

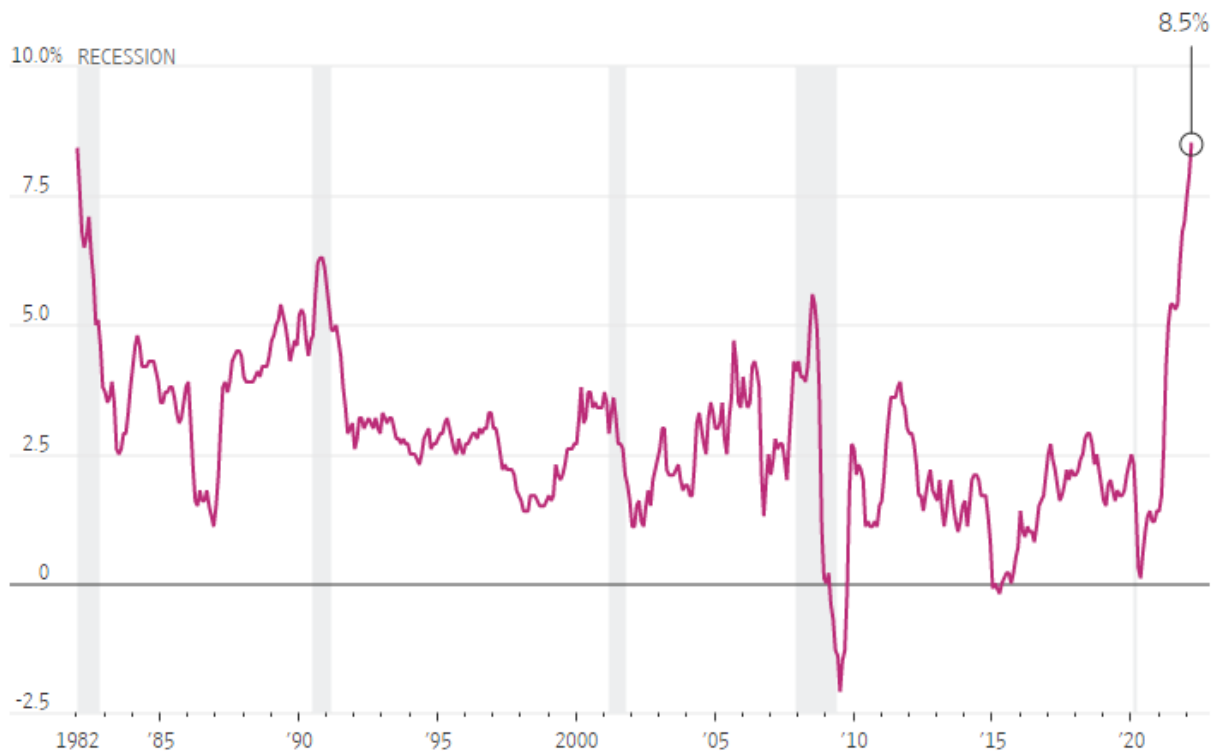
The Outlook: April 13, 2022

Lots of worries . . . but seas of green.

“We have a lot to worry about,” we’ve mentioned a few times lately. Yet while the market tries again and again to wring its hands and say, “Woe is us,” the remarkable thing about this year of “lots of worries” is that it can’t keep up the despair. Down plunges the market, driven by all manner of worried headlines . . . and up it floats a few days or a couple of weeks later. Today was a perfect example.

When the morning paper thunked on the driveway, there was today’s screaming headline: **“Inflation Hits 40-Year High, Reaching 8.5%!”** It came with a startling chart:

Consumer-price index, change from a year earlier



Source: Labor Department

That’s worth a “Wow!” from all of us, no matter how much we may feel we’ve seen everything after 45 years. Last month gave us the highest CPI reading in 40 years. Surely that would be enough to give the market a few days of anxious hand-wringing. But nope. Instead we got one of those “Seas of Green” which make it impossible to feel bad at the end of the day, no matter how loud the headlines at breakfast.

Symbol ▲	Name	Price	Change	% Chg	As of
CAT	Caterpillar Inc	218.25	+1.55	+0.72%	04/13 1
CME	CME Group Inc	239.45	+3.42	+1.45%	04/13 1
CMI	Cummins Inc	194.61	+2.03	+1.05%	04/13 1
COP	ConocoPhillips	100.24	+0.24	+0.24%	04/13 1
FCX	Freeport-McMoRan Inc	49.43	+1.43	+2.98%	04/13 1
LMT	Lockheed Martin Corp	469.09	+1.54	+0.33%	04/13 1
MSFT	Microsoft Corp	287.62	+5.56	+1.97%	04/13 1
MU	Micron Technology Inc	72.38	+0.42	+0.58%	04/13 1
TXN	Texas Instruments Inc	175.14	+2.14	+1.24%	04/13 1
XOM	Exxon Mobil Corp	86.86	+1.25	+1.47%	04/13 1

Why?

Of course, every single market day the media asks that question, and gives some eminent investor the chance to be “Celebrity for a Day” by giving us a clever answer. One day later, we haven’t the foggiest memory of what that answer was, of course; or who gave the answer, which makes sense given the nature of “Celebrities” in general.

Here’s Outlook’s answer: “We haven’t a clue . . . sorry!”

It took something less than 45 years for us to figure out that the “daily market diagnosis” business was more humorous than serious—and that any “eminent investor” who took himself so seriously as to believe his own diagnosis needed to be told “Lighten up, Francis.” But nevertheless, each day’s market behavior adds its dab of paint to the Big Picture, one way or another. Enough dabs of black might eventually change a blue sky to something darker. Enough dabs of green might eventually change a dark sky to something brighter. Today’s dab of green doesn’t threaten an eventual change of color, however. It’s the same basic picture: business and household worlds filled with financial strength, both moving ahead with a certain determination regardless of “a lot of worries,” including inflation.

That 7.5% inflation number at the far left of the chart, from 1982, needs some perspective. Back then it was in the act of falling hard, from levels a lot higher in 1980 – 1982. If the market thought today’s 8.5% number was the mirror image of 1982’s—a step on the way steeply upward—we suspect, at Outlook, that we mightn’t have seen today’s Sea of Green. The market doesn’t “think” that, however; and neither do we. Inflation is a serious problem already . . . but not a 1980 – 1982 problem, yet. The perfect storm of cost-hiking events which made that 8.5% number, and the others we’ve seen this year, will ease off. We will not be seeing the near-zero numbers we got used to, the last 10 years. But neither will we be seeing the inflation rocket of the early Eighties. The business and household worlds (Main Street) will have time to adapt and move forward, as usual. We’ll see a clear picture of that adaptation in Quarterly Earnings Season, already due to arrive in the next couple of weeks. At Outlook we suspect there will be more Seas of Green than Red, in the months ahead.

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