

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.*



The Formentor Lighthouse, Majorca Island, Spain



Chania Lighthouse, Venetian Port Chania, Greece

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

Speculative Bubble Pops

Stimulus cheques in 2020 helped lead a resurgence in the stock market after the Covid-19 crash. Leading the way was retail traders who were stuck at home. They piled into “stay at home” stocks, meme stocks, disruptive unicorns, and SPAC companies. Many of them were up big in 2020 and early 2021, they could do no wrong. Some more than likely doubled or tripled their stimulus cheques.

However, since then the story has been the complete opposite.

Retail Traders Lose \$350 Billion in Brutal Year for Taking Risks

- Average retail portfolio is down about 30% this year: Vanda
- Sharp drop for Tesla, Apple could deter dip buying habit

Retail traders either ignored valuations or did not know how to calculate one. They bought the cream of the crop when it came to speculative stocks. Retail traders also allowed many cryptocurrencies to surge in price over the last few years.

Charlie Bilello constructed a great chart that highlights some of our (least) favourite speculative stocks and what their returns have been in recent years.

The High Growth Boom (2020) & Bust (2021-2022)									
Company	Ticker	2020 Return	2021-2022 Return	2020-2022 Return	Company	Ticker	2020 Return	2021-2022 Return	2020-2022 Return
NIO Inc.	NIO	1112%	-80%	143%	C3.ai Inc	AI	230%	-92%	-73%
QuantumScape	QS	753%	-93%	-43%	Redfin Corp	RDFN	225%	-94%	-80%
Tesla Inc.	TSLA	743%	-48%	342%	FuboTV Inc	FUBO	214%	-94%	-80%
Twist Bioscience	TWST	580%	-83%	15%	Chewy Inc	CHWY	210%	-59%	28%
Workhorse Group Inc	WKHS	551%	-92%	-50%	DocuSign Inc	DOCU	200%	-75%	-25%
Farfetch Ltd.	FTCH	517%	-93%	-54%	Unity Software	U	195%	-81%	-45%
eXp World Holdings	EXPI	457%	-64%	98%	Shopify	SHOP	185%	-69%	-13%
Peloton Interactive Inc	PTON	434%	-95%	-72%	Zillow Group Inc	Z	183%	-75%	-30%
Pacific Biosciences Inc	PACB	405%	-68%	59%	Five9 Inc	FIVN	166%	-61%	3%
Sunrun Inc.	RUN	402%	-65%	74%	Carvana Co	CVNA	160%	-98%	-95%
Zoom Video Communications Inc	ZM	398%	-80%	0%	Invitae Corp	NVTA	159%	-96%	-88%
Sea Ltd	SE	395%	-74%	29%	CRISPR Therapeutics AG	CRSP	151%	-73%	-33%
Beam Therapeutics	BEAM	380%	-52%	130%	Wayfair Inc	W	150%	-85%	-64%
Pinduoduo Inc	PDD	370%	-54%	116%	Roku Inc	ROKU	148%	-88%	-70%
Fate Therapeutics	FATE	366%	-89%	-48%	Teladoc Health Inc	TDOC	139%	-88%	-72%
Cloudflare Inc.	NET	345%	-41%	165%	Chegg Inc	CHGG	138%	-72%	-33%
FuelCell Energy	FCEL	345%	-75%	11%	GSX Techedu Inc.	GOTU	137%	-95%	-89%
Fastly	FSLY	335%	-91%	-59%	Palantir Technologies Inc	PLTR	136%	-73%	-36%
DraftKings Inc	DKNG	335%	-76%	6%	Coupa Software Inc	COUP	132%	-77%	-46%
Appian Corp	APPN	324%	-80%	-15%	Stitch Fix Inc	SFIX	129%	-95%	-88%
Lemonade	LMND	322%	-89%	-53%	Elastic NV	ESTC	127%	-85%	-20%
ChargePoint Holdings	CHPT	309%	-76%	-3%	RingCentral	RNG	125%	-91%	-79%
Etsy Inc	ETSY	302%	-33%	170%	Okta Inc	OKTA	120%	-73%	-41%
Ontrak Inc.	OTRK	279%	-99%	-98%	PayPal Holdings Inc	PYPL	117%	-70%	-34%
Tupperware Brands	TUP	278%	-87%	-52%	Spotify Technology SA	SPOT	110%	-75%	-47%
Pinterest Inc	PINS	254%	-83%	30%	StoneCo Ltd	STNE	110%	-89%	-76%
iRhythm Technologies	IRTC	248%	-61%	38%	Opendoor Technologies Inc	OPEN	110%	-95%	-89%
Block Inc	SQ	248%	-71%	0%	Virgin Galactic Holdings Inc	SPCE	105%	-85%	-70%
Twilio Inc	TWLO	244%	-86%	-50%	Wix.com Ltd	WIX	104%	-89%	-37%
Penn National Gaming Inc	PENN	238%	-66%	16%	Lordstown Motors Corp	RIDE	102%	-94%	-89%



As you can see all these companies gained more than 100% in 2020 (this includes the Covid-19 crash). Every single company on this list tanked in the following two years. Etsy performed the best losing 33% between 2021 and 2022. Ironically Tesla was one of the best performers in this time frame only losing 48%.

Over half of the companies on this list are now down over the last 3 years, wiping out billions of gains for investors. We do not think all these companies will rebound (some may) and predict many of them will be bought or perhaps go bankrupt. It seems retail investors drank the hype train Kool-Aid and got the rug pulled out from under them. Important to note, some people won big in this trade. Many of these companies went public during the SPAC boom allowing founders and sponsors to unload shares to retail traders.


The lesson we would like to share with all investors, if it's too good to be true, stay away.

Meme stocks hit the HARDEST

After reading the list above which highlights many of the disruptive unicorns that significantly underperformed over the last 2 years, you might say “wow, those are the worst returns across the markets, it cannot get worse”.

Well, unfortunately, it could be a lot worse.

Meme Stocks, % Below 2021 Mania High				
Meme Stock	Ticker	2021 High	12/31/2022	% Below High
National Beverage	FIZZ	92.50	46.53	-50%
Nokia	NOK	9.79	4.64	-53%
Gamestop	GME	120.75	18.46	-85%
BlackBerry	BB	28.77	3.26	-89%
Express	EXPR	13.97	1.02	-93%
AMC Entertainment	AMC	72.62	4.07	-94%
Beyond Meat	BYND	221.00	12.31	-94%
Virgin Galactic	SPCE	62.80	3.48	-94%
Bed Bath & Beyond	BBBY	53.90	2.51	-95%
Tilray	TLRY	67.00	2.69	-96%
Koss	KOSS	127.45	4.95	-96%
New Concept Energy	GBR	30.99	1.09	-96%
Clover Health	CLOV	28.85	0.93	-97%
Opendoor Technologies	OPEN	39.24	1.16	-97%
Blockbuster	BLIAQ	0.30	0.00	-99%


@CharlieBilello

The short squeeze of failing companies known as the “meme stock” era led to massive returns in short periods. Since then those returns have evaporated and have sunk investors.



We feel for investors who tried to get in on the action of the short squeeze and failed but if you have held any of these companies up until now expecting a resurgence, we would recommend that you sell and sell quickly.

Ironically the SPAC King Chamath Palihapitiya was involved in a few of these beauties.

MARKETS

Palihapitiya finds next '10x idea' with \$4.8 billion SPAC deal for real estate start-up Opendoor

PUBLISHED TUE, SEP 15 2020-7:55 AM EDT | UPDATED TUE, SEP 15 2020-4:00 PM EDT



Leslie Picker
@LESLIEPICKER

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MARKETS

Chamath Palihapitiya to take Clover Health public in another SPAC deal worth \$3.7 billion

PUBLISHED TUE, OCT 6 2020-7:46 AM EDT | UPDATED TUE, OCT 6 2020-11:32 AM EDT



Yun Li
@YUNLI626

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All investors make the occasional bad decision, but Chamath made those repeatedly at the expense of his followers. Chamath did 10+ SPAC deals and sold them all as transformative, disruptive, and the future to his cult-like followers.

Never forget who he compared himself to.

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

- February 12, 2021 (Bloomberg)

The SPAC bust is also great evidence that every company should not trade in public markets. There is a fixed supply of companies that should go public in a given calendar year. The SPAC era led many to believe that any large enterprise should trade in financial markets. These were highly speculative investments that you would find in venture capital funds that high-net-worth individuals only have access to. Increasing access for retail traders to invest in more companies is a great thing but when retail

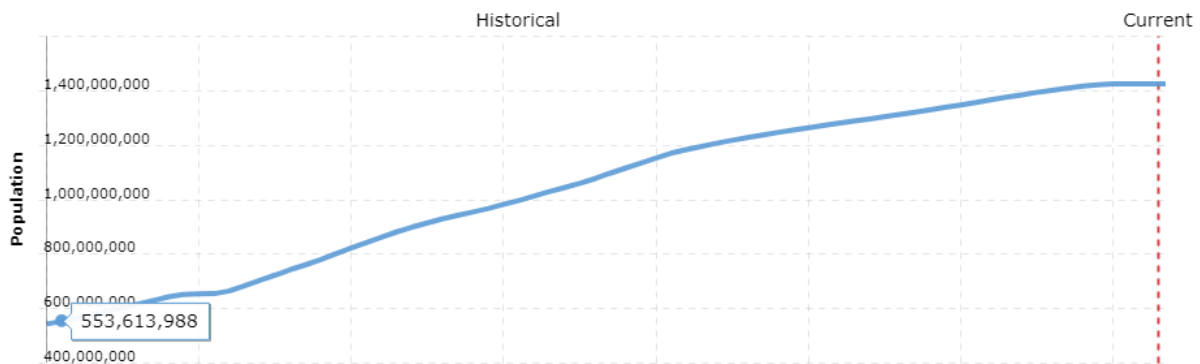
traders do not understand the risks associated with an investment, it will hurt them. Retail traders often only see the winners from the venture world that become behemoths, they have no idea of all the losers most venture funds strike out on.



The other winners in this saga were executives at these companies who sold near the top. The short squeeze of AMC, GameStop, and Bed Bath & Beyond allowed executives to sell their stock compensation even though the companies continue to struggle.

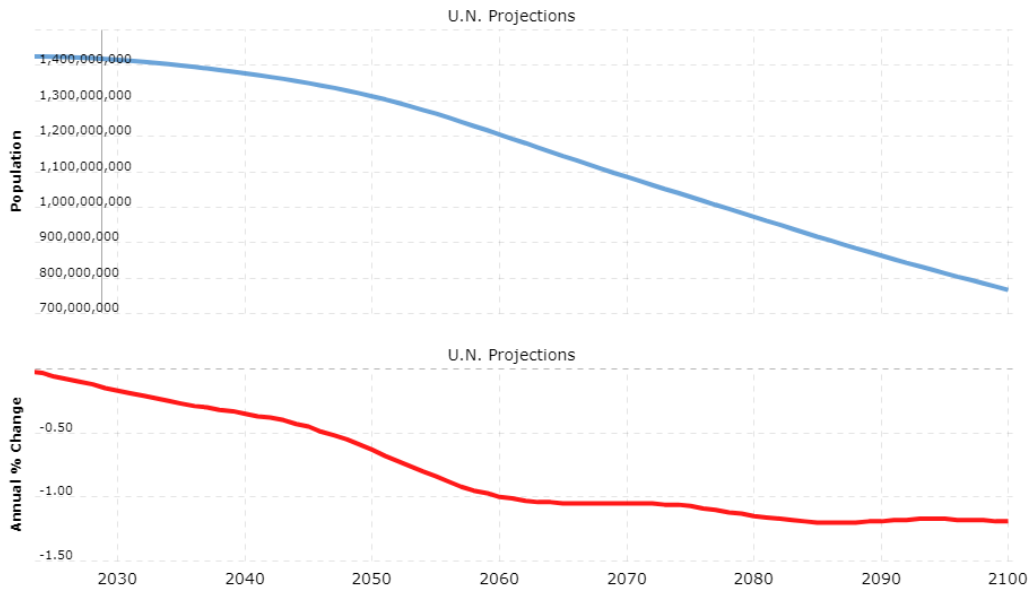
Chinese demographics

China's population shrank last year, marking a tipping point for the world's second-largest economy that is set to slow its growth. China has offered the world the world's largest market for decades. A shrinking population will have a huge impact on stocks around the world. China's population dropped to 1.412 billion in 2022 from 1.413 billion in 2021, the country's National Bureau of Statistics said. This is the first time since the early 1960s that the Chinese population has shrunk. The Chinese population shrank in the 60s due to mass famine.



Since 1950, the Chinese population has almost tripled.

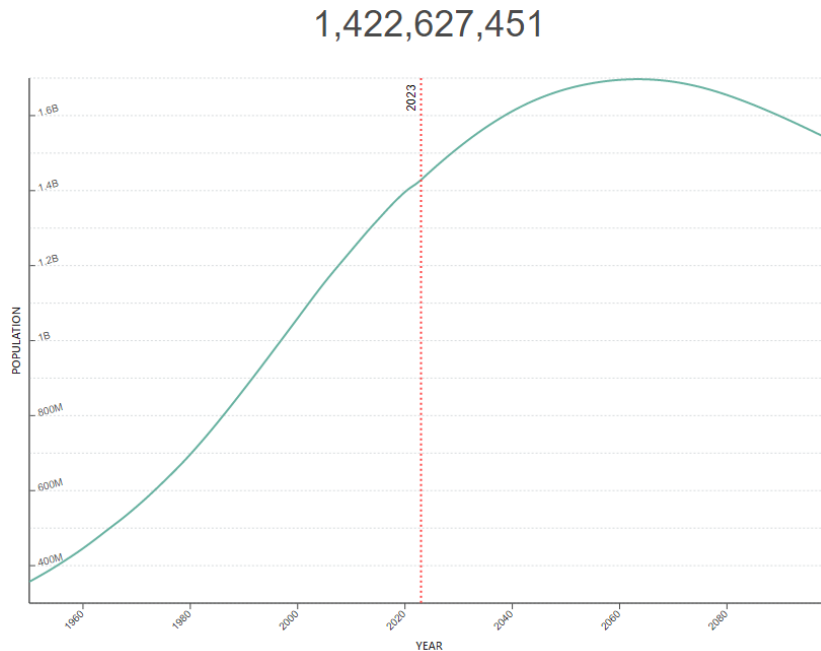
The Chinese population is also forecasted to collapse in the next 50-75 years.



Older, more expensive workers are likely to provide further reasons for companies with large manufacturing bases in China, (Apple and Tesla) to consider other countries for future sites. India and Vietnam are among those that could benefit. A smaller, older population would need less housing—a drag on the country’s enormous property sector which has already been hit hard on the chin. China has already overproduced real estate units and has had to destroy unoccupied apartment buildings due to limited consumer demand.

China has joined Japan’s (which also has a declining population) effort to increase birth rates. Japan implemented policies to increase births in 2010, but it has failed to have any major impact on a declining population.

The market size in China is sliding while the market size in India looks to be getting bigger. Is this a major shift that is flying under the radar? We think so.



The Indian population is forecasted to continue growing for 30+ years.

Another example of political hypocrisy

We do not get political in our publications. We voice ideas and criticize others' ideas. This week we reached the pinnacle of political hypocrisy. The DOJ and FBI reportedly found classified documents at President Biden's office at the University of Pennsylvania and his Delaware residence. Biden's possession of classified documents was illegal as they were documents from his VP days and were at his residence and office in 2019. Remember less than a year ago the FBI raided Donald Trump's house for classified documents.

The same people who are screaming that Biden broke the law were saying Trump is innocent and vice versa. This polarization is a fundamental issue in politics right now. Nobody wants to look at issues separate from politics. We do not know the details of each case but wanted to highlight it as further evidence of polarization in western societies.

The part that made us raise our eyebrows was who funds the University of Pennsylvania, specifically the Penn Biden Center for Diplomacy where Biden's office resides. The University of Pennsylvania received more than \$30 million from Chinese donors shortly after the Penn Biden Center for Diplomacy and Global Engagement, which functioned as an office for Joe Biden before he was elected president, was announced in 2017, according to public records.

Many have highlighted the timing of these events as noncoincidental. However, UPenn is not alone when it comes to anonymous Chinese donations in the millions. Academia has been a major target for the Chinese government for decades. They have arguably bought influence through major donations to

the nation's largest schools. Other Ivy League colleges have raked in Chinese money, including Harvard, which got \$75 million during the 2014-2019 period, and Yale, which received \$43.5 million, records show.



This has been an issue for years, a somewhat bipartisan issue:





United States

2 minute read · May 26, 2021 3:33 PM EDT · Last Updated 2 years ago

U.S. senators want review of Chinese donations to U.S. universities

By Patricia Zengerle

In that Reuters article:

The amendment, seen by Reuters, was offered by Republican Senators Jim Risch and Marco Rubio and Democratic Senators Bob Menendez and Ben Cardin. All four are members of the Senate Foreign Relations Committee. Menendez is the panel's chairman and Risch is its top Republican.

Speaking of China*

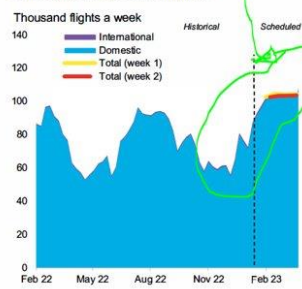
China is officially open, and the economy looks like it could have a good year.

Chinese energy demand is surging on travel both domestically and internationally.

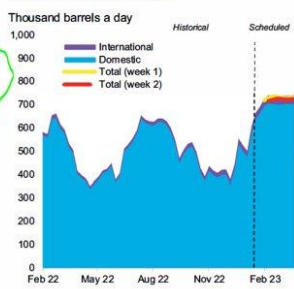
From BloombergNEF Aviation Indicators Weekly Jan 16, 2023

China

Scheduled number of flights



Implied jet fuel demand



- The number of scheduled domestic flights in China for the week of January 10 to 16 stands at 85,910, a 20% uptick from the previous week. This comes as travel curbs are scrapped. The weekly growth suggests an addition of over 103,000 barrels a day of implied jet fuel demand.
- The number of scheduled domestic flights is set to climb by 19.6%, to 102,757 a week over the next four weeks, reflecting the end of travel regulations and Covid-19 curbs.
- However, the scheduled number of flights and implied jet fuel demand over the coming weeks are unlikely to materialize, especially with spikes in Covid infections. China has routinely cut several thousands of scheduled flights a week or so before the intended departure date.
- China Eastern, China Southern, and Shenzhen Airlines are among the carriers that boosted flight numbers over the past week.

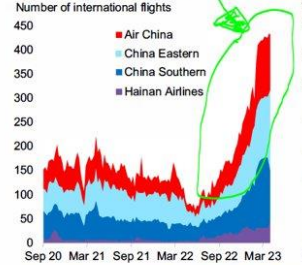
Source: BloombergNEF, Bloomberg Terminal [DSET FLY<GO>](#) Note: Last updated January 11, 2023. Excludes cargo flights. The future flight schedule is subject to change. Terminal users can check [DSET FLY<GO>](#) for further details.

6 January 16, 2023

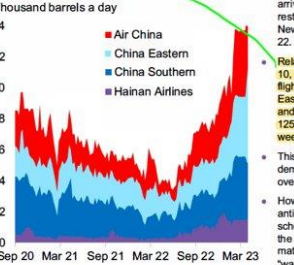
BloombergNEF

China spotlight: International flights

Scheduled number of flights



Implied jet fuel demand



- On January 8, 2023, China reopened its international borders as part of its rapid scrapping of Covid-19 curbs and ended its quarantine requirement for international arrivals. The relaxation of pandemic restrictions comes just ahead of the Lunar New Year holiday that starts on January 22.
- Relative to the week commencing January 10, the combined number of international flights out of China for Air China, China Eastern Airlines, China Southern Airlines and Hainan Airlines will rise by more than 125 flights a week to over 430 flights a week by the last week of March.
- This suggests additional implied jet fuel demand of more than 4,540 barrels a day over the same period.
- However, uncertainties over the anticipated recovery may hinder the scheduled number of flights and result in the implied jet fuel demand failing to materialize. Airlines are also adopting a "wait and see" approach.

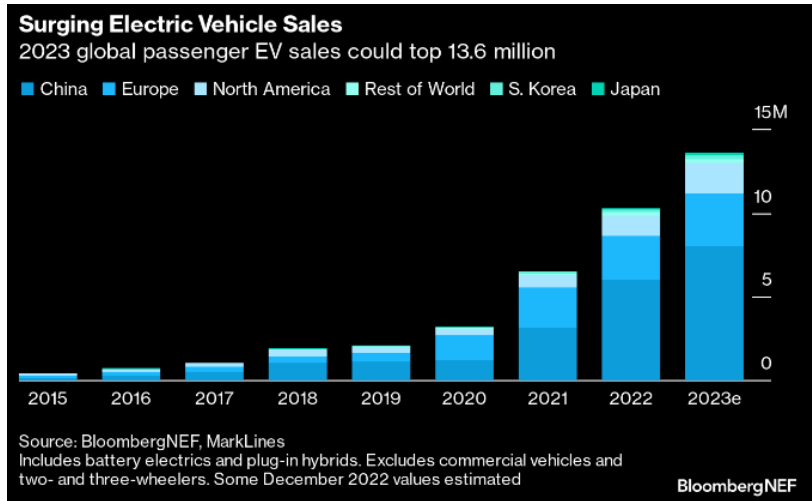
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7 January 16, 2023

BloombergNEF

Energy is not the only trade to make when China reopens. Manufacturing should ramp up in the coming months which will increase the demand for industrial metals.

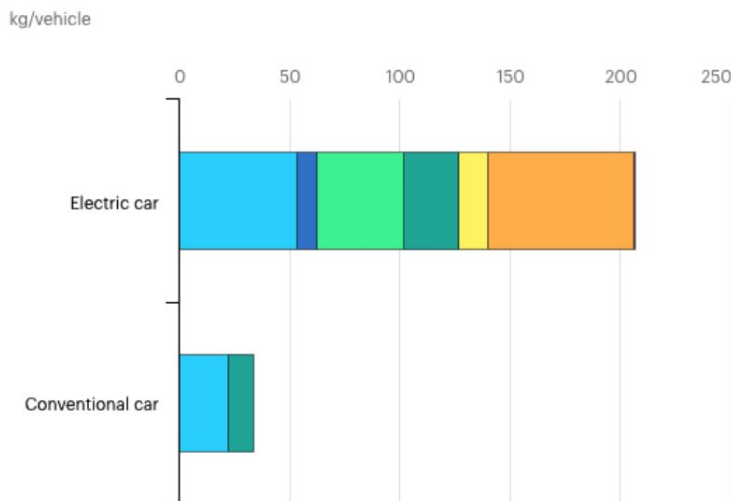
The demand for copper was already going to increase due to an increase in electric vehicle production. China leads the world by far in EV sales, but the U.S. is forecasted to have a record year with the addition of large EV credits for consumers.



Even though the price of copper fell in 2022, the global supply did not improve. Remember all green roads travel through the copper market.

Minerals used in electric cars compared to conventional cars

Open ↗



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- Copper
- Lithium
- Nickel
- Manganese
- Cobalt
- Graphite
- Zinc
- Rare earths
- Others

Last thing on EVs on why we are not rushing to buy EVs or EV stocks - a nice story from the Washington Examiner that one of our team members found and best encapsulates the industry's major hurdles going forward.

ELECTRIC VEHICLES

Man plugs in electric truck, learns it will take a week to charge

by Heather Hamilton, Social Media Reporter | January 17, 2023 09:40 AM

YouTuber TFLEV shared that on Sunday, while at home, he plugged in his brand-new electric Hummer truck, which has a 250kwh battery, only to find that it would take several days for him to get a complete charge.

Perhaps the greenies can explain to us how they plan to travel Monday-Thursday while waiting for their car to charge all week.

2022 Review

A great snapshot of the market performance of major assets over the last 12 years.

CREATIVE PLANNING		Asset Class Total Returns Since 2011 (as of 12/31/22 - Data via YCharts)												@CharlieBilello	
ETF	Asset Class	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2011-22 Cumulative	2011-22 Annualized
DBC	Commodities	-2.6%	3.5%	-7.6%	-28.1%	-27.6%	18.6%	4.9%	-11.6%	11.8%	-7.8%	41.4%	19.3%	-7.4%	-0.6%
BIL	US Cash	0.0%	0.0%	-0.1%	-0.1%	-0.1%	0.1%	0.7%	1.7%	2.2%	0.4%	-0.1%	1.4%	6.2%	0.5%
GLD	Gold	9.6%	6.6%	-28.3%	-2.2%	-10.7%	8.0%	12.8%	-1.9%	17.9%	24.8%	-4.2%	-0.8%	22.3%	1.7%
HYG	High Yield Bonds	6.8%	11.7%	5.8%	1.9%	-5.0%	13.4%	6.1%	-2.0%	14.1%	4.5%	3.8%	-11.0%	58.3%	3.9%
TIP	TIPS	13.3%	6.4%	-8.5%	3.6%	-1.8%	4.7%	2.9%	-1.4%	8.3%	10.8%	5.7%	-12.2%	32.8%	2.4%
BND	US Total Bond Market	7.7%	3.9%	-2.1%	5.8%	0.6%	2.5%	3.6%	-0.1%	8.8%	7.7%	-1.9%	-13.1%	23.5%	1.8%
EFA	EAFE Stocks	-12.2%	18.8%	21.4%	-6.2%	-1.0%	1.4%	25.1%	-13.8%	22.0%	7.6%	11.5%	-14.4%	61.0%	4.0%
LQD	Investment Grade Bonds	9.7%	10.6%	-2.0%	8.2%	-1.3%	6.2%	7.1%	-3.8%	17.4%	11.0%	-1.8%	-17.9%	45.8%	3.2%
SPY	US Large Caps	1.9%	16.0%	32.2%	-13.5%	1.2%	12.0%	21.7%	-4.5%	31.2%	18.4%	28.7%	-18.2%	282.2%	11.8%
PFF	Preferred Stocks	-2.0%	17.8%	-1.0%	14.1%	4.3%	1.3%	8.1%	-4.7%	15.9%	7.9%	7.2%	-18.2%	55.6%	3.8%
EMB	EM Bonds (USD)	7.7%	16.9%	-7.8%	6.1%	1.0%	9.3%	10.3%	-5.5%	15.5%	5.4%	-2.2%	-18.6%	37.2%	2.7%
CWB	Convertible Bonds	-7.7%	15.9%	20.5%	7.7%	-0.8%	10.6%	15.7%	-2.0%	22.4%	53.4%	2.2%	-19.4%	167.0%	8.5%
IWM	US Small Caps	-4.4%	16.7%	38.7%	5.0%	-4.5%	21.6%	14.6%	-11.1%	25.4%	20.0%	14.5%	-20.5%	163.5%	8.4%
EEM	EM Stocks	-18.8%	19.1%	-3.7%	-3.9%	-16.2%	10.9%	37.3%	-15.3%	18.2%	17.0%	-3.6%	-20.6%	2.5%	0.2%
VNQ	US REITs	8.6%	17.6%	2.3%	30.4%	2.4%	8.6%	4.9%	-6.0%	28.9%	-4.7%	40.5%	-26.2%	138.0%	7.5%
TLT	Long Duration Treasuries	34.0%	2.6%	-13.4%	27.3%	-1.8%	1.2%	9.2%	-1.6%	14.1%	18.2%	-4.6%	-31.2%	43.1%	3.0%
QQQ	US Nasdaq 100	3.4%	18.1%	36.6%	19.2%	9.5%	7.1%	32.7%	-0.1%	39.0%	48.6%	27.4%	-32.6%	447.9%	15.2%
N/A	Bitcoin (\$BTC)	1473%	186%	5507%	-58%	35%	125%	1331%	-73%	95%	301%	66%	-65.5%	5510266%	148.4%
Highest Return		BTC	BTC	BTC	VNQ	BTC	BTC	BTC	BIL	BTC	BTC	BTC	DBC	BTC	BTC
Lowest Return		EEM	BIL	GLD	BTC	DBC	BIL	BIL	BTC	BIL	DBC	TLT	BTC	DBC	DBC
% of Asset Classes Positive		61%	94%	44%	67%	39%	100%	100%	6%	100%	89%	61%	11%	94%	94%

What does this tell us? 2022 was a mess for everything except gold, the USD, and commodities. Energy and our Alternative Asset Trust held in nicely as well. Commodities are also the only thing to have a negative return over the last 12 years. Years of underinvestment by companies and under-allocation by fund managers will make this an explosive trade moving forward.

Before you say why don't oil companies increase supply to a point where they still make money, and the product is still in high demand? Commodities are extremely volatile. Numerous oil companies also went bankrupt over the last decade due to low oil prices. Companies struggled to make it through. Why would

they choose to load up their balance sheet with more risk when they are in the best situation they have ever been in?

The oil and gas industry has been left out dry for years. Why are they going to bail governments out? Governments have bailed out banks, airlines, and many other companies, but not “big, bad energy companies”.

The companies hold all the cards, and the government cannot do anything about it.

More tech layoffs

The “gig” economy continues to lay off workers in the thousands. We began reporting on layoffs in the technology industry a few months back. It originally started when Elon Musk took over Twitter and claimed Twitter was overstaffed and was wasting money on salaries. He fired thousands of workers that he thought were unneeded. Even though the rest of that industry hates him, it seems they agree with him. Meta, Apple, Amazon, and many more technology companies have rapidly begun to cut staff to increase profitability and cut costs during times of economic uncertainty.

This week, Microsoft announced it was cutting 10,000 jobs. CEO Satya Nadella said the company will take a \$1.2 billion charge in connection with the job cuts and other cost-cutting moves, including lease consolidation for office space.

Microsoft already implemented a round of layoffs last year, which it said would affect less than 1% of its overall workforce. Microsoft is scheduled to detail its latest quarterly earnings next week and faces pressure from declining sales in both software and hardware business units.

*Even though China says its population declined in 2022 for the first time since 1960, many westerners believe their population peaked a few years ago (and has been declining since). [Click here to watch a clip from a recent Joe Rogan guest, Peter Zeihan talking about the Chinese population decline and what it means for China as a global leader.](#)

MacNicol & Associates Asset Management
January 20, 2023

