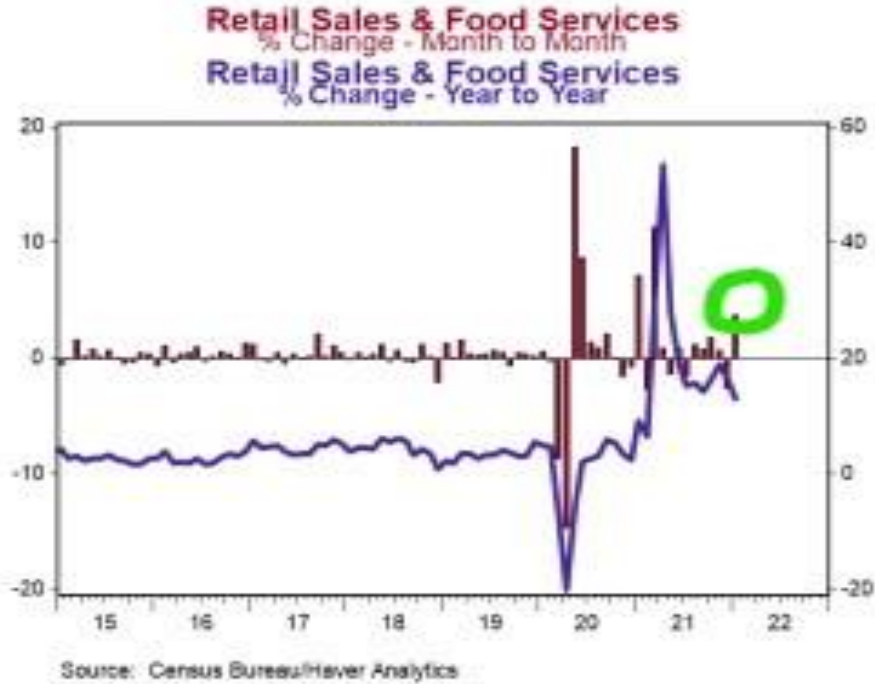
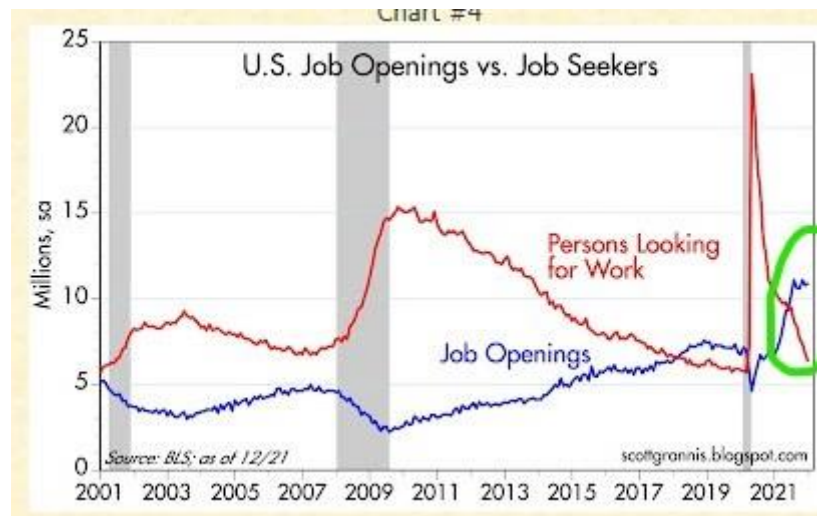
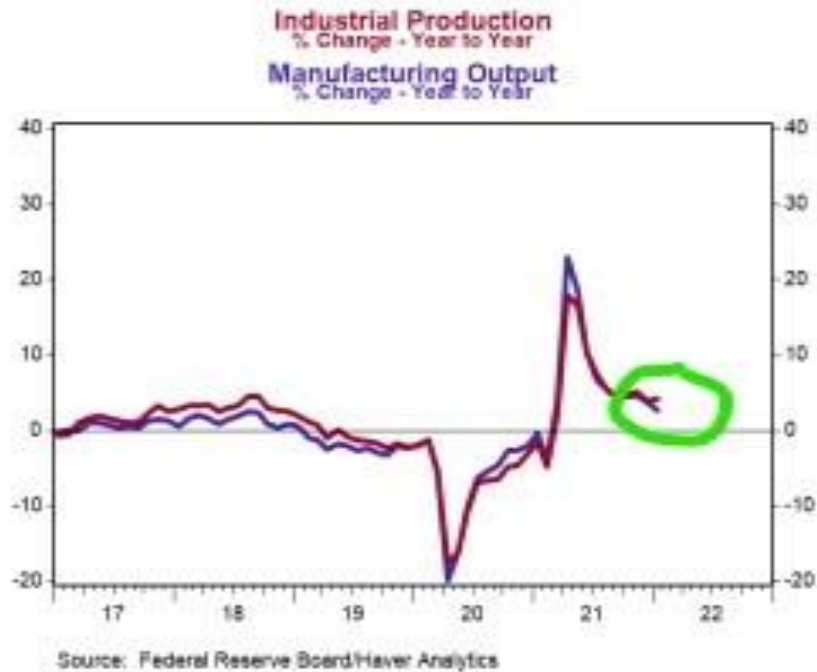


The Outlook: Feb. 16, 2022

Main Street Booms! War Looms?

“If you don’t know what to say . . . don’t say it!” is a Very Good Rule, even if we break it more often than most Very Good Rules. But it’s high time we said something about the “War in Ukraine!” nightmare which has been striding around the world stage for a good while now. First, though, a quick glance at the general condition of Main Street.





Main Street USA is well beyond “marching ahead.” It’s pretty close to “booming.” Those 3 pictures above—factory production, consumer sales and jobs—are some of the latest booming drumbeats of an economy which is simply strong, no matter the constantly flowing river of things to worry about. Main Street World, on the other hand, is *not* booming . . . but it’s trudging along in America’s wake, even so.

The backdrop to this painting is not a bright blue sky, but the darkening gray clouds of inflation. Not quite inflation storm clouds yet, despite the big numbers in that red circle down there . . . but some distant rumbles and maybe even a flash of lighting over the horizon, if we squint out there. There will be trouble coming, sometime . . . but Main Street’s ark looks pretty solid and seaworthy.



The Big Picture, in other words, shows a lot of strength under some darkening clouds . . . as usual. But “War in Ukraine!” is part of the picture too, and it has been kind of hard to figure out if it’s another darkening cloud; a passing shower; or maybe an earthquake. At Outlook we doubt very much that it’s an earthquake capable of knocking down buildings on Main Street. We’re guessing it’ll turn out to be something between a light drizzle and a thunderstorm . . . with only a passing effect on the market.

As always, a helpful way to think about a confusing subject is to ask, “What is the nature of this? What is the simplest explanation for what is going on?”

We must begin with the nature of Mr. Putin, which is very clear: he is a dictator and a thug. His lifetime training was in those directions, and his actions over the decades have made his nature—to grow in power by bullying and intimidation—so clear that further discussion isn’t needed.

The world has known many dictators and thugs, to its sorrow. Most make catastrophes on a “local” scale, for their own countries and neighbors. Now and then one makes a global catastrophe. All, local or global, eventually make big mistakes in judgment—“giant” mistakes, often enough. Their power eventually clouds their thinking. That’s the \$64,000 Question today: “Has Mr. Putin made his eventual Big Blunder, or is he so clever he’ll come out ahead with “War in Ukraine!” even though it’s hard to see how?”

At Outlook we’re leaning toward “Blunder.” That doesn’t mean Mr. Putin won’t make today’s “Blunder” into tomorrow’s “Big Blunder” by actually launching his army into the Ukraine. If he does not, he will look silly no matter how many appeasing head-of-state visits he’s received from Europe’s leaders. But if he does launch the army, what next? Months of fighting? Civilian bombing? Permanent occupation? Decades ago, the almost primitive “soldiers” of Afghanistan gave the Russian Army a migraine headache

which lasted for years . . . until that Army gave up. Ukraine is not Afghanistan . . . but it would *not* be wise to bet its people will roll over.

Nor would it be wise for Mr. Putin to count on perpetual weakness from the world's democracies, or even Europe's. It's certain that his "Appease me or I'll crush you" position to date was driven by his judgment that he faced nothing but weakness; that Europe's democracies, in particular, would simply never stand against him with military force. He is surely right about that, this time—but he might not be right about it, next time. Most people stumble backwards the first time someone steps on their toes. The second time: not so many. Europe (and the U.S.) have made a collection of trivial actions in response to Mr. Putin, this time . . . but even so, Outlook's guess is that as a whole, that collection is probably more than Mr. Putin expected. If he actually launches "War in Ukraine!", he has reason to suspect, now, that the West's actions will be more determined and emphatic than he thought possible a few months ago, when he cooked up this project.

It all adds up to a passing drizzle or a passing storm—not a passing earthquake. Even if "earthquake" turns out to be on the way, it would take quite an earthquake to shake down Main Street's buildings in the year 2022. They are very strong indeed, as this Quarterly Earnings Season and those pictures above keep showing us.

© Dave Raub
Outlook Capital Management, LLC
125 S. Wilke Road, Suite 200E
Arlington Heights, IL 60005
847-797-0600

The remarks above aren't a general recommendation to buy or sell particular securities. Such decisions should only be made in the context of an investor's own circumstances. Stocks and bonds carry the risk of loss.