

The Weekly Reader

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Greetings! Welcome to this Friday's "Weekly Reader."

Broadcast o' the Week: I listened to an excellent panel discuss the different aspects of SPACs. It was sponsored by the Fordham University Gabelli School of Business, and called "[SPACs: Special, Speculative, or Spam?](#)". If you're interested in SPACs, here's some help for raising your SPAC IQ. Given other SPAC developments, you can't learn too much about them if you're serious about investing in them. (Note: not me! But they're interesting to watch from a distance, like dot-coms in 1998.)

SPACs were not the big topic of the week, however. This week, attention was focused on the biggest deal of the year – at least so far. That would be **Coinbase**, which went public at over \$100 billion of market capitalization. That puts it in the same league as **Goldman Sachs** and **Morgan Stanley** – with a lot less of their storied history. Maybe that's a positive to those believing in the limitless possibilities posed by Coinbase.

Maybe those same players haven't observed much history of markets that can be summed up in four words: "Speculation. Crash. Disillusionment. Repeat." We'll just have to see what happens.

And now...

Earworm o' the Week: A pleasant one, especially after last week's Barry Manilow infestation, and served up by the car's autoshuffle feature. Here it is: "[Soulful Garage](#)," courtesy of the always-upbeat [Southern Culture On The Skids](#) (SCOTS). If you don't know SCOTS – you should.

Finally, the constant reminder: you're welcome to forward this email to anyone, and I'll be happy to send "The Weekly Reader" to anyone who wants it. The cost: free. Just drop me a note at jciesielski@accountingobserver.com with "Add me to the WR list" in the subject line.

Now, on to this week's readings:

I. Coronavirus Corner

[J&J Covid-19 Vaccine Pause Poses Another Test For Balancing Pandemic Risks](#)

- By Greg Ip, Wall Street Journal

"...it's the latest example of how Americans have struggled to be rational about risk throughout the pandemic. The unknowns about the virus were bound to make decisions error-prone. Emotion, misinformation and polarized politics make rational cost-benefit analysis even harder.

...The FDA and the U.S. Centers for Disease Control and Prevention, though generally more faithful to science and statistics than politicians, often default to the "precautionary principle"— erring on the side of safety when science is at all uncertain. This is sometimes traced to the 1960s, when the FDA was praised for not approving thalidomide, a drug for morning sickness that turned out to cause birth defects."

[Small But Quick: Bhutan Vaccinates 93% Of Adults In 16 Days](#)

- **Unattributed, AP News**

"The rapid rollout of the vaccine puts the tiny nation just behind Seychelles, which has given jabs to 66% of its population of nearly 100,000 people.

Its small population helped Bhutan move fast, but its success has also been attributed to its dedicated citizen volunteers, known as "desuups," and established cold chain storage used during earlier vaccination drives."

II. Financial Reporting & Analysis

[Regulators Step Up Scrutiny Of SPACs With New View On Warrants](#)

- **By Dave Michaels, Wall Street Journal**

Could this derail SPAC activity? Maybe, and maybe not. I don't think the SPAC boom is being driven by balance sheets that are well-stocked with equity; it's stoked more by hopes and dreams and nitroglycerin. At first I thought this might be like the dot-com bubble bursting around the time [MicroStrategy got called down](#) for its hokey revenue recognition practices. But revenue embodies hopes and dreams and nitroglycerin, doesn't it?

Maybe the SEC will find more accounting complaints in the SPAC world, and maybe they'll start packing more of a punch. So far, these things have been largely devoid of revenue, so it's not likely that examining their revenue practices will burst their collective balloons. Nevertheless, it's interesting that MicroStrategy's CEO then, and now, has emerged as a high priest of bitcoin. Will history rhyme, maybe?

"SPACs have typically classified the warrants on their balance sheets as equity. Under certain circumstances, they should be classified as liabilities, which would require the company to periodically account for changes in the warrants' value, the Securities and Exchange Commission said in [a statement released late Monday](#). One impact of the SEC's announcement: SPACs that are affected would have to restate their financial results if the fluctuations are deemed to be material, the SEC said."

The Wall Street watchdog has started examining the market more closely as SPACs proliferated this year, raising nearly \$100 billion. A senior SEC official said last week that SPACs might not have any regulatory advantages over the standard public offering, signaling the agency would scrutinize the failings the same way they do IPOs.

[Former Senior Officer Sues PCAOB For Wrongful Termination](#)

- **By Soyoung Ho, Thomson Reuters**

"Despite prior praise of her performance and promotion, beginning in the spring of 2020, Duhnke allegedly regularly referred to the COVID-19 pandemic as "kung flu" and the "Chinese flu" in her presence. The suit also alleges that during that time period, Duhnke began making frequent remarks to Lee and other employees about her Chinese ancestry and birth overseas.

"The abrupt change in Mr. Duhnke's treatment of Ms. Lee coincided with the initial outbreak of the coronavirus in the United States—an event which Mr. Duhnke appeared to blame upon the Chinese population and foreign nationals at large," the complaint alleges. "Mr. Duhnke mocked Ms. Lee for wearing a mask in the office and drew similarities to Chinese Communist Party leaders wearing masks after causing the coronavirus."

III. Investing

*****Highly Recommended*****

The Mathematical Improbability Of Coinbase Justifying A \$100 Billion Valuation

- By Shawn Tully, Fortune

This is a must-read article. I've mentioned the work of David Trainer's firm New Constructs before, and just to remind you - they do some really fine work. This article references their report on **Coinbase** and it's excellent - as is Shawn Tully's exposition. The New Constructs report is linked in the article. *Note: I leave a hyperlink in an excerpt only if I've clicked through and read it myself. In this case, I didn't just leave it in the excerpt - I urge you to click it and read the report.*

"Put simply, to reach the size worthy of a \$100 billion market cap—and that's starting today—Coinbase would probably need to become the biggest exchange in the world. That's the bet investors are making if they buy its shares..."

*****Highly Recommended*****

How Robinhood And Others Really Profit From 'PFOF'—And Why It Harms The Markets

- By Shawn Tully, Fortune

Of course you heard about the passing of Bernard Madoff this week - but he's still with us. He invented "payment for order flow," which is the engine that drives "zero-commission" trading at brokerages like Robinhood and E-Toro. And it's not the free lunch it looks like for investors - befitting of the man who invented it.

"Atkin, CEO of trailblazing electronic trading platform Instinet, believed that PFOF worked in direct conflict with his mission of getting the best possible prices for the folks buying stocks. "Payment for order flow isn't right! It should be outlawed!" Atkin yelled at his opponent. "If it's so good for investors, why are your brokers keeping it secret, instead of advertising to let people know how good this is for them?"

Madoff shot back that PFOF added lots of liquidity to the markets and that he was getting investors the same prices as the "best" quotes posted on the exchanges. "I'm just trying to get more business!" barked Madoff. The brokers were flocking to his firm for good reason—he was the first to pay them big bucks for channeling their trades to a market maker. Why should the SEC ban him from giving those new clients what they want? "I should be able to do whatever I want to get business," Madoff asserted."

Don't Be Fooled By This Stock Market's Newest Magic Trick

- By Jason Zweig, Wall Street Journal

"At the end of February, 40 mutual funds reported total returns of at least 100% over the prior 12 months, according to Morningstar. Among exchange-traded funds, 59 had one-year returns greater than 100% at the end of February; one month later, according to FactSet, 218 did.

What happened? Did hundreds of fund managers start popping genius pills? No, although marketing departments are probably gearing up to tout their brilliance. Instead, the ghastly losses of early 2020, when stocks fell by 34%, have just disappeared from trailing one-year returns."

IV. General Business Interest

*****Highly Recommended*****

[Big Hospitals Vs. Big Pharma: Which Industry Is Most To Blame For Soaring Health Care Costs?](#)

- By Geoff Colvin, Fortune

"Consider, for example, annual per capita out-of-pocket spending on prescription drugs. In theory, that's what people ought to care about, the money coming from their own wallet. So they might be surprised to learn that the government's National Health Expenditure data shows this expense being broadly flat for almost 20 years. On average, Americans are spending no more of their own money on drugs than they were in 2003; in fact, they spent less out-of-pocket in 2019 (\$164) than they did in 2006 (\$189). So why do large majorities of Americans rail against drug costs and want the government to control them?

The answer reflects an important truth about health care economics and especially about health care politics: Extremes are often more important than averages, and health care is a world of extremes."

V. Something Science

[14 Fun Facts About Cicadas](#)

- By Alex Fox, Smithsonianmag.com

"By emerging all at once in densities of up to 1.5 million per acre, cicadas manage to overwhelm predators, from songbirds to skunks, who quickly get too full to take another bite of the buzzing buffet.



"It's very much like when you go to an all-you-can-eat crab feast...The very first bunch that you throw down on your table, everybody grabs crabs and you start cracking them, and you take every last molecule of crab meat. About the fourth tray ... people only take the claws. As this orgy of eating goes on, there are animals that actually won't touch them anymore. They're full."



[This Nuclear Reactor Just Made Fusion Viable by 2030. Seriously.](#)

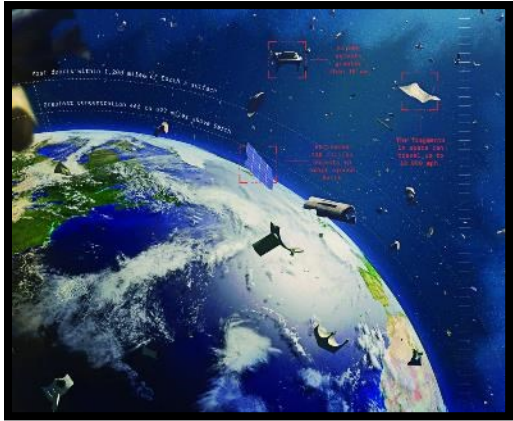
- By Caroline Delbert, Popular Mechanics

TAE's current working reactor is nicknamed Norman, after the scientist who cofounded TAE in 1998. The reactor is 80 feet long, 22 feet wide, and 60,000 pounds. This still makes it far smaller than almost any existing nuclear power plant reactor, on par with something like a small modular reactor...

There are two colloquial terms for what fusion net energy requires: "hot enough" and "long enough" to end up fruitfully producing energy. TAE says Norman has been running over 600 experiments each month, which is 20 tests each day or about 30 each weekday—reaching the plasma "ignition," or self-sustaining for energy, temperature each time."

Can Magnets And A Giant Claw Save Us From Space Junk?

- By Jennifer Leman, Popular Mechanics



"Since the Soviet Union launched [Sputnik](#) in 1957, we've sent more than 10,000 objects into orbit. As these spacecraft increasingly collide, break apart, or explode, they generate massive clouds of debris that sweep across low-Earth orbit and pose a threat to the roughly 3,300 functioning [satellites](#) we rely on for navigation, communication, and reconnaissance.

Both the servicing satellite and the target satellite are equipped with ferromagnetic docking plates that, when aligned, snap together like extremely strong refrigerator magnets.

VI. Something History

Gemini VIII's Near-Disaster

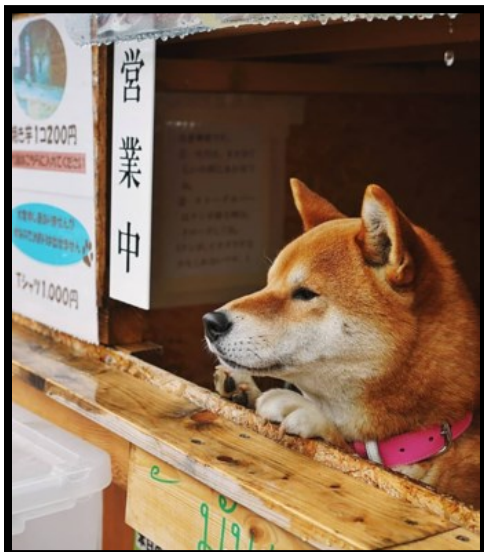
- By Michael J. Neufeld, Smithsonianmag.com



"The RCS thrusters were needed after the retrorockets were fired and the adapter separated, so mission rules dictated an immediate return to Earth. Armstrong knew what that decision implied, but had no choice.

Scott later said: "The guy was brilliant. He knew the system so well. He found the solution, he activated the solution, under extreme circumstances ... it was my lucky day to be flying with him."

VII. Something Fun



Dog's Roasted Sweet Potato Stand

- Unattributed, Atlas Obscura

"In warm weather, the rolling hills of Japan's northern island of Hokkaido burst with flowers. In cold weather, they glisten with snow. But come rain or shine, a sentinel stands guard in the island's major city, Sapporo. Loyal, friendly, and steadfast, this is Ken-kun, the proprietor of the *Inu no Yakimoyasan* sweet potato stand. This friendly salesman greets visitors and welcomes them to sample his signature roasted sweet potatoes. But a sign outside the stand reminds visitors that he can't give you change—[because he's a dog.](#)"

Maybe he can't give you change – but I bet he'd accept some "dogecoin."



[Eleanor Rigby's Grave](#)

- **Unattributed, Atlas Obscura**

Though McCartney borrowed her name from the gravestone, the details about Eleanor Rigby in the song are fiction. According to the gravestone and census data, the real Eleanor was born in 1895 to parents Mary Rigby and Arthur Whitfield. She worked in a hospital in Liverpool, and in 1930 married a man named Thomas Woods. Eleanor lived in Woolton her whole life, and died at the age of 44 in 1939.

[Who Orders A Vesper, Anyway?](#)

- **By Chloe Frechette, Punch**

"So when I posed the question—*Is the Vesper actually a good drink?*—to my friends and followers on Instagram last month, I sat back, smugly anticipating the inevitable snark that was about to flood my DMs. Surely, everybody would agree that the only people who actually drink Vespers are the same dweebs who point finger guns into the mirror of the tux rental shop while uttering: "The name's Bond. James Bond."

...But could it be that the Vesper was never intended to make the leap from page to bar top? In a 1958 letter to the *Manchester Guardian*, Fleming offered a revealing confession: "I proceeded to invent a cocktail for Bond, which I sampled several months later and found unpalatable."



[Friday Cocktail Hour: The Hanky Panky](#)

- **By Michael Ruhlman, Ruhlman.com**

"A couple months ago, eager to try an applejack cocktail, I made a [Wright Flyer](#), a relatively new apple-brandy-based cocktail. I wasn't keen on one of the ingredients, Fernet-Branca, a very bitter [amaro](#). The creator of the drink also said you could use Amaro-Nonino, which I love. Fernet-Branca, no. It is medicine. I gave my stepson, Sam, a taste and he made a nasty face and said words to the effect of "Never give that to me again."

So imagine my surprise when I *preferred* the Wright Flyer with the Fernet in it.



That's it for this week. I hope you enjoyed this week's "Weekly Reader" as much as I enjoyed putting it together. Stay safe, and have a fine weekend!

Jack

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