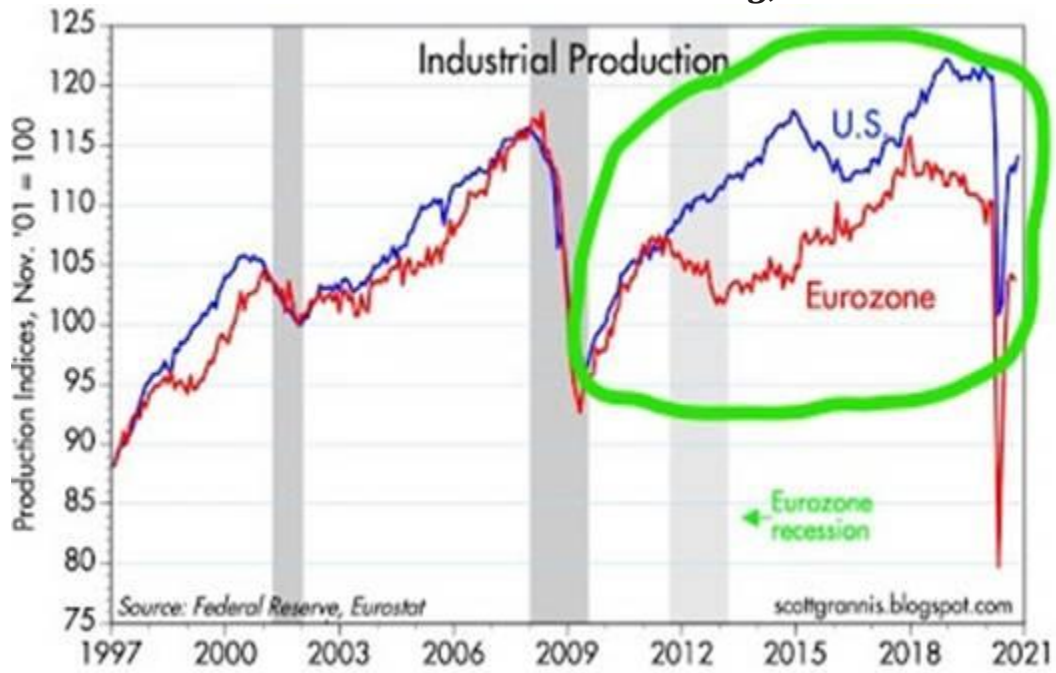


The Outlook: Nov. 18, 2020

The Market's Big Picture

First, the Big Picture for the market at this moment, with 2 pictures as the foundation for that Picture (from economist Scott Grannis.)

Two Economies since 2009: One Strong, One Weak



Two Markets since 2009: One Strong, One Weak



If two racehorses stand on the starting line, but one gets to carry a 100-pound jockey and the other must carry a Sumo wrestler, those 2 pictures show what happens. The remarkable gaps between the US and Europe since the Financial Calamity of 2009—in economic performance and market performance—have the simplest explanation: a fairly crushing difference in the weight of taxation and regulation, and general anti-business sentiment, between America and Europe.

The top chart vividly pictures the 2020 Lockdown Calamity, as both economies went into the screaming cliff-dives of all time. But the depth of Europe’s dive was far beyond America’s; and the relative sluggishness of its recovery is setting the stage for a repeat, from 2020 to 2030, of just what happened from 2009 to 2019: stagnant, struggling growth, far behind America’s speed.

That’s the foundation. What is the market’s Big Picture today?

The heart of it lies in that red circle in the chart below, courtesy of Brian Wesbury. The red circle surrounds the current Virus death count. Far above it is the current Virus “positive test” count. It’s skyrocketing. Deaths are not . . . so far. They’re inching up, but still only half their peak in March/April.



The “market,” like all of us, has learned a fair amount since March and April. The headlines and quite a few politicians have been focused upon, and acting upon, the skyrocketing “case” line. But the facts which really matter are down there in that red circle. Nothing the politicians are doing, or the headlines are screaming, will be sustainable unless that red circle starts surging upwards. The market’s gambling crowd, vast as ever, understands that this time around. That doesn’t stop the crowd from making the usual daily or hourly bets on the impressions from the daily headlines . . . but it is stopping that crowd, so far, from becoming a mob making all the same one-way bets (Down!), as in March.

Here is one of those “unprovable” notions. The vaccines are certainly blocking the formation of that one-way mob—but at Outlook we’d bet the mob would be a lot more cautious than in March, even without the vaccines. The market is driven every hour and every day by that big crowd of speculators trying to make money by reacting to the river of news which constantly flows by. Flowing past, in that river, is no end of false news, misleading news, and mistaken impressions: all worth betting on, briefly. But also flowing past, in that river, are cold, hard facts which accurately reflect what’s going on in the real world. The facts drive the market in the long run, not the misleading news or mistaken impressions. They do so because they mostly involve cold, hard cash, which is very hard to ignore. At Outlook we strongly

suspect the Virus facts are not going to sustain the bleak impressions from today's headlines and political behavior. And we suspect that this time, the "market" thinks the same thing.

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