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"Don't Fight the Fed!" halfway around the world, as usual.

Winston Churchill—or maybe Mark Twain, or both of them—once said, "A lie is halfway around the world before the truth gets its shoes on." To that piece of wisdom we would add, "And once "everyone" seems to believe a lie—or anything which isn't true—heaven and earth must be moved before they'll stop believing it." That second part came to mind today, as the European Central Bank made its "giant" interest-rate hike (yes, all the way from zero to 0.75%), and as the market's vast betting crowd holds on with a grip of steel to its everlasting belief that the First Rule of Survival for every investor is: "Don't Fight the Fed."

"Don't Fight the Fed" means "When interest rates are rising, sell everything and go home for the duration . . . because stocks can't go up." Since we're certainly in an "interest rates are rising" phase for the foreseeable future, that Survival Rule One both seems to explain 2023's miserable market, and tell us we'd better stock up on canned goods and head for the hills or we're in for even worse damage. So a headline this afternoon—"Trader Predicts Ugly Times Ahead as the Fed Shrinks Its Balance Sheet"—looked like the icing on the cake for Survival Rule One.

At Outlook we've tipped our hats to the staff at Fisher Investments, which writes a daily piece called "Market Minder." Its theme, just about every day, is: "Oh yeah? Watch us debunk that!" The "that" is always something "everyone" seems to believe—but which just isn't true. The Fisher people overdo their "Debunk that!" creed once in a great while, but mostly they are worth their weight in gold.

Today Fisher tackled "Don't Fight the Fed", using its usual method of just digging up facts, and they showed as usual that we should have less confidence in Survival Rule One than we have in the weather forecast. It won't matter to the betting crowd, of course. That eminent trader who gave us "Ugly Times Ahead!" has believed his whole career in the notion that the Fed causes everything good or bad that happens in the market and the economy. "For two years of easing, the Fed has added so much liquidity to the financial system that it helped fuel the significant gains in the stock, bond and housing markets, and other investment assets."

At Outlook we've run into this "everyone's belief" for 45 years. At first it seemed plausible, mainly because so many "clever people" believed it. But after 45 years we know it's complete nonsense. How? Here's the simplest set of facts. 45 years ago the Dow was around 4,000, more or less. Today it's around 32,000. If we add dividends, its total return is well over 1000%. During that 45 years the Federal Reserve has done everything under the sun: gentle tightening, gentle easing, slammed-brakes tightening, gas-on-the-fire easing. Neither the market nor the economy—Main Street, that is—have done anything remotely close to "dancing to the Fed's tune" over that time period. They've both mainly gone up: the economy because Main Street pays much more attention to its customers than to the Fed; and the market because Main Street does that.

That won't change the "Ugly Times" trader's mind; and it won't change "everyone else's" notion that the Fed sees all, tells all and controls all. Heaven and earth would have to move, to change all those minds. But at Outlook we know the one thing on Earth which comes closest to "moving Heaven and Earth" is . . . Main Street, where determination, ingenuity and total responsibility for results perform near-miracles all the time. So we're paying no attention to "Don't Fight the Fed;" and holding and buying more shares, as usual.

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