

Macro View – The World According to Yellen

The Senate swore in Janet Yellen as Treasury Secretary. Analysts are studying her policy while serving at the Federal Reserve Bank to gauge how she will inform policy, regulation, taxes, the market, and the economy. Yellen was well known as being dovish on monetary policy, supporting low rates. Yellen also was regarded as moderately hawkish on fiscal policy, meaning she is less likely to support excessive government spending without offsetting the spending with counterbalancing action such as raising taxes. The chart below shows current debt to GDP at approximately 127% versus approximately 102% in 2017, a trend Yellen appears determined to reverse. Yellen has been vocal in support of globalization and immigration over populism. Yellen does seek to address China's infringing on U.S. intellectual property and limiting free market competition. This clearly creates a tension between supporting a global economy and a balanced trade policy with China.



Taking Stock – Electric Vehicle Emissions

Electric vehicles (EV) found a new gear when Tesla was added to the S&P 500 index recently, and President Biden's outspoken climate change initiatives have also intensified the spotlight on EV. The question, or risk, is whether lithium and other rare earth metals used in battery power can keep up with demand. Barrons has noted that based on current EV demand, a 50x increase of lithium will be required. Half of global lithium supply comes from Livent, Albermarle, and SQM. Barrons goes on to state that the lithium mining industry will need approximately \$7bb to provide the supply necessary to meet the EV demand. ARK Portfolio Manager, Cathie Wood, leveraged their firm's battery research, stating that EV sales will increase 20-fold in five to six years accounting for 40% of total global auto sales (Twitter @CathieDWood). The chart below is one-year performance for the lithium ETF, LIT, demonstrating the significant price appreciation.

