



Rodney's Take

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Just One Word... Plastics

The 1967 film *The Graduate* is more than 50 years old, but it's still quotable. In the movie, at one point during the college graduation party for Ben, played by Dustin Hoffman, a family friend takes Ben aside and says he wants to say one word to him, just one word: plastics. The older man's intention was to point young Ben to an industry of the future, one that could provide him with a steady living and a path to prosperity. That line in the movie came to me as I considered a Biden/Harris administration. Of all of the things that a Democrat White House might work to accomplish, many come down to one word: renewables.

I've long been a Tesla stock naysayer. I don't have an issue with migrating our transportation fuel source from fossil fuels to electric. My problem is that Tesla sports a market capitalization that makes it the most valuable auto manufacturer on the planet even though it's never made a nickel selling cars. Instead, the company earns profit by selling zero-emission credits to other manufacturers while plunking out about one-half of one percent of all cars made. That hardly seems worthy of a valuation higher than Volkswagen, which makes 10% of all cars produced, or a combination of Volkswagen, General Motors, Ford, Fiat/Chrysler, and several others. But hey, for all the years that I've been skeptical, shares of Tesla have continued to move higher.

Which brings us back to the next phase of energy.

If we get a Democrat administration and a Republican Senate, then Biden will rule by executive order. This will limit what he can do without compromising with Mitch McConnell, but it won't stop him from hemming in the auto industry and oil and gas through permit restrictions and tighter interpretations of existing regulations. And he'll also need to give the Sanders supporters something to show for helping him win. All of this points to renewable energy, specifically electric vehicles and solar energy.

Since the election, companies in this space, especially small up-and-comers like Fisker Inc. (NYSE: FSR) and Sunpower Corp. (Nasdaq: SPWR), have done well. Some investors are jumping in early, expecting new policies over the next four years to push the industry higher. We bought two such companies in our portfolio last month, both through special purpose acquisition companies (SPACs), in anticipation of the move.

With COVID-19 cases surging and a vaccine and a therapeutic in the works, we're likely to see choppy markets in the months to come, followed by upheaval as we deal with reopening the economy while rolling back massive financial support. As the wave of government support recedes, we'll clearly see the damage done by the economic lockdowns, including foreclosures, evictions, and bankruptcies. While 2020 was all about a shutdown and a rebound, the next two years will be devoted to rebuilding and transitioning to the new ways in which we work and live. All of this should make investing challenging.

To which I say one word: renewables.

It's interesting that one of the most promising fields of today is meant, in a way, to replace the field discussed in *The Graduate*. At least we can remember fondly Hoffman's cool car, the Alfa Romeo Spider Duetto. If they remake the movie, maybe they can restore an old Spider with an electric motor and change the one word.

Rodney

Got a question or comment? You can contact us at info@hsdent.com.