50-90%	\$4.5	10.5%
Bottom 50%	\$0.3	0.6%
<b>Real Estate</b>	<b>\$38.1</b>	<b>100.0%</b>
Top 1%	\$5.3	13.8%
90-99%	\$11.7	30.7%
50-90%	\$16.2	42.4%
Bottom 50%	\$5.0	13.1%

Source: Federal Reserve



Very evident is how much stock in relative terms the top 1% hold versus the rest of Americans. Even when you factor in the top 10%, 89% of stocks are accounted for. Middle- and lower-class Americans do not hold much value in the stock market (relatively). The bottom numbers (real estate) are where things get interesting. If the real estate market budes that's when lower and middle-class Americans get punched in the mouth and a full-on economic disaster occurs (ie. 2008). There is a major reason nonfinancial people know what happened in 2008 and do not know what happened during the Dot Com Crash. For them the stock market is sort of white noise and something they will look to in 40 years, their house well that's immediate. So, while you may think 2022 cannot get any worse (in financial terms), it can. We are not predicting a housing crash; we think in various overpriced regions in North America, prices could retreat in the coming months due to mortgage rates. There is a fundamental supply issue at the moment in the North American housing market that will prop prices up in various markets.

On the topic of "could be worse" look at the performance of the S&P 500 to the iShares China ETF over the last year:

A China ETF has had a really tough year.



The S&P 500 is almost flat and the Chinese ETF is down 38%. Although, the reasons for this are different, things could be much worse. Investors who threw all their chips at Chinese technology companies deserve to be down as they ignored every political, economic, and macro red flag that exists.

### **More Problems (shortages), More Coal**

As we have said throughout this publication, countries have turned to emergency fossil fuels to fill the void unreliable renewables have left. While we say that, it is only true for a few countries. Only rich,

developed, G20 national have large-scale renewable usage. So, countries like Germany have turned to gas to fill the void solar and wind have left. For poorer nations, the story is different, they have turned to cheaper energy sources they can afford to combat high oil and gas prices.

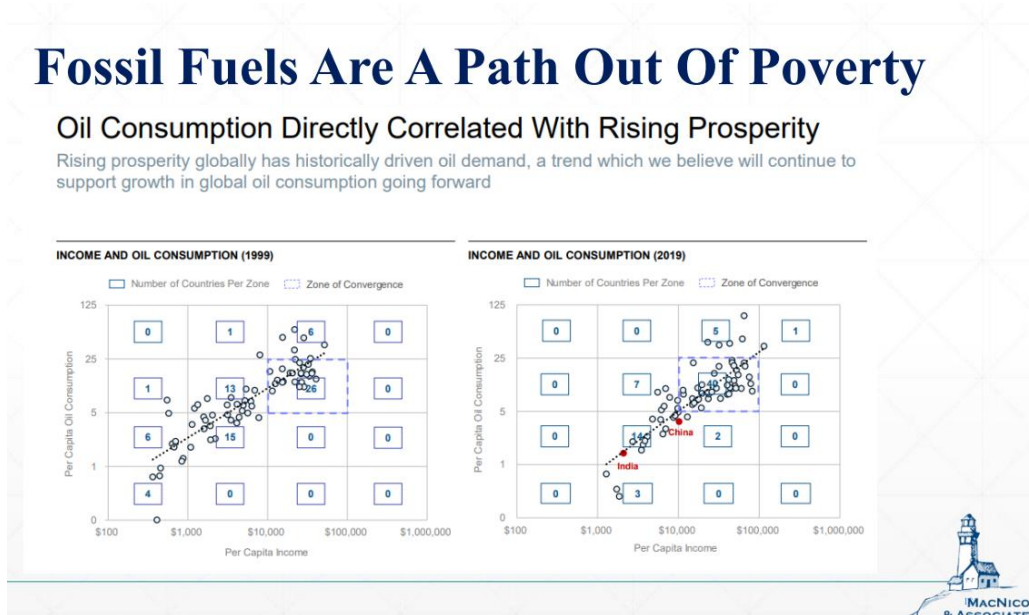


Look at India's announcement from this week:

Political leaders of developing countries face constant pressure to generate enough electricity for their populations as they are being asked to reduce dependence on fossil fuels. In a bold and rebellious move, India has ordered reopening more than 100 dormant coal mines to meet skyrocketing domestic power demand.

Even without these price increases, the best way for India, the world's most populous country to increase economic prosperity is through energy sources they can afford.

Here is a chart we showed in our Webinar from last week on [Energy Shortages](#). [Click here to watch the replay.](#)



The correlation between oil usage and per capita income says it all. The use of fossil fuels is the only path out of poverty in today's world. Maybe, things change in 10 years and Africa, India, and other impoverished nations are completely renewable. If that happens (unlikely), we will admit that we are wrong but, until then, look for headlines like these leading to higher coal prices.

COAL | ELECTRIC POWER | LNG | NATURAL GAS — 10 May 2022 | 22:09 UTC

# US coal to boost production, lose generation in 2022: EIA

Indonesia's coal production to rise more than 6% in 2022

[sxcoal.com](#)

International

2021-12-22 08:42:55



EU accepts it will burn more coal in move away from Russian gas

Brussels outlines plan to bolster energy infrastructure and insists it will still hit carbon reduction targets

ASIA

## As China mines more coal, levels of a more potent greenhouse gas soar

 By Christian Shepherd

Updated May 27, 2022 at 7:00 a.m. EDT | Published May 27, 2022 at 3:13 a.m. EDT

# Why The World Can't Kick King Coal

By [Felicity Bradstock](#) - May 28, 2022, 4:00 PM CDT

We will keep looking at the data and not ignoring the facts like much of the media and even the politicians who seem to like to ignore reality when talking about energy and climate change.

## A Picture Worth A Thousand Words

Oversold and overbought. Who would have thought?

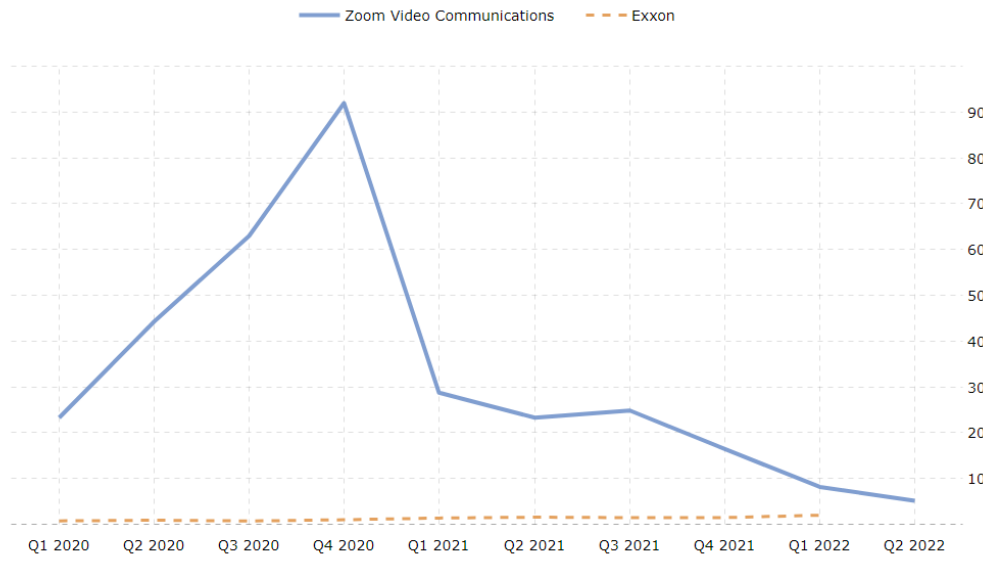


We never liked Zoom and were not afraid to say it.

Just look at the Price to Book ratios:

What goes up, must comeback down.

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**MacNicol & Associates Asset Management Inc.**  
**June 3, 2022**