

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.



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BEACONS OF THE WEEK

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.



Cape Florida Lighthouse, Key Biscayne Lighthouse from Marvin P. of New Zealand (pictured is Marvin's granddaughter)

Constructed in 1825, it guided mariners off the Florida Reef, which starts near Key Biscayne and extends southward a few miles offshore of the Florida Keys. Cape Florida was first lit in 1847.



Hillsboro Inlet Lighthouse, Hillsboro Beach, Florida from Martin M.

Hillsboro Point was designated as hazardous for the safe navigation of ships in 1855 and federal designation was sought. A request for a Lighthouse at the inlet was first made in 1884 and the Lighthouse was eventually constructed in 1907.

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



Government exposure

If you have read *The Weekly Beacon* regularly, you know we think Congress members are the world's best traders (Western world). On both sides of the aisle, politicians have consistently beaten the market. Many investors have begun to catch on with many publications reporting on their trades that are disclosed on Senate and House Financial disclosure websites.

Although we follow along, it is hard to read the disclosures of 400+ Members of the House, and 100 Senators. It is very time-consuming and a waste of time. Instead of picking a few politicians to follow and invest exclusively in their holdings, an institution created two ETFs that seek to expose investors to the biggest holdings held by members of Congress. The ETFs (that just launched) will focus on adding new stocks that Members of Congress are buying in the early days of the fund.

We are not recommending readers buy these funds but think it is an interesting idea and something that could be quite successful.

Subversive Capital Advisor LLC launched the two ETFs. The company is a recently launched Registered Investment Advisor. [Click here to visit their website.](#)

The two ETFs are publicly traded and are:

1. Unusual Whales Democratic ETF (NANC)
2. Unusual Whales Republican ETF (KRUZ)

The funds launched on February 7th, 2023. We'll have to wait and see which party is better at trading. Unusual Whales is an independent media outlet that rose to fame by tracking Congressional trades and approximate returns of Members of Congress over the last few years. The tickers of the ETFs also have meaning in targeting prominent politicians in each party, Senator Ted Cruz and former House Speaker Nancy Pelosi.

The funds each have under \$5 million in assets and here are their biggest holdings as of February 14, 2023:



NANC:

TOP 10 HOLDINGS

% OF NET ASSETS	NAME	TICKER
7.72%	MICROSOFT CORP	MSFT
6.49%	AMAZON COM INC	AMZN
5.46%	APPLE INC	AAPL
5.42%	ALPHABET INC	GOOG
4.48%	SALESFORCE INC	CRM
3.59%	NVIDIA CORPORATION	NVDA
2.46%	DISNEY WALT CO	DIS
1.00%	CROWDSTRIKE HLDGS INC	CRWD
0.94%	PHILIP MORRIS INTL INC	PM
0.87%	AMERICAN EXPRESS CO	AXP

KRUZ:

TOP 10 HOLDINGS

% OF NET ASSETS	NAME	TICKER
3.43%	MAGELLAN MIDSTREAM PARTNRS LP COM UNIT RP LP	MMP
2.67%	MICROSOFT CORP	MSFT
2.22%	ENERGY TRANSFER L P	ET
1.78%	DOW INC	DOW
1.78%	Cash & Other	Cash&Other
1.60%	PHILIP MORRIS INTL INC	PM
1.59%	SHELL PLC	SHEL
1.54%	UNITED THERAPEUTICS CORP DEL COM	UTHR
1.51%	ACCENTURE PLC IRELAND	ACN
1.50%	OWL ROCK CAPITAL CORPORATION COM	ORCC

A heavily weighted Technology basket for Democrats and a mixed bag of Energy, and Financials for Republicans - very on brand for each party. Interestingly enough Phillip Morris is on both lists. Big Tobacco looks like they still have some pull within Washington despite what has happened over the last 30-40 years.

We will monitor these funds to see how they perform and if they grow through inflows. Many investors have followed politicians when it comes to investing through the last few years. This product makes it much easier and more efficient to do so. *Since these funds are in their infancy and are extremely small, liquidity could be an issue in the short term.*

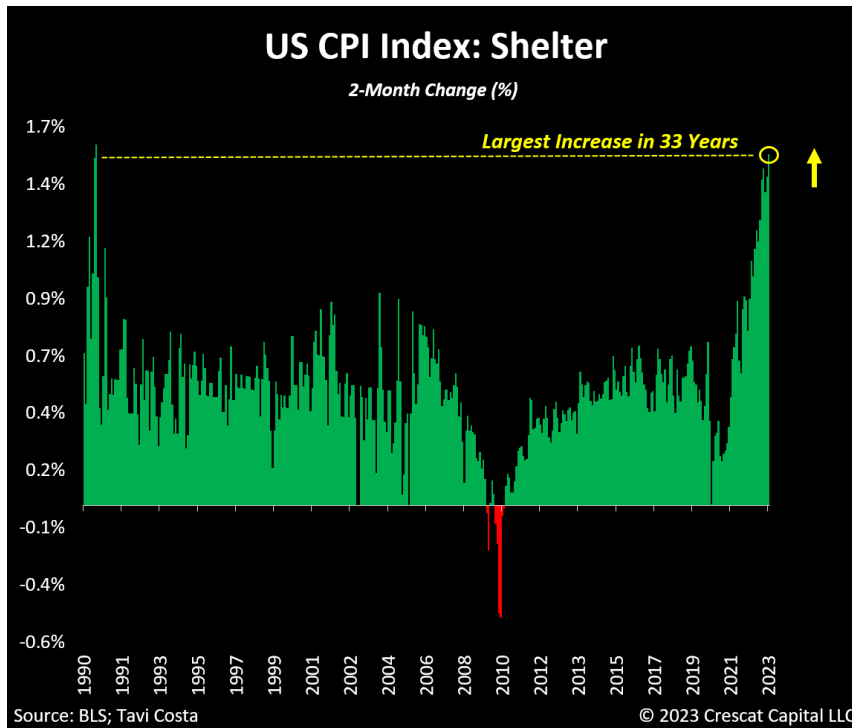


What's up with housing costs?

Energy prices have dropped since their peak last June. Oil has retreated in price but is still trading at an elevated level, and natural gas prices have plummeted. The Northern Hemisphere has had an unusually mild winter which has decreased demand for natural gas. Europe was also able to conserve energy stockpiles in the fall out of shortage fears for the winter months. China also remained locked down for most of the last year which has curbed their demand for fossil fuel. Europe was also able to fill its stockpiles up during the summer months in preparation for the winter, something that could be a regular occurrence going forward especially if they stick to their plan of phasing out Russian-sourced energy. Although Europe has decreased its demand for Russian energy, they remain at the Kremlin's mercy when it comes to energy.

Reducing gas imports from Russia has been a major challenge for many European countries, as the continent has been getting most of its gas through pipelines linked to Russia.

We highlight all this to not talk about energy but to talk about housing prices and the underlying CPI (Consumer Price Index). Energy prices have retreated which has helped curb inflation. Inflation rates have decreased over the last 4-6 months in numerous countries including the U.S. and Canada. But some things are still rapidly increasing in price.

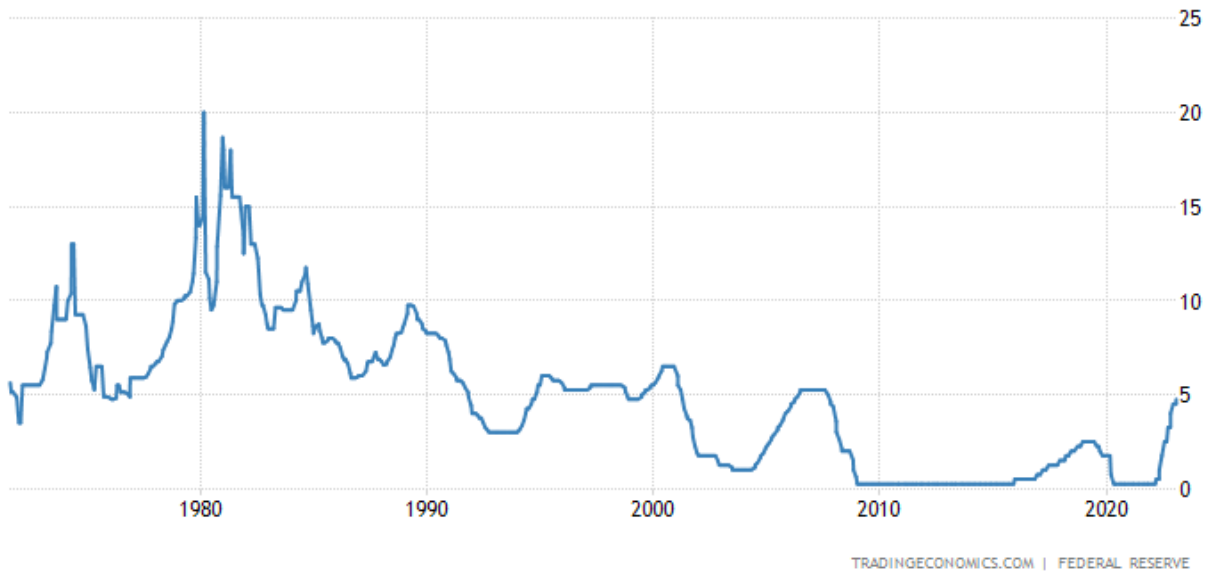


U.S. shelter costs over 2 months increased at their fastest rate in over 30 years. Even with recessionary fears, housing costs on a macro basis are increasing.

Inflation remains sticky and necessity costs are leading the way. Even though inflation rates are decreasing, do not expect the CPI to drop off a cliff and the FED to begin slashing rates in response.

Many have drawn parallels between today's inflation and the inflation of the 1970s. Inflation in the 1970s came in three waves, each larger than the last. During these three waves, inflation retreated before accelerating again. Combatting this cycle of inflation led to the FED raising the FED Funds rate to 16-20% in the late 1970s and early 1980s (it's below 5% today).

The FED Funds Rate since the 1970s:



Consumers and investors will have a rude awakening if the 1970s repeat themselves.

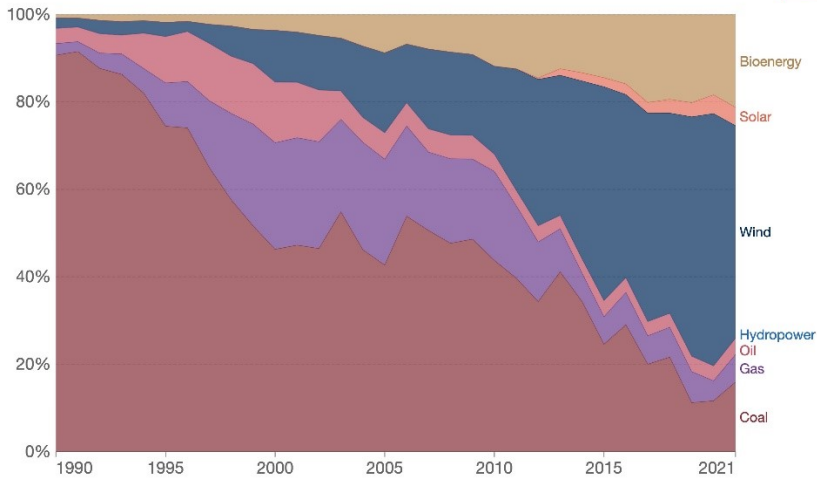
Headlines versus reality

“Renewable energy sources are the future and will be much less expensive for consumers. Oil is expensive, solar and wind will save consumers money.” These are very common statements used to promote renewable energy. Even if these sources of energy are cheaper, these statements do not paint the entire picture.

In Denmark, 74% of the country’s electricity grid is powered through renewables:



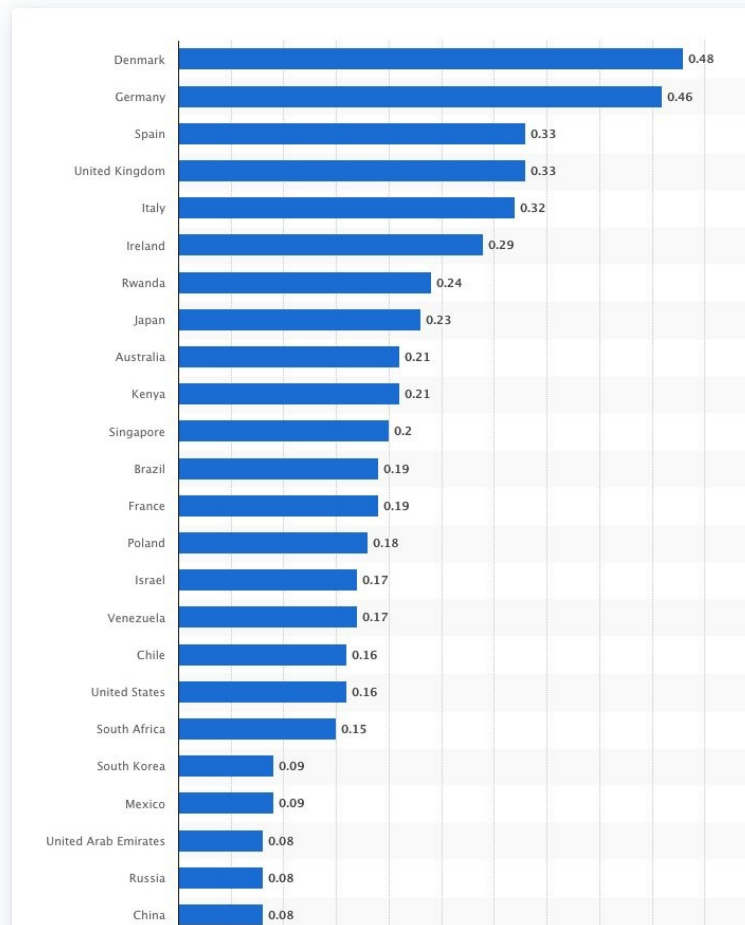
Electricity production by source, Denmark



Source: Our World in Data based on BP Statistical Review of World Energy (2022); Ember's Global and European Electricity Reviews (2022)
 Note: 'Other renewables' includes waste, geothermal, wave and tidal.
 OurWorldInData.org/energy - CC BY

Despite that large exposure to renewables, Denmark has the world's highest electricity prices.

(in U.S. dollars per kilowatt-hour)



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Do not expect prices to drop for this technology unless the fundamental technology improves. Installation fees will more than likely increase with rising input costs. Sunlight and wind speed are also unpredictable to model out which can lead to the emergency use of other energy sources to power the grid. The emergency use of other sources of energy is costly due to surging demand at the last minute.

Whatever you take from this section of this publication is up to you, but we think renewable energy sources will continue to be expensive and countries looking to increase economic development will look to fossil fuels to power their grid due to their reliability.

Musk and Tesla lend a hand

Tesla along with the Biden Administration are teaming up to push green technology to consumers. The White House announced a \$2.5 billion grant to build additional EV chargers across the U.S. The Inflation Reduction Act of 2022 already included \$7.5 billion for EV charging. President Biden has a goal of 500,000 chargers across America by 2030.

So how does Tesla come into play here?

Elon Musk's car company will open a portion of its fast-charging network to other EV owners - Tesla has previously been opposed to this. Tesla owns the largest charging network in America and has more than 40,000 worldwide. Tesla will add an extra stream of revenue through this move.

This move was also huge for Biden and Musk's relationship, seemingly being the first time, they have agreed since Biden took office as President.

Fast chargers, like the kind Tesla operates, use direct current and can get 200 to 300 miles of range in an EV in about 15 minutes.

Along with Tesla, the White House announced numerous participants in this charging initiative including ChargePoint, an EV charging company, GM, Hertz, and BP.

Tesla shares surged in 2023, as investors piled into growth stocks.

Market Summary > Tesla Inc

212.61 USD

+104.51 (96.68%) ↑ year to date

Feb 15, 2:05 p.m. EST • Disclaimer

NASDAQ: TSLA

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Nothing of substance has changed with Tesla. Investors are purely speculating on FED policy. High growth and technology stocks usually lead to a bull market. We will wait and see what happens next. Tesla currently trades at a Price to Sales of 9x, well below its 2021 peak of 30x but much higher than pre Covid-19 levels when it traded near a 3x Price to Sales ratio. Even though Tesla shares sit well below their 52 weeks high and well below their all-time high, it by no means trades cheaply.

Dark news headlines.....

We are in a new world.

No matter the news outlet, columnists seemingly applaud every move by certain politicians. Many outlets have even described rising prices as the new normal; they have also advocated for consumers to adjust their spending due to higher prices. We understand what they mean but, in some columns, their writing comes off as propaganda and justification.

This week, the Wall Street Journal came out with one article that we could not ignore.



WSJ

To Save Money, Maybe You Should Skip Breakfast

By [Gabriel T. Rubin](#)

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The Wall Street Journal's article seems to advocate for consumers to skip breakfast to save money due to rising food prices. Forget what you learned as a kid about the most important meal of the day, change your health habits to save money, and listen to this columnist. Also giving up food is not as easy as giving up your shopping addiction in case the *WSJ* forgot food is a necessity.

It seems some journalists think consumers do not realize obvious things and write stupid articles to fill space on a website.

U.S. Treasury Bills

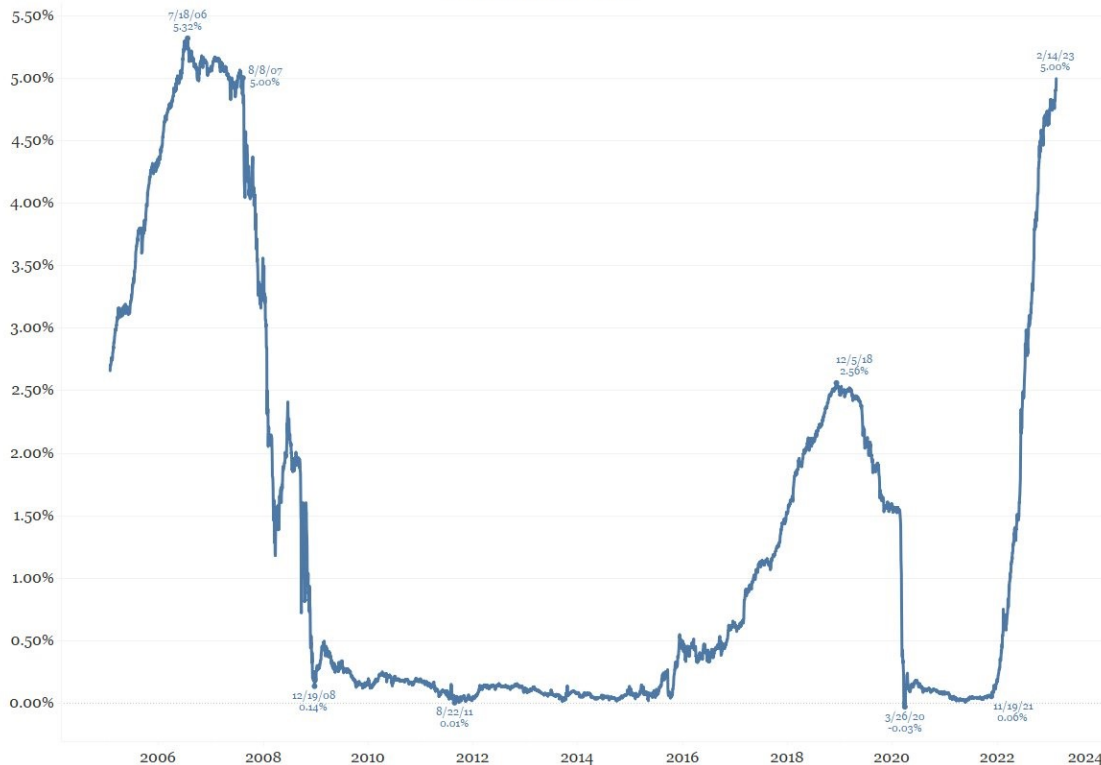
U.S. Treasury Bills are paying investors 5% for the first time since 2007.



U.S. Treasurys

SYMBOL ↕	YIELD ↕
US 1-MO	4.57
US 2-MO	4.696
US 3-MO	4.776
US 4-MO	4.873
US 6-MO	5.004
US 1-YR	4.97
US 2-YR	4.631
US 3-YR	4.351
US 5-YR	4.035
US 7-YR	3.935
US 10-YR	3.801
US 20-YR	3.982
US 30-YR	3.828

US 6-Month Yield



Source: Bloomberg

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<https://www.biancoresearch.com/>

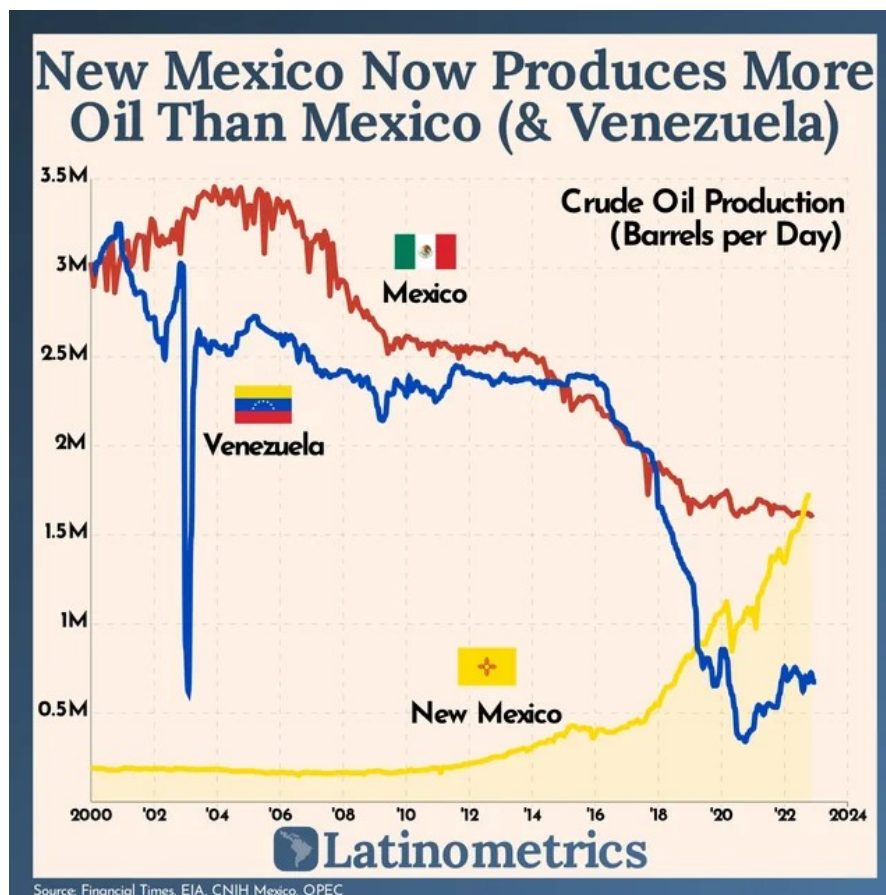
Global markets are completely unpredictable and investors are completely split on what comes next. Will Tesla rip 28% over a week or drop 41% over the next 6 weeks? Both are entirely possible.

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With so much economic uncertainty, rising rates, and stocks trading at high multiples, we are surprised the market, especially the technology sector, has roared through the first 6 weeks of 2022. The Nasdaq is up over 15% in 2022 and is having one of its best starts to a year ever.

Chart of the week

The State of New Mexico hit a huge milestone recently. It now produces more oil per day than Mexico and Venezuela.



In 2021, New Mexico produced the second most crude oil among U.S. states (to Texas). New Mexico produced 11.1% of total U.S. production in 2021.

The state is also among the top ten natural gas-producing states and has almost six percent of U.S. proved natural gas reserves.

Mexico and Venezuela are the world's 11th and 12th largest producers of crude. Who knew small New Mexico was such a behemoth on the world's energy stage?



The collapse in oil production by Venezuela can be explained through a quick Google search. We will save you the trouble. Venezuela turned to an extreme socialist leader and has seen raging inflation since. They also do not have the money or capabilities to export their deep offshore oil reserves (the largest in the world). International investment has also remained low due to political uncertainty.

Venezuela's year-on-year inflation in December was likely 305.7%, the group estimated.

Venezuela has faced hyperinflation over the last decade due to government spending, corruption, heavy money printing, and currency devaluations.

MacNicol & Associates Asset Management
February 17, 2023