

GROUND HOG DAY

I feel I am living in a modern version of the 1993 movie **Ground Hog Day**, where a weatherman (Bill Murray) wakes up in a small town and realises that he is reliving the same day over and over. Every day is the same with depressing reports of the Covid-19 cases continue to explode worldwide, while politicians and medical experts warn of dire days ahead. News stories focus on either promising news of vaccines ahead (yeah!) or a huge increase in fatalities as American Thanksgiving approaches (sigh). Last, but not least, daily media debate on the US elections, still not over after almost three weeks.

So, this week, as a distraction, I thought I would talk about another thing that makes me go HmMMMM? Electric Cars (EVs).

Tesla's stock market value is \$440 Billion plus, which is now more than GM, Ford, Toyota and Volkswagen combined. The company will sell, at most, 500,000 vehicles in 2020; GM alone will sell around 7 million and Toyota north of 10 million. There are three other notable, publically traded Chinese EV manufacturers and all with some major backers: NIO market value \$67 billion, XPeng \$39 billion and Li Auto \$31 billion. There are also a number of companies developing their own versions of EVs, all funded by private equity (a couple are publicly traded). The estimated value of these companies combined is about another \$33 billion. **Put it all together and that's a lot of billions and a lot of competing companies.**

In addition, all the current major manufacturers are developing their own green vehicles. For those who remember the history of automobiles back in the early part of the last century, you will know it is going to end in tears for a great many of these current players. That will result in the loss of billions of dollars for the investors. I have written previously of my opinion that the recent headlong rush of Pension funds and Institutional Money Managers into Private Equity will end badly, just as it did for their foray into Hedge Funds a few years back. I am confident that many of these investments in Electric Vehicles will be a notable part of their reported losses in the next few years.

And what of financial markets last week? It was a minor losing one for most US equities, but a continuation of last week's winning streak for global markets and foreign currencies. Commodities lead the way with oil and copper being the notable winners. The pandemic has caused a huge investment inflow into the benefactors of the economic shutdown, and thus the **spread in valuation** between **US growth** companies (technology mainly) and **value companies** (industrials, financials, materials etc.) **is the highest ever!!** I believe that this valuation spread will narrow considerably in 2021 and developed, non-USA, countries, which have much higher weightings in the value sector, will do very well along with US value companies. The out-performance of these sectors and global indices over the last two weeks is, in my opinion, the early beginnings of this trend.