

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 our 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.



Didāmar Light, Musandam, Oman

The first lighthouse in Oman was built on the island of Didamar in the Strait of Hormuz in 1914. This is one of the three islands lying about 10 miles off the Musandam. The lighthouse has had many keepers including the Omani forces who kept watch over this very strategic location (approximately 25% of oil passes within sight of this lighthouse).



Gasparilla Island Lighthouse, Boca Grande, Florida

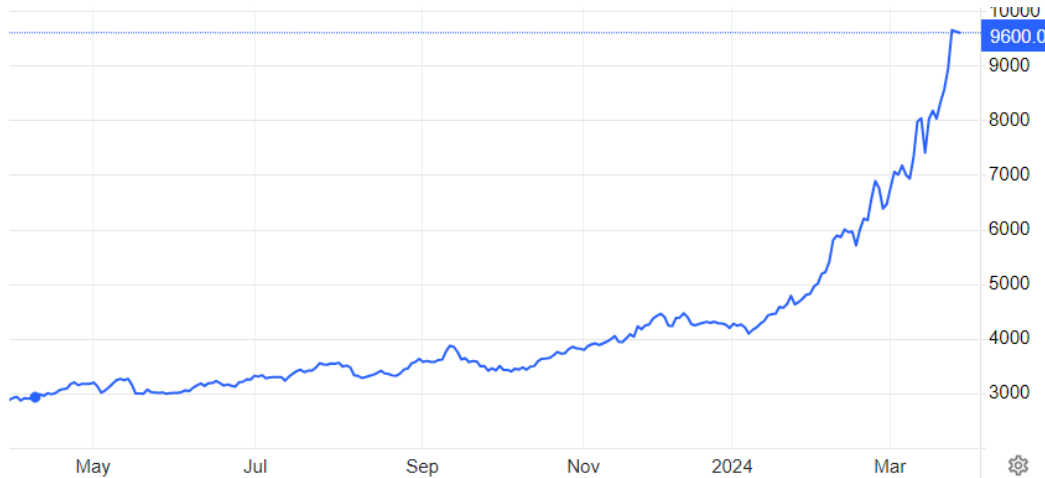
This lighthouse was first lit in 1890 and was automated in 1956. The lighthouse stands at 32 meters tall. The lighthouse sits off the coast of Florida in the Gulf of Mexico. The Gasparilla Island Light was decommissioned by the Coast Guard in 2014, and the lighthouse was transferred to the Barrier Islands Parks Society in 2016.

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



Cheers and good luck chocolate lovers

Look at the chart below and let us know what you think, without knowing what asset the chart is tracking:



We will give you some hints, it's a 1-year price chart that has more than tripled over that period. You would think that this chart represents an NFT, a small-cap cryptocurrency, or some other speculative asset but, it represents a commodity that we all know quite well, cocoa.

Don't believe us? We added back the name onto the chart which we retrieved from Tradingeconomics.com.



Yes, the price of cocoa has tripled over the last year and has more than doubled in the last 3 months. Chocolate lovers better brace themselves for higher prices. This past Monday, cocoa prices briefly hit \$10,000/ton. Today's cocoa prices are nearly double the record high set 46 years ago.

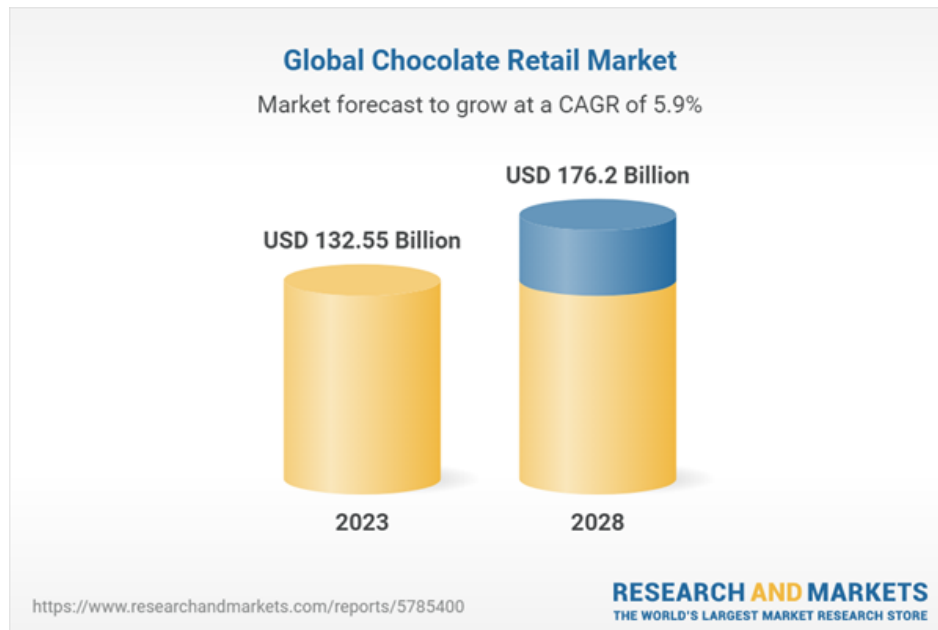
So why are cocoa prices surging like a small-cap meme coin?

The cocoa market is currently facing the biggest supply deficit in decades. Farmers in West Africa are struggling with bad weather, disease, and failing trees. This season's supply deficit is the third straight for the cocoa market. A decade ago, cocoa traded for \$650/ton.



West Africa is the region that produces the most cocoa globally. According to the UN FAO 6.5 million tons of cocoa were produced in 2022, over 70% of that was produced in West Africa. The world's largest 2 producers of cocoa are also in West Africa. Cote d'Ivoire and Ghana produce over 60% of the world's cocoa.

Decades of underinvestment in the cocoa production industry have led us to where we are, old cocoa trees have lower yields, and are more vulnerable to bad weather and disease. Consumer demand for chocolate has also surged in recent years which has accelerated the problem. Demand is expected to continue to grow moving forward which could worsen the industry's deficits.



The rise of the middle class has doubled global cocoa demand over the last 30 years. However, on a per capita basis, demand is still low in emerging markets like China and India. According to Javier Blas, from Bloomberg per capita chocolate consumption directly correlates with economic prosperity:





Many well-known consumer brands that sell chocolate to consumers source most of their cocoa from the West Africa region. Last year, numerous companies had hedges in place resulting in no immediate price increase for consumers. However, with the continued price ascension of cocoa, there is only so much companies can do to prevent higher prices. A commodities analyst from Rabobank explained that prices will be reflected onto consumers as the industry cannot absorb all these added costs.

The industry is facing the largest supply deficit in 60 years and consumers will more than likely see the impact late this year, or at the beginning of 2025. The International Cocoa Organization has forecast a supply deficit of 374,000 tons for the 2023-24 season, a 405% increase from a deficit of 74,000 tons in the previous season.

Consumers will face higher prices or even shrinkflation when buying chocolate. Shrinkflation is the practice of keeping prices the same but decreasing the size of the product.

The spike in cocoa prices has hit chocolate producers hard over the last year. Hershey's shares are down 22% over the last year, and Nestle shares are down approximately 11% over the same period. Hershey has also slashed earnings forecasts and sees flat earnings over the next year.

Trump Media

Former President Donald Trump's wealth grew this week despite his legal troubles. Trump Media & Technology Group officially merged with special purpose acquisition company (SPAC) Digital World Acquisition Corp. (DWAC) earlier this week. We have reported on DWAC for over a year now as the company's stock price has been highly volatile due to the announced merger with Trump Media. DWAC shares have surged at times over the last year due to interest from Trump loyalists. The company has essentially traded like a meme stock or a small-cap cryptocurrency where fundamentals do not matter.

The company trades under the ticker DJT and was up 16% on Tuesday and another 19% midway through the day Wednesday. As of mid-day Wednesday, DJT had a market cap just shy of \$10 billion, making Donald Trump's 60% stake worth close to \$6 billion.

The former president could receive tens of millions of additional shares if the stock stays above certain levels in the coming weeks. While the proxy doesn't indicate who is entitled to those shares, Trump owned an estimated 90% of Trump Media shares before the SPAC merger with Digital World Acquisition and has about 58% now. If he is entitled to 90% of the earnout stock, Trump stands to get an additional 36 million shares, which would lift his stake to 114.75 million shares worth about \$8 billion.

Trump faces some short-term liquidity issues due to his legal proceedings which could cause him to sell some of his stake. The other issue investors should keep an eye on when looking at DJT is the company only generated \$3.4 million in revenue and a \$49 million loss for the first 9 months of 2023. With \$3.4 million in sales and a \$10 billion market cap, something is up. We think this story will end like many other SPAC mergers, with the company tanking and retail investors will be caught holding the bag. Buyer beware.



The most notable business that Trump Media owns is Truth Social, an alternative to Elon Musk's X (formerly known as Twitter). A few years ago, Truth Social was an interesting idea as X was using subjective moderation, however, that all changed when Elon Musk purchased the company.

The one thing that fascinates us with this story is the price momentum that we have seen with this stock and how incredibly powerful that momentum has been. In the short, we would not short this as Trump loyalists will more than likely do their best at elevating the stock price. In the interim who knows how high this stock could go?

Fisker suspended

Fisker shares tumbled another 28% on Monday after talks with a large automaker broke down (over an acquisition, or partnership). Shares closed Monday at \$0.09, quite the fall for the once "revolutionary" electric vehicle producer.

Shares continued to fall through the week as it was reported that the New York Stock Exchange would suspend Fisker due to the company's low stock price. Fisker shares can still be traded OTC but are not on an exchange.

Market Summary > Fisker Inc

0.021 USD

-9.61 (-99.78%) ↓ all time

Mar 27, 1:34 p.m. EDT • Disclaimer

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



Most brokerage accounts can trade OTC shares. It may require checking with the broker and enabling a new feature.

The NYSE delisting also triggered a requirement to repurchase some of Fisker's convertible notes in 2026 and caused a default on notes due in 2025. Either of these issues could trigger the company to restructure under Chapter 11.

Fisker's market cap is \$12 million as of this writing.

On Tuesday, Fisker made a hail-mary move in the hopes of avoiding bankruptcy, they cut the price of their Ocean model by 40%.

Over the last month, Fisker has warned investors of a potential bankruptcy and has paused production in their manufacturing facilities.

The owners of current Fisker models who paid top dollar have seen the resale values of their cars evaporate as the company slashes the price of new models.

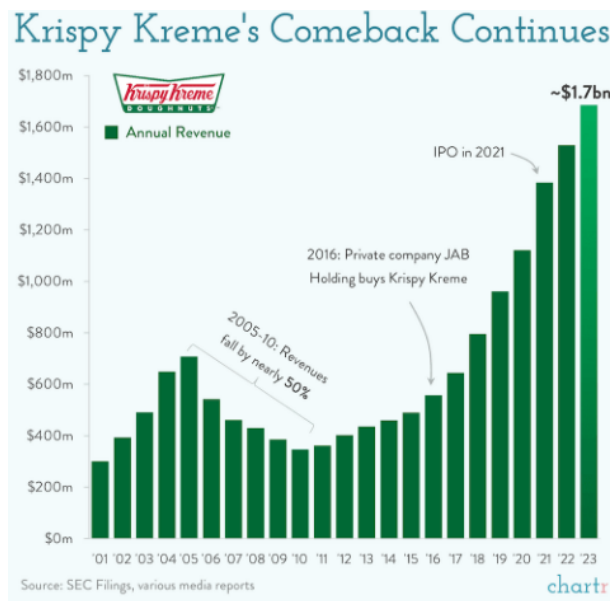
We will have to see if this move helps keep Fisker alive or if it will be the final nail in the company's coffin.

The EV bubble will forever be one of the biggest trends from 2020-2021 that we were skeptical of.

Krispy Kreme renaissance

This week, Krispy Kreme made a huge announcement. Krispy Kreme executives found a new way to grow sales moving forward.

The company has seen exponential sales growth in the last 5-10 years. Last year the company sold \$1.7 billion worth of donuts, in 2014 the number was below \$500 million. The company's comeback is directly linked to its acquisition in 2016 by JAB Holding Company. The 2016 acquisition turned Krispy Kreme private for the first time since its original IPO in 2000. JAB, a private investment firm based in Germany arguably turned Krispy Kreme around through several strategic moves and acquisitions. JAB then IPO'd Krispy Kreme in 2021.



The company currently trades for more than double what JAB purchased them for in 2016. Krispy Kreme currently trades on the Nasdaq under the ticker DNUT and boasts a market cap of \$2.6 billion. DNUT shares are down 20% from their late 2021 IPO price but sales have continued to improve.

On Tuesday, Krispy Kreme announced an exciting partnership with McDonald's U.S. in a way to expand sales. All 13,500 McDonald's locations across the U.S. will sell Krispy Kreme products by the end of 2026. This announcement sent shares soaring 39% on Tuesday. McDonald's is looking to Krispy Kreme for more breakfast-time traffic in their locations. McDonald's will offer 3 types of Krispy Kreme donuts which will be sold all day.



The two chains' relationship started about a year and a half ago when McDonald's started selling Krispy Kreme doughnuts at nine restaurants as a test. A few months later, the pilot project expanded to roughly 160 restaurants across Louisville and Lexington, Kentucky. Those initial restaurants will keep selling the doughnuts during the national rollout. According to those familiar with the partnership, demand for Krispy Kreme products at the pilot locations exceeded expectations.

The partnership between McDonald's and Krispy Kreme follows a recent trend that we have seen in fast food, a combination of sweet and savory collaborations. Wendy's recently launched a partnership with Cinnabon and Subway launched a partnership with Auntie Anne's. For the duration of the agreement, McDonald's will be the exclusive fast-food partner for Krispy Kreme in the U.S.

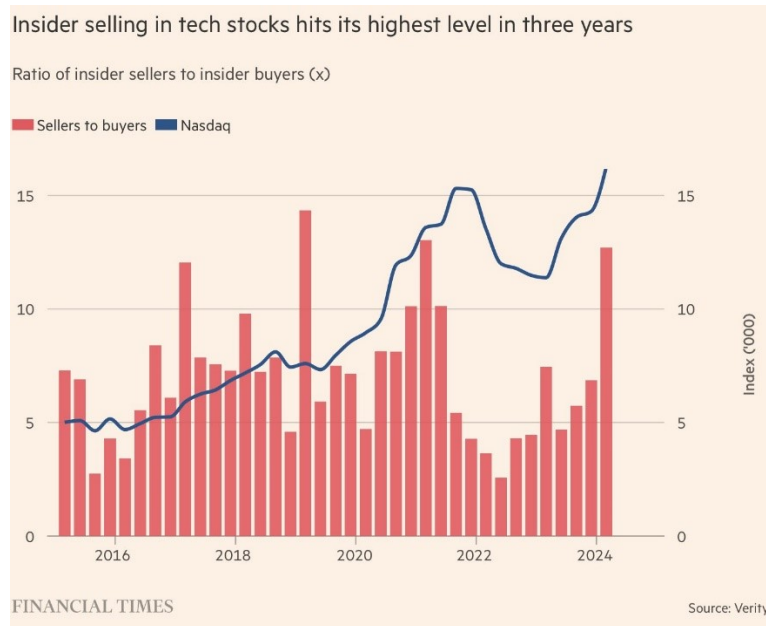
The deal will require Krispy Kreme distribution to more than double to satisfy demand. The company also plans to build on the 6,800 third-party stores (gas stations and grocery stores) that it serves across America.

Krispy Kreme shares have lagged over the last year due to fears of soft demand moving forward due in part to the rise and popularity of weight loss drugs like Ozempic.

We will certainly be watching Krispy Kreme moving forward.

Tech executives selling

Insider selling in technology stocks has hit its highest level in 3 years. The ratio of selling to buying is at its highest point since the first quarter of 2021.



Insiders and the CEOs of some of the largest companies in the world have been selling in 2024. Perhaps this is a sign that markets are beginning to peak. Verity LLC tracks insider trading and has highlighted the sales of many technology executives. Peter Thiel has sold \$175 million in Palantir stock this month alone. Jeff Bezos sold \$8.5 billion in Amazon stock in February, and Amazon's current CEO has already sold more stock this year than he did in 2023 and 2022 combined. Mark Zuckerberg has also cashed out shares in Meta Platforms selling \$135 million of Meta shares in February, his first stock sale since November 2021.

Beyond the technology sector, Jamie Dimon has sold over \$150 million in JP Morgan stock this year, his first sale in 18 years, and the Walton family has cashed out over \$1 billion worth of Walmart stock this year.

Berkshire Hathaway also got in on the tech selling, as they sold 1% of their Apple holdings at the end of last year.

This repetitive selling is something to watch moving forward especially as markets continue ascending and valuations steepen.

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