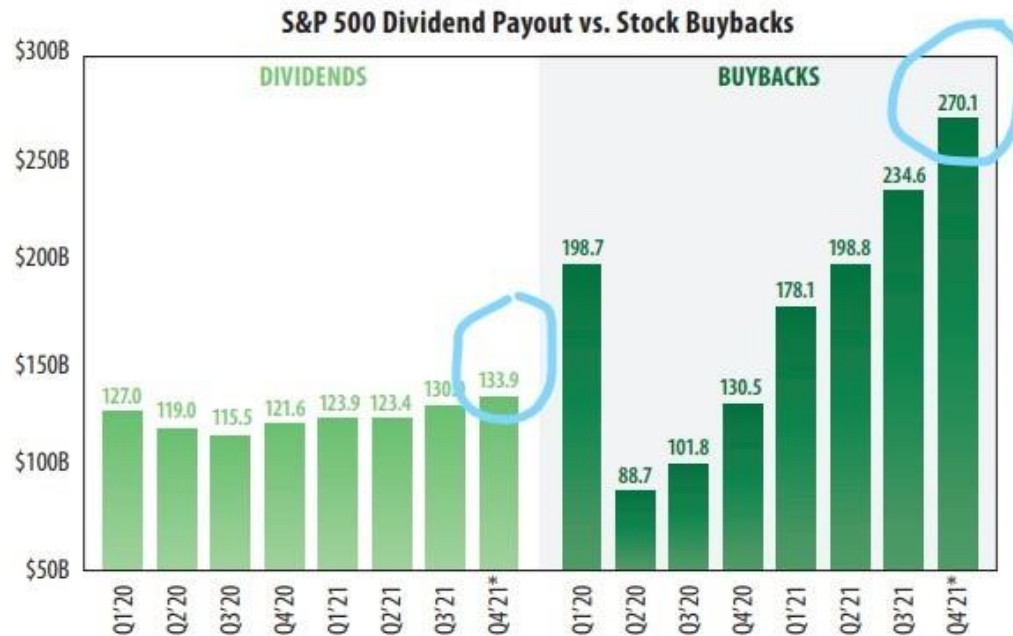


The Outlook: April 7, 2022

Main Street: cash and strength

From economist Brian Wesbury and company, here is a clear look at what's happening on Main Street USA these days.

S&P 500 Index Dividends And Buybacks At Record Highs



Source: S&P Dow Jones Indices. Quarterly data points in \$ Billions. *Q4'21 data is preliminary.

Dividends and share buybacks are Main Street's ways of handing cash rewards to investors. The key word in that sentence, of course, was "cash." A never-ending challenge, for us investors, is enduring a tidal wave of headlines, analyses, economic statistics and "news" items every day of the year. Most of the time, most of them add up to "impressions" rather than clear looks at the truth of things shown by the whole picture, rather than just some dark corner of it. But at Outlook we always call Quarterly Earnings Season—when Main Street tells its shareholders what actually happened over the last three months, company by company—"Quarterly Reality Season." It's just about the only time we get that clear look at the truth . . . because it gives us a clear look at cash.

Cash is the farthest thing from an "impression." It's hard to come by, for people and companies. But when it's earned anywhere on Main Street, what it tells us is far more reliable than the biggest headlines or most clever analyses.

This startling chart tells us that the "cross section of big corporate America" hit an all-time record in dividends paid, less than 2 years after the Virus and Lockdown Calamity showed up. It says exactly the same about share buybacks. Main Street cut them to the bone when the Calamity arrived, conserving cash in an emergency whose nature was not easy to understand. But apparently Main Street figured it

out pretty fast. Buybacks rocketed up quarter after quarter, and now are double the amount of dividends.

Share buybacks give each of our shares a bigger piece of the company: of dividends, cash flows and earnings. They're a tailwind for the long-term returns we hoped to earn when we invested.

We've noted more than once, recently, that the market has a lot to worry about these days . . . but a lot of strength to use in carrying the burden of worry. This is just another picture of that strength.

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