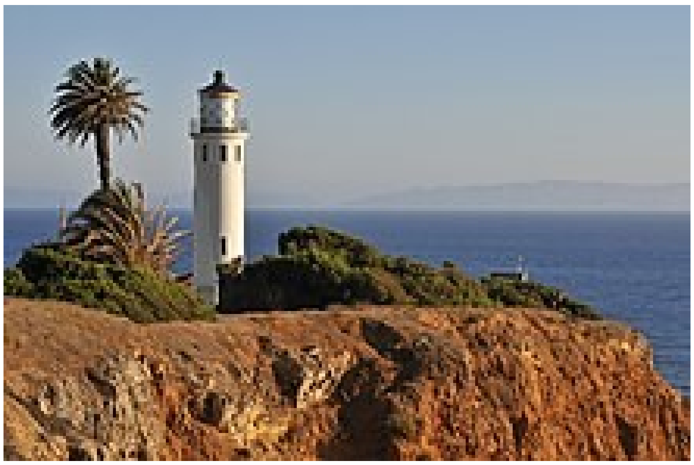
This commentary was written by our team and NOT outsourced to a third party. We will be giving some macro economic market updates on a weekly basis. No equity recommendations will be given in this commentary, and we encourage you to contact us if you have questions regarding

MacNicol & Associates Asset Management

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

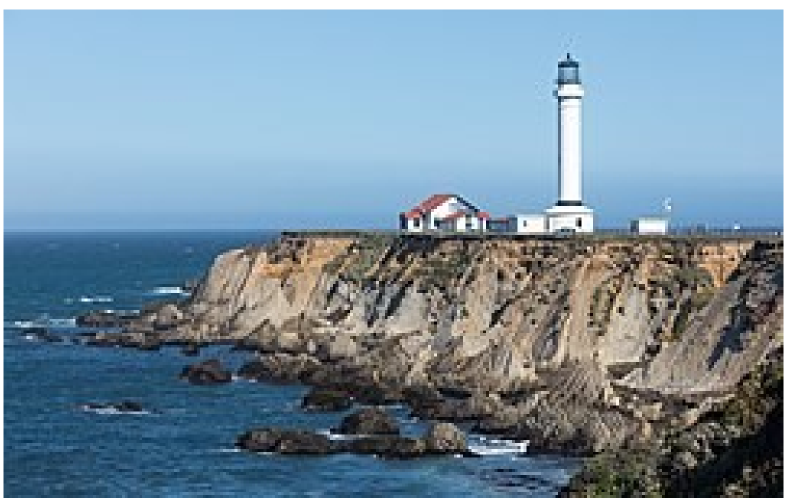
BEACONS OF THE WEEK

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.



Point Vicente Lighthouse, Rancho Palos Verde, California

This lighthouse was first built in 1926 and was automated in 1973. The lighthouse was added to the U.S. National Register of Historic Places in 1980. The lighthouse is operated by the U.S. Coast Guard. The lighthouse is located northwest of Los Angeles.



Point Arena Light, Point Arena, California

This lighthouse is located approximately 130 miles north of San Francisco. The lighthouse was first constructed in 1870 and was automated in 1977. The current lighthouse was first lit in 1908 and stands at 155 feet.

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

MacNicol & Associates Asset Management Inc.
Safe Harbour Safe Future
Since 2001
maam.ca

Chip maker sees a small spike

A beaten-down chip maker saw a small spike in its stock price this past Monday. As we all know, chip makers have been on a meteoric rise over the last year and a half. Nvidia has dominated headlines, and its competitors have also seen strong movements in their stock prices. However, for one company in the industry, the last year and a half has been a bloodbath.

Intel's stock price is down 35% over the last year. On Monday, it saw a rare bounce as it was reported that Apollo Global Management had offered the company a $5 billion investment.

According to Bloomberg, the alternative asset manager is looking for equity in exchange for the investment. No deal has been finalized yet. Intel and Apollo declined to comment on the offer as of Monday morning.

Apollo is not new to the semiconductor industry. Last year, the firm led a $900 million investment in Western Digital Corp. where investors bought convertible preferred stock.

The news comes just a week after it was reported that Intel's competitor Qualcomm was interested in buying out the chip maker.

Intel's share price has jumped over 10% since the two reports off a 52-week low.

Both pieces of data are good signs for investors as the street is confident that Intel can rebound after losing market share to its competitors.

However, many doubt the Intel-Qualcomm deal would even pass. Regulatory approval will be needed and many doubt that China would approve the potential agreement and potentially bailout an American firm. If Qualcomm paid a premium for Intel, it would be the largest tech acquisition in history.

On top of regulatory roadblocks, a Bank of America analyst wrote in a research note that another challenge for potential buyers of Intel is the company's "weak financials with large cash burn including $53 billion in debt and large capex intensity required to support its extensive fab network."

Intel has been a real struggle this year. In August, the company cut 15,000 jobs and suspended its dividend following disappointing earnings and a weak forecast.

We must see if a deal can come to fruition and help Intel return to its former glory. Intel's current CEO has been prioritizing its Foundry business to push the company forward and meet the growing artificial intelligence chip demand.

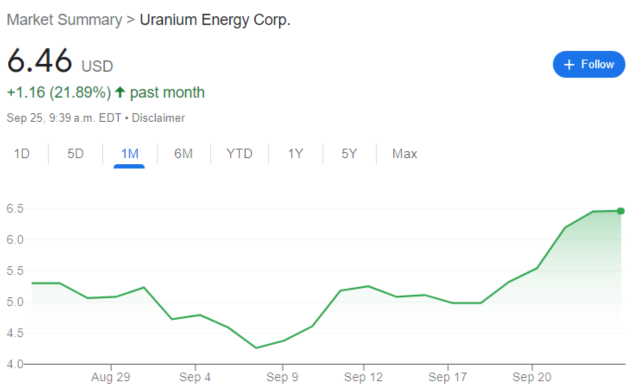
Disclaimer: We do not hold any shares of Intel Corp. (INTC).

MacNicol
& Associates
Asset Management Inc.
Safe Harbour Safe Future
Since 2001
maam.ca

Uranium miner gets a nice boost

A mid-sized U.S. uranium miner saw its stock price jump nicely on Monday morning after announcing that it expanded production capacity. Uranium Energy Corporation (UEC) announced that they have agreed with Rio Tinto to acquire 100% of Rio Tinto's Wyoming assets. UEC will acquire the Sweetwater plant and a portfolio of uranium mining projects with approximately 175 million pounds of historic resources. As of 2 pm on Monday, shares for UEC were up over 12% on the day.

As of Wednesday morning, UEC shares were up 22% over the last month. A nice bounce after a weak summer.



UEC will pay $175 million for the assets. The deal will be funded by UEC's available liquidity.

This acquisition will create UEC's third U.S. production platform. In the deal announcement, UEC highlighted the cost synergies the company will see with this deal as well as the company's growing production capacity.

We believe the reward outweighs the risks for this mid-sized miner moving forward. The company is debt-free, restarted its production of uranium last month after a multi-year pause due to overall uranium market conditions, and the company is unleveraged to uranium prices.

The CEO of UEC has also been loading up shares after shares pulled back over the summer. According to a filing with the SEC, the CEO of UEC bought $250,000 worth of shares in early September. The CEO currently owns over $25 million in shares.

This deal announcement is a bullish signal for UEC and the entire nuclear industry. We like UEC's position in the market and believe they will be a big winner in this uranium renaissance. Over the last few weeks, there have been more and more announcements from technology companies, and energy producers on the growing demand for nuclear energy.

Disclaimer: MacNicol & Associates Asset Management holds UEC shares in various client accounts.

Other nuclear news

As we mentioned in the entry above, there are lots of bullish news in the nuclear industry. We wanted to highlight one news piece that got us excited late last week. The announcement saw uranium miners, and the price of uranium jump heavily on Friday.

Late last week, Constellation Energy and Microsoft announced that the two companies had come to an agreement that will supply Microsoft with nuclear energy. Constellation Energy is a U.S.-based utility provider.

Constellation will restart the Three Mile Island nuclear plant and will sell the energy to Microsoft to meet the company's growing energy demand stemming from AI and data center expansions. Constellation expects the Unit 1 reactor to come back online in 2028. The reactor is in Pennsylvania and has been offline since 2019. Constellation will invest approximately $1.6 billion in restarting the plant.

The announcement saw Constellation Energy shares jump 22% on Friday.

The deal will see Microsoft purchase nuclear energy from the plant in a 20-year agreement to match the energy demand its data centers consume. The Three Mile Island unit will provide 835 megawatts of electricity or enough to power about 700,000 homes.

Big tech has led to a surge in energy demand in the U.S. According to the IEA, data centers will account for 8% of electricity demand by 2030. Last year they only accounted for 3% of electricity demand. Nuclear energy, which is nearly carbon-free and considered more reliable than other energy sources like solar and wind, has become a popular option for technology companies with uninterrupted power needs and climate pledges. Funny that tech companies have been coming around on something that we have said for at least 24 months. According to the Energy Information Administration, nuclear plants generated 18.6% of U.S. electricity last year, many in the tech industry expect that number to expand.

The deal between Microsoft and Constellation Energy is not the only deal that links the tech industry to nuclear energy. Earlier this year, Amazon Web Services partnered with Talen Energy to power its data centers.

Three Mile Island would be the second nuclear plant to restart operations in U.S. history. The Palisades nuclear plant in Michigan will be the first, with that plant expected to return at the end of next year.

It's important to note that key permits for the reactor restarting have not yet been filed. We think the recent bipartisan support of the nuclear energy industry will help push this along with many other projects in the industry at a rapid rate. Over the weekend, Pennsylvania's Governor Josh Shapiro released a letter telling regulators to fast-track the approval process on the project. Currently, there is a long wait time for approval for electricity projects connecting to the grid.

We know the price of uranium has pulled back in 2024 and many miners are well off last year's highs which worried some investors. We understand that worry but will say that we are not worried and that we remain bullish on the industry. Since our original entry point a few years back, our investors are up on this trade, and we think there is even more upside potential. The industry is growing, and miners are getting even more attractive. We continue to believe that nuclear is the future.

Disclaimer: MacNicol & Associates Asset Management owns various uranium miners, and uranium securities across various client accounts.

China's plan to support markets

China announced its biggest economic stimulus since the pandemic on Tuesday. The announcement sent commodity and equity prices soaring.

After the People's Bank of China released details on the monetary stimulus and support plan for equity markets and its economy, China's major index had its largest jump since July 2020.

China's central bank also lowered interest rates as part of these announcements. China cut medium-term interest rates by 30 basis points to 2%, the largest cut since the bank began using the monetary tool to guide market interest rates in 2016. The central bank also signaled more rate cuts will be coming.

The stimulus is China's latest attempt to pull its economy out of a slump caused by a real estate crisis and deflationary pressures.

According to a PBOC governor, this plan will benefit around 50 million households, saving them over $20 billion in interest expenses annually. For banks, the PBOC cut the amount of money required to set aside for loans (reserve requirement ratio) by 0.5%, which will free up $142 billion in short-term liquidity. The package reportedly includes $100 billion (U.S.) in equity market support. Chinese policymakers are also studying a stock market stabilization fund.

The package that China announced is much larger than what investors and economists expected.

Despite this support, many believe the Chinese economy will require much more support to boost its ailing economy. China's economic growth rates have been cut in recent years as weakness has hampered the world's second-largest economy.

Beijing is aiming for economic growth of about 5% for 2024. However, some investment banks including Goldman Sachs, Nomura, UBS, and Bank of America have recently reduced their forecasts for China's growth rate this year.

The equity market stimulus package comes at a time when Chinese markets are at multi-year lows and are trading at steep discounts due to geopolitical risk, and economic weakness. Investors have hit the

130 Bloor St. West, Suite 905, Toronto, ON M5S 1N5
Tel: 416-367-3040 Toll free: 1-866-367-3040 Fax: 1-877-215-4044
Email: info@macnicolasset.com URL: www.macnicolasset.com

exit from China over the last few years due to the CCP's crackdown on control. We still think China is not investable despite this package announcement.

The valuations in China are attractive, but the risks greatly outweigh them.

Out with old, in with the new

We highlighted the massive change that Argentina was about to undergo in numerous editions of this publication last year. The reason for this was the result of the Presidential election. In 2023, Argentina elected Javier Milei to be its President. Milei has an economics background is relatively new to the political world and is an outsider. He rose to prominence through his rejection of socialism. Milei is as free market as they come and is a bit of a populist libertarian.

Milei's campaign was based around the negatives of socialism and a new way forward. Argentina was once a prospering nation before socialism led them to poverty, stagnant growth, and hyperinflation. He blamed Argentina's sky-high (hyper)inflation on socialist spending and policies. His points stuck with many as Argentina elected him over the traditional socialist candidate by a wide margin.

In his first year leading Argentina, Milei has slashed spending, removed regulations, and abolished some government units.

A major initiative that he focused on was housing. Milei removed rent controls when he came into power in housing and according to the Wall Street Journal, the Argentina housing market is thriving as of September. Supply has increased by 170% in the capital, rent growth has eased to 3-year lows, rentals are easier to find, renters are getting better deals than ever, and inflation has cooled. While rents are still up in nominal terms, many renters are getting better deals than ever, with a 40% decline in the real price of rental properties when adjusted for inflation since last October.

The price controls that hurt Argentinians for decades should be a warning to Western nations who have floated the idea of price controls for rent, and food.

Equity markets have had one of their strongest periods on record in Argentina under Milei as investors are no longer afraid to park capital in the country.

Although it seems the housing and stock markets in Argentina have already improved under Milei, the country and the leader have a long way to go. We will be watching this unfold closely and perhaps this will one day serve as a road forward for countries who have hurt their economies and populations through socialist policies.

MacNicol & Associates Asset Management
September 27, 2024