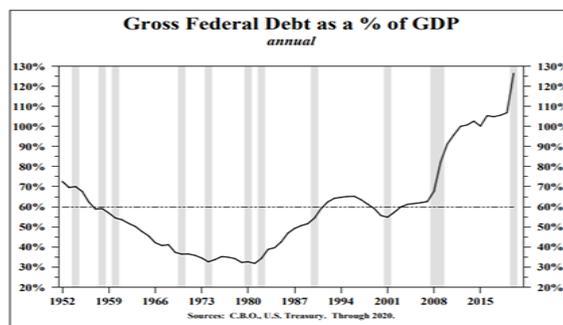


## Fixed Income – Up, Up, and Away

If there is one thing we have learned over the last couple of decades, it is that neither party can claim a moral high ground on the issue of government deficit spending. As late as 2000, the government debt as a percentage of GDP stood at 60%, a reasonable figure putting the U.S. among the lowest indebted countries in the developed world. That figure has skyrocketed to more than 130% of GDP as of the end of 2020, and is slated to rise in the fashion of a hockey stick. Even the conservative Austrian School of Economics understands the need for deficit spending when something like the Great Financial Crisis or COVID occurs, but the idea is that after the period of crisis, restraint is brought back and deficits grow slower than the rate of economic growth during the recovery period. However, here, that appears unlikely to occur.



## Technical – Pulling for the Underdog

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.

