| THE WEEKLY BEACON | NOVEMBER 10, 2023 |
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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.

MacNicol & Associates
Asset Management

*Contact us today if you would like to meet about your investment future. info@macnicol.com*

## *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.*

### *Tower of Hercules*

*A Coruña, Spain*

The Tower of Hercules is the oldest known extant lighthouse. The lighthouse stands at 57 meters tall and is a World Heritage Site. The Lighthouse had 149,440 visitors in 2009.

### *Heceta Head Lighthouse,*

*Oregon*

Heceta Head Light is a lighthouse on the Oregon Coast 13 miles north of Florence. The lighthouse stands at 56 feet tall and was originally constructed in 1892. The lighthouse was automated in 1963 and is built of brick. The lighthouse is on the National Register of Historic Places.

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

**WeWork officially files**

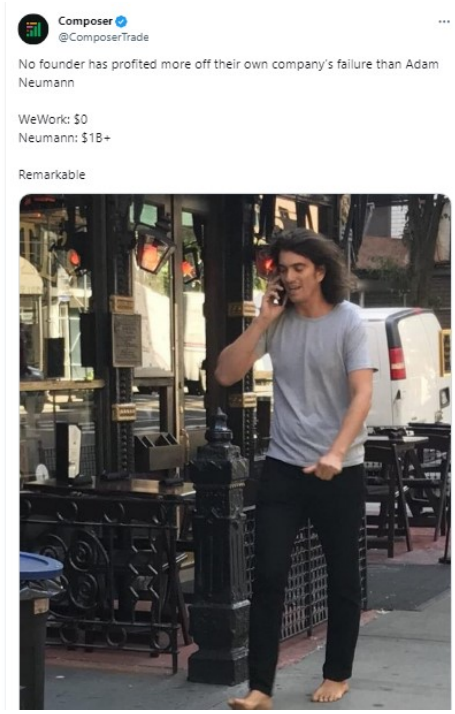
WeWork officially filed for bankruptcy this week. This comes just a week after reports of bankruptcy filings being imminent. The Chapter 11 filing closes the story of WeWork which has been controversial, ridiculous, and outlandish. We have regularly talked about WeWork's spiral throughout this publication's history including last week when we looked at the rumors that signaled an imminent bankruptcy filing by the company.

WeWork was once a Silicon Valley and Wall Street darling that promised to upend the way people worked in offices. We are glad we did not buy the hype.

In WeWork's bankruptcy filings, the company said it has come to a restructuring agreement with most of its stakeholders and will aim to drastically reduce debt while further evaluating its commercial office lease portfolio. This agreement is expected to erase about $3 billion US of WeWork's debt, CEO David Tolley told The Associated Press.

The company was once valued at $47 billion by some investment banks and venture capital group is now essentially worthless to its shareholders. Shares have plummeted by 99% this year. The company reported total debts of $18.65 billion and total assets of $15.06 billion in its initial bankruptcy filings.

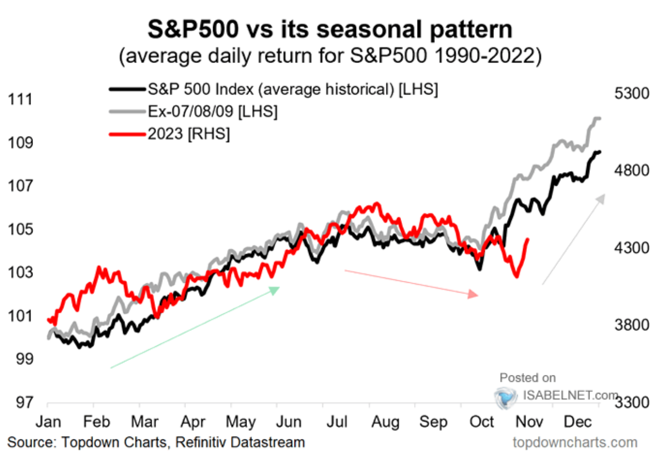
Former co-founder and CEO Adam Neumann said that the filing was "disappointing." Neumann received a golden parachute when large shareholders pushed him out of WeWork due to his poor management, and ridiculous spending habits with company funds (Neumann once attempted to trademark the term We). Neumann received close to $2 billion in cash and stock compensation at his departure from WeWork. Neumann has an estimated net worth of $2.2 billion as of this year. The company eroded shareholder value and erased billions of investor capital, but Neumann became a billionaire, which makes sense. WeWork's list of issues and causes of bankruptcy are quite long but Covid-19 and the recent rise in global interest rates more than likely accelerated the downfall.




We cannot gauge what will happen in WeWork's restructuring but think Neumann buying the company in bankruptcy would be hilarious and quite the end to this roller coaster of a ride. If Neumann was smart, he would stay away but we are not sure if he will if we look at certain decisions he has made with WeWork in the past.

## Seasonality

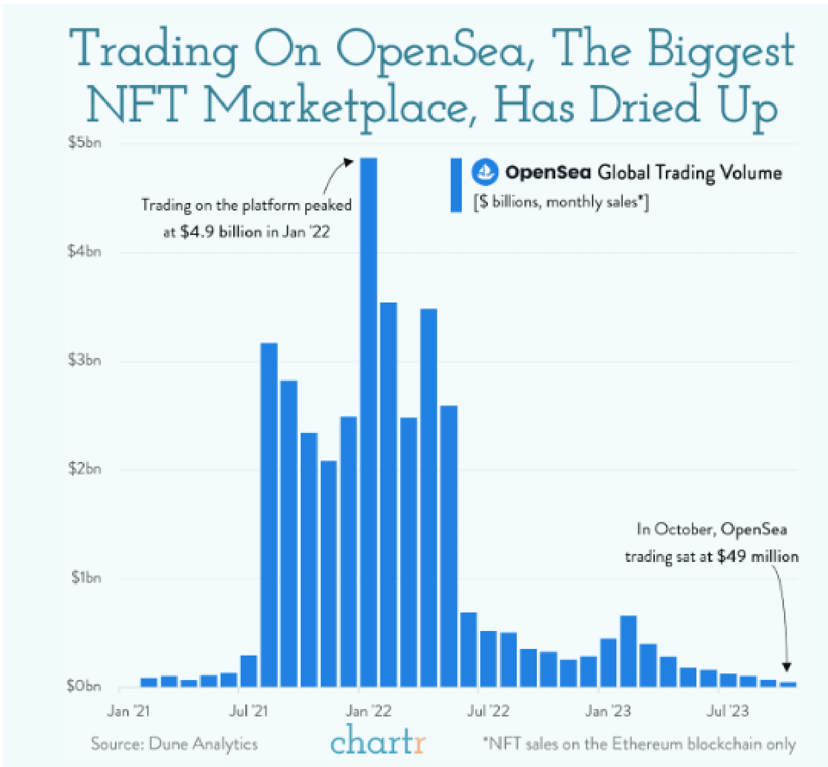
We ran by a chart this past week that we wanted to share with our audience. The chart highlights historical seasonality for the S&P 500.



We know nothing is guaranteed but perhaps this chart is some foreshadowing for the last 2 months of 2023 for equity markets. Markets have already begun to rally in recent weeks, we will have to see if this trend continues to the end of the year.

**Bubble pop**

The NFT market has gone up in flames over the last 1.5 years. Prices have plunged, trading volume has disappeared, and the value of these "unique and custom assets" has been erased.




We are not surprised by this change as the asset class was built on hype, delusion, and popularity. Celebrities and brands pounced on the NFT trend and sold NFTs to their fans. Now fans are the ones holding a worthless asset that will arguably never return to the value they originally paid for. We are not sure how any person thought a picture of a monkey, or a digital Pokémon card was a strong investment that could hold its value and appreciate moving forward. We are glad we never bought the hype and stayed in traditional assets and did not chase these returns that turned out to be too good to be true.

**2023 in a headline**

Global finance is always evolving. The industry is constantly adapting to new trends, consumer preferences, and new technology. However, if you wanted to summarize 2023 in one headline it would be the one below:

# LG branches out from TVs and dishwashers to launch AI-run ETF

Conglomerate is partnering with SoftBank-backed quantitative manager to test a large-cap fund

LG, a company most known for selling TVs and home appliances has dipped its toes into the artificial intelligence ETF space. The company is now in finance and will be using predictive artificial intelligence to launch an exchange-traded fund.

LG's AI research division partnered with Qraft Technologies, an AI ETF manager who has received funding from SoftBank. The LG Qraft AI-Powered U.S. Large-Cap Core ETF will be listed on the NYSE under the ticker LQAI. The ETF will rebalance every 4 weeks seeks to outperform the S&P 500 and will focus on 100 large U.S. companies.

This is LG's first move into asset management, and many believe this ETF launch could be a test that could inform the conglomerate on whether to further explore the financial applications of its AI technology.

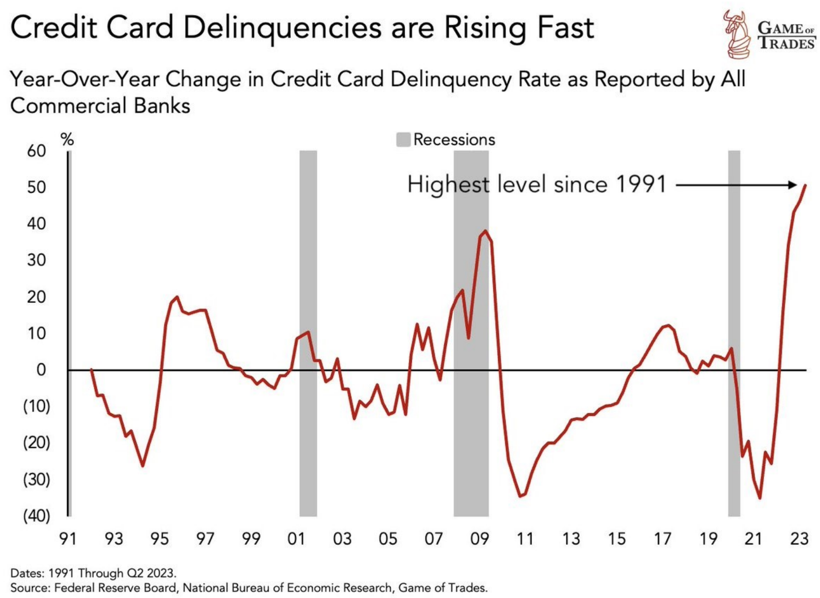
The launch represents a leap in prominence for Qraft, which has about $26mm in assets under management across four existing ETFs using its own AI capabilities.

LG has used its AI capabilities over the last few years to forecast supply and demand, purchase raw materials, predict consumer trends, and other nonfinancial applications.

A positive reception from investors to this ETF along with positive returns could be game-changing for the asset management industry.

## <u>Tough times</u>

Consumers are stretching themselves past their financial limits as interest rates surge and inflation rates remain elevated. The result has been the highest year-over-year change in credit card delinquencies since 1991. The number of credit card delinquencies from consumers is reported by all U.S. commercial banks.

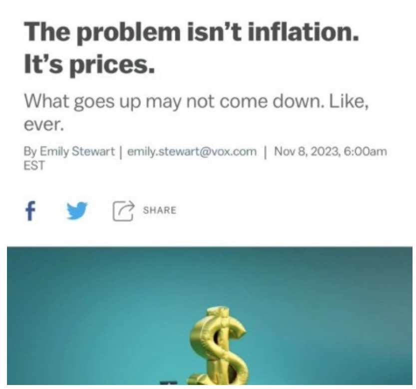



Consumers got used to an advantageous spending environment while interest rates decreased over the last 40 years and have not been able to adjust while rates significantly rise. Consumers also benefited from easy money and stimulus payments during COVID-19 and perhaps got used to some extra cash in their accounts. Those consumers seem to want to continue spending at that rate even if the cost of those goods has risen quite substantially.

According to recent data, credit card delinquencies are fastest growing in low-income areas and for those consumers with auto or student loans.

**<u>All time dumb headline</u>**

The corporate mainstream media continues to be way out of touch and a horrible barometer for what is going on in the world. We ran by a headline from Vox this week and felt like we needed to share it with our audience.


**The problem isn't inflation. It's prices.**

What goes up may not come down. Like, ever.

By Emily Stewart | emily.stewart@vox.com | Nov 8, 2023, 6:00am EST

SHARE

A laughable headline that is probably a hilarious read. But the same group also peddled headlines like this just a few short years ago:

CNBC WATCH LIVE

WORLD ECONOMY

**Here's why economists don't expect trillions of dollars in economic stimulus to create inflation**

PUBLISHED THU, JUL 23 2020 7:03 AM EDT

Perhaps the biggest financial blunder (in terms of narratives) by the legacy media in the last 10-15 years.

## Amazon's new offer

Amazon has launched itself into the healthcare industry by offering Prime members primary care for $9 a month. The services will be offered through its healthcare business One Medical. The new One Medical membership is available now and is available nationwide to all Americans. The service includes unlimited virtual care. Members who also sign up can book appointments at One Medical office the same day or the next day. However, office visits must be paid for out of pocket or by insurance coverage.

The offer by Amazon drops the cost of a One Medical annual membership fee by $100 for Prime members.

Amazon acquired One Medical for $3.9 billion earlier this year. Many believe their jump into healthcare could give the company another growth driver for future revenue. Amazon is not the only retailer pushing into medical service, Costco recently began offering their members access to healthcare including $29 virtual primary care visits. Walmart has also been setting up their healthcare unit in some of their stores which will include primary care, dental care, labs, and other services.

Although One Medical has hundreds of locations scattered across roughly two dozen metro areas, it doesn't have the same presence as some companies that have established healthcare services in their retail locations.

We will have to wait and see if these moves by large retailers pay off in the end and add another revenue and earnings engine. Amazon shares were roughly flat on this announcement showing Wall Street's indifferent feeling to this expansion.

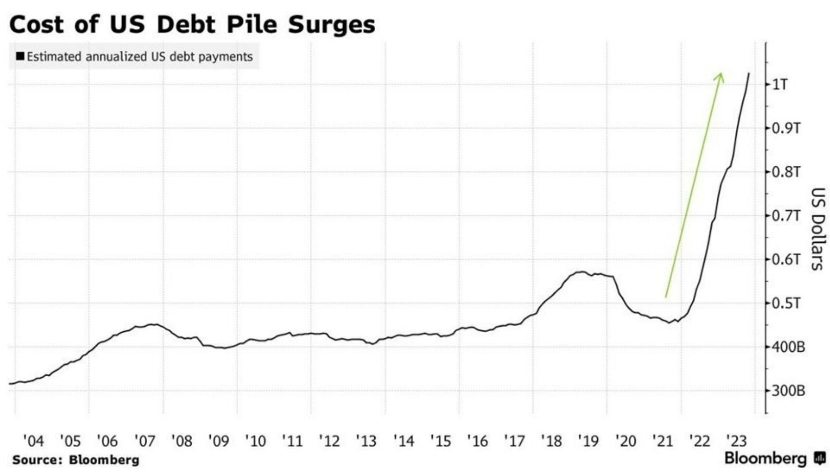
## Debt servicing

The world's largest borrower is now estimated to pay $1 trillion in interest fees (on an annualized basis) to service their outstanding debt.

## How does US debt rank compared with the rest of the world?

*The United States has the world's highest national debt at $31.4 trillion.*

Yes, the U.S. government is now forecasted to spend over $1 trillion in interest for the debt they have added on over the last 20-30 years. Bloomberg recently highlighted this added cost which has doubled on an annualized basis over the last 2 years.




We have gone into detail in the past on this topic and will not double down and repeat ourselves but point our readers to old editions of this publication which look at the impacts of rising interest costs for the U.S. Federal Government.

As the FED has raised rates, they have impacted equity, debt, and the housing market in different ways. The FED indirectly has also negatively impacted the government they act for as the government now has higher debt servicing costs which could impact the amount they spend in other areas including healthcare, education, defense, or infrastructure.

**MacNicol & Associates Asset Management**
**November 10, 2023**