

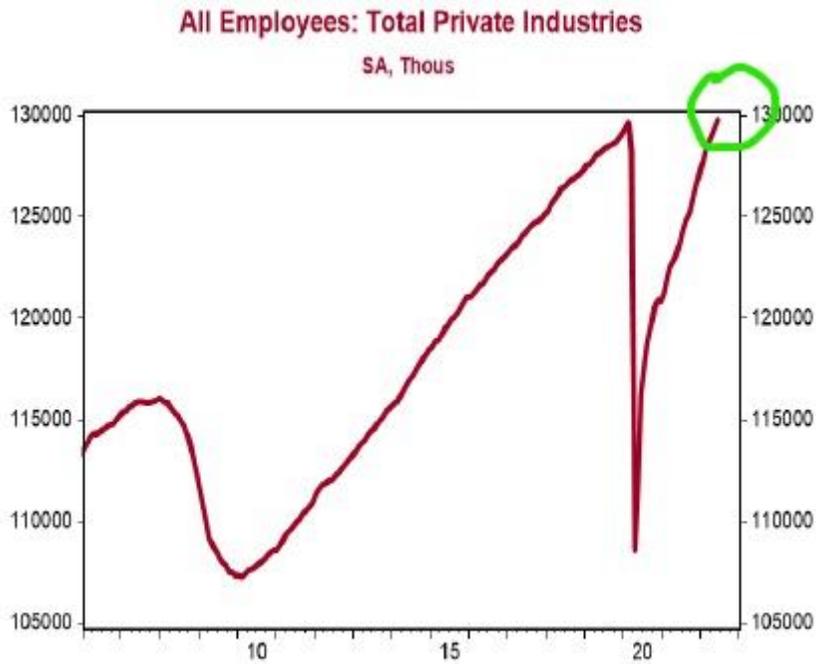
The Outlook: July 8, 2022

Strange Recession Indeed.

Every once in a while a headline gets to the truth of a story, rather than distorting it for the sake of the shock effect. Here was a headline in today's Wall Street Journal (a minor one, but even so) which deserves a tip of our hats:

"If the U.S. Is in a Recession, It's a Very Strange One"

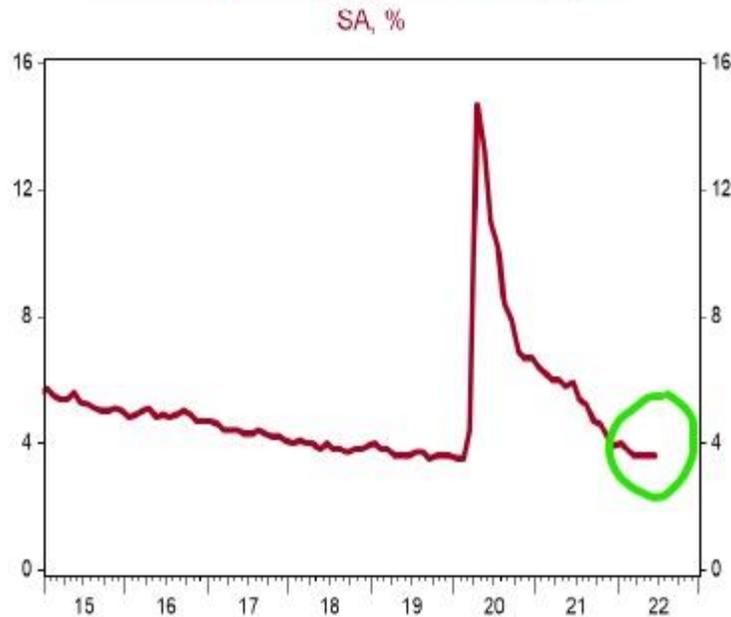
The Journal went on to notice that just about the only thing which is acting like the Recession Sky is falling is the stock market. The facts on Main Street itself are mostly refusing to dance to this market tune. The most recent such fact was today's employment report. Yes . . . through the end of June, Main Street kept hiring workers: not just a few, but hundreds of thousands of them.



Source: Bureau of Labor Statistics/Haver Analytics

The result was this: an unemployment rate which is still bumping along at its all-time lows. As the Journal story observed, that kind of behavior on Main Street is pretty strange, if we're really in a recession.

Civilian Unemployment Rate: 16 yr +



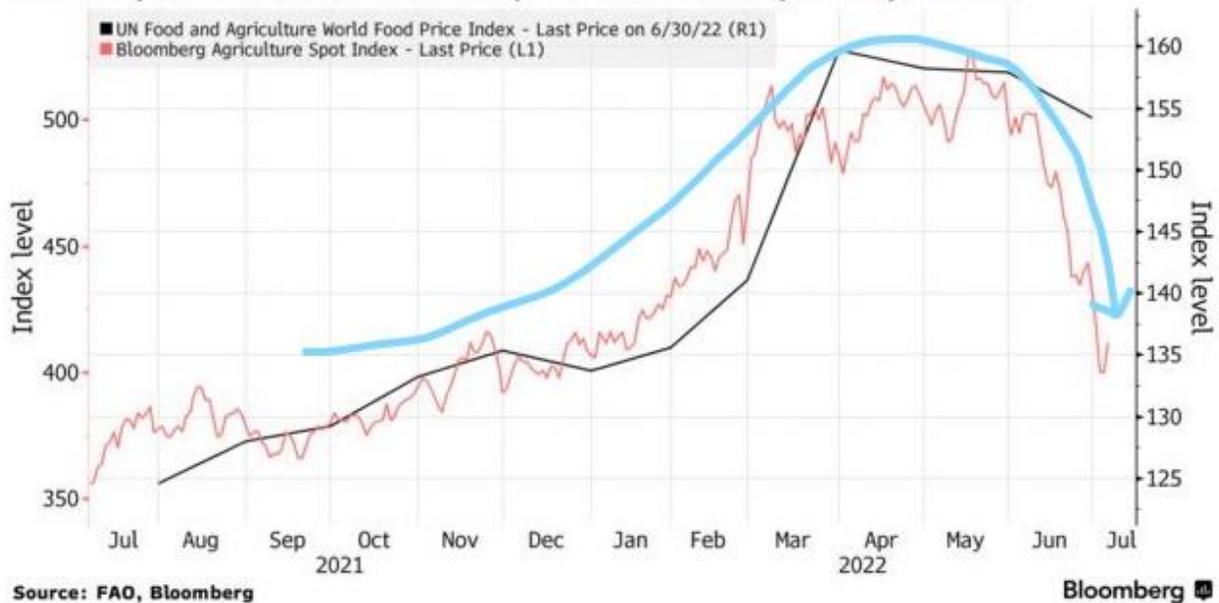
Source: Bureau of Labor Statistics/Haver Analytics

The answer is that it's not strange at all. Main Street is acting like this because it does not feel the least bit crushed by recession, at this moment. The only thing that's strange, as always, is the market itself, which as the old saying goes "has predicted 20 out of the last 3 recessions." And of course we all know that for the market's betting crowd such behavior is normal: business as usual, reacting for a day, week or month to the impressions created by the headlines—especially the blackest headlines.

One of those impressions has been: "Inflation Rocketing to the Moon! Buy Gold and Canned Goods and Shelter in Place!" At Outlook we've said, five or six times, that inflation is here and it will be a problem . . . but it won't be the hideous problem suggested by recent high inflation numbers. Part of what's been driving those numbers is permanent; but part is temporary, from Supply Chain Chaos, and that part will ease off. Let's glance at a chart:

Food Index Trails Crops

UN food-price index fell 2% in June, versus a 13% drop in crop futures



That swooping blue arrow captures some of the impression behind the “Inflation Rocket!” headlines, showing the jaw-dropping acceleration in food prices from mid-2021 or so. But then we see something “strange:” the crop-and-food-price arrows have plunged toward earth, just lately. At Outlook we can’t quite recall any headlines suggesting that possibility, over the past 6 months; nor any prominent experts. But it does kind of look as if “Supply Line Chaos” might have temporarily exaggerated those price hikes, doesn’t it? And it does kind of look like this sharply-reversing trend will eventually defuse those “Inflation Rocket!” statistics and headlines in the next several months, doesn’t it?

A “Strange Recession” indeed; and a “Strange Hyper-Inflation” indeed. Those “strange” facts didn’t stop the market’s betting crowd from running in circles, screaming and shouting that the sky is falling. Facts don’t do that . . . at first. Then they do. Meanwhile the betting crowd has been handing out dollars at 50 cents. Outlook has been taking them.

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