

The Outlook: Feb. 23, 2022

From the war: impressions. From inflation and interest rates: certainties.

The market's betting mob will be glued to the map of Ukraine for a while, wondering what comes next. They haven't the faintest, of course, despite the hundreds of recent points in the "Down" direction. Those hundreds of points simply mean that in the early days of every war in market history—from the dozens of "minors" to the handful of "majors"—the crowd's bet is always down, because every member of that crowd figures the rest of the crowd can't possibly bet in the "Up" direction when first impressions rule the headlines.

The market's speculating crowd, we'll remember, is in the business of guessing what the rest of the crowd is feeling, today, in response to whatever the headlines are. A hard way to make a living.

Let's leave them to it, and focus on two items that are very clear—no need for "impressions."

- Quarterly Earnings Season (reality season, to Outlook) shows Main Street making a lot of money and adding the usual layer of cement to its financial foundation—as Theresa's Inside reports are showing. Microsoft rubs elbows with the Celebrity Tech crowd, which always makes us careful: but its 4th Quarter and full year results were a home run, period; with no end in sight.
- Inflation is a genuine "Problem," though far from crippling yet. Interest rates will rise, period; and they'll rise more and faster than the Fed's Chairman Powell admitted as a remote possibility, a year ago. Here's a picture.



That circled red inflation line at the far right is looking over its shoulder at interest rates, sort of, and saying "What are you doing down there?" And the blue interest-rate line is calling back, "You're too far out in front! Slow down, let us catch up."

Both will happen, in Outlook's opinion. That picture gives us 60 years of history. We can see that inflation is not a steady, calm sort of thing. It's a flighty, erratic thing: bobbing and weaving on its way to wherever it's going. Those recent "7%!" headlines will give way to at least a few 3% to 6% numbers. But there won't be any more 1% figures . . . not enough to make a crowd anyway. The blue interest-rate line will be catching up.

That won't dent Main Street for a good while. Neither will "War in Ukraine!" after the first impressions wear off. As always, we'll stay invested and stay worried at the same time. That's the best possible attitude for good investors.

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