

## The Outlook: March 23, 2020

### *When “nearly certain” becomes “absolutely certain.”*

Every once in a while, at Outlook, we use the phrase “nearly certain.” We don’t use it very often. After 43 years in the investment world, we’ve learned to be very careful about saying or implying that anything is 100% sure to happen—so when we say “nearly certain” it’s pretty close to “You can bet the farm on it, and we think you’ll end up OK.”

This week’s Big Question is, “When will our values come back?” The only wise way to answer that question is with answers resting on our personal judgment about probabilities. We’ll start, in the next couple of days, with “Possible” and move on to “Pretty Likely” and finally “Nearly Certain.” But before we get to that, we have something even more important to say about this “Virus Shutdown Crisis” and the market’s shocking plunge. It means taking a step back from our intense scrutiny of the details of this crisis, and reminding ourselves that this crisis—like every single genuine crisis in economic and market history—rests on a foundation of panic. “Fear is in charge” doesn’t capture it. “Plain terror is in charge” these days, when it comes to the market’s behavior and the mood the media and many others think “fits” the whole shocking situation, today.

After those 43 years in the investment world we understand fear, panic and “plain terror” so well that we can make statements about them not with “near certainty” . . . but with “absolute certainty.” And that’s saying something, at Outlook. Here are a few of those things:

- With absolute certainty, when we look back upon this Crisis only a year from now, we will know that a shocking number of the “facts” and “statistics” being offered to us today—by the media *and* by very eminent authorities—were exaggerated or distorted beyond belief. A good many will be shown to be simply false. We will wonder at how such things could have been analyzed and reported by competent-seeming people, because the flaws in evidence and logic will seem as plain as day . . . a year from now. And we will see that the “direction of the errors” overwhelmingly leaned one way: favoring the most terrible and frightening judgments about the situation.

Why are we “absolutely certain” about this?

First, because we’ve seen it turn out that way every time, during and after every serious crisis and panic. There have been no exceptions.

Second, because after a while we came to understand things always turned out that way because of human nature. When all of us together are in the middle of a truly frightening problem, we find it really hard to actually stay calm and think clearly, carefully . . . and slowly, about the problem. We all find it very easy to do our thinking through the filter of alarm which lies over us like a fog, until the crisis finally seems to have passed. And those statements apply as surely to the world’s eminent experts and distinguished authorities as they do the common journalist, and to us humble investors. Like investors, the world’s eminent authorities find it very hard to “go against the crowd” of their peers, and everyone else in the world, when the world’s mood is “the sky is really falling.”

- With absolute certainty, when we look back a year from now, we'll know the "market" was completely clueless about where stock prices "ought" to be, considering the situation. It will be plain as day, again, that all the market "knew" was direction: down or up. A bad impression from the daily news meant "down, in spades" regardless of the starting point, and certainly regardless of whether the valuations represented by that starting point made any sense for the long-term future, or not. A good impression from the daily news meant "up, somewhat" until enough of the fog of fear had passed so that it could be "up, like a rocket."
- This last point is kind of trivial, and also sad. With absolute certainty, almost nobody will pay much attention to those two "certainties" above: the grossly distorted "facts," and the meaningless valuations. Those who ignore history are doomed to repeat it, goes the old saying. It's a true saying because we're almost all too busy to look back, dig deep, and try to understand—even only a year later.

There will be a turning point in this Bear Market: the "Virus Shutdown Bear Market." We'll talk about that in the next day or two. For today, though, it's perhaps enough to remind ourselves that many of the "facts" which seem so terrible today will be changed after the passage of time and the application of thorough and calm analysis by someone. Many won't just be "changed"; they'll be turned almost upside down. It happens that way—every single time.

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