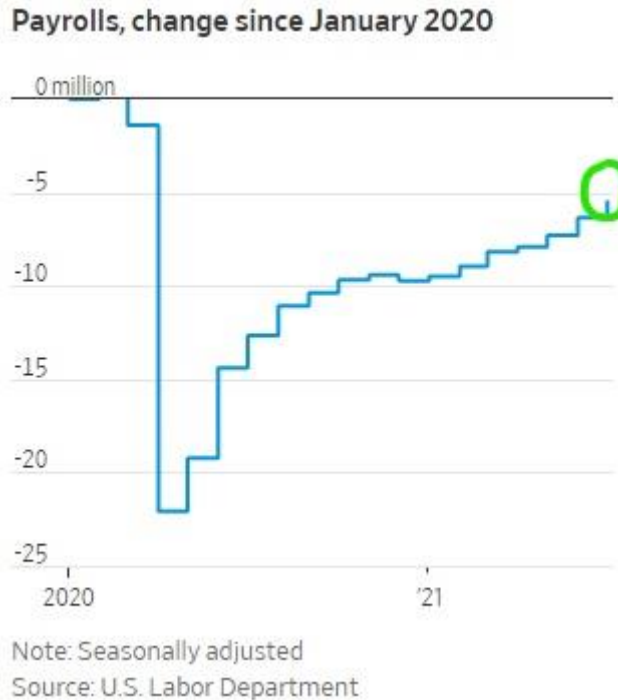


The Outlook: Aug. 7, 2021

“We’ve got work to do. Get lost.”

As we’ve mentioned once or twice, the need to frighten people around the clock drives most media decisions about what to print and, especially, what to headline. But Good News must have its day too, now and then. “Best Job Gain in a Year!” was the headline this morning. Nonfarm payrolls rose by 943,000 jobs in July—and the unemployment rate fell all the way to 5.4% from 5.9%. Here’s how America’s jobs have looked since this Catastrophe began:



That screaming cliff-dive toward oblivion last March is history’s worst. Nothing like it ever happened before, even during the Depression. Only an act of government—Lockdown!—could create such a thing. But of all the charts and graphs we’ve seen, this one captures the essence of Main Street’s clawing, step by step climb back from that abyss. It is amazing that the climb began so fast; and it’s amazing that it has continued with such steady determination, despite all the problems created in a “locked down” economy and all the “World is Ending . . . Again!” headlines coming out of the media for 17 solid months.

How do businesses think about hiring people when they’ve been through a screaming cliff-dive toward oblivion? The answer is a matter of common sense, not economic insight. When people have gone through a life-or-death crisis, they act very carefully when they make any decision about the future. That’s human nature and common sense, not economic theory. The thing America’s businesses have not been doing, as they hired more people month after month, has been swinging for the fences: spending money on new hires because there might be a pot of gold under the rainbow if they can find it, and get there first.

No. They've been hiring people because they absolutely had to hire them; because their customers have been pounding on their doors, and lining up around the block for their products—not next year but right now.

The article in which that picture appeared ended with a quote which told the whole story, from the boss at a Milwaukee construction contractor: “We’ve hired 200 people in the last year—doubling our payroll—including 8 plumbers just last week. I’d hire more, if I could find them. Business is booming—but I can’t find the workers I need to meet the demand.”

That’s a good remark for us investors to remember, next time we face another “World is Ending . . . Again!” headline. (That should be around Monday morning, since today used up the month’s quota of “Good News!”) In that “World Is Ending Again!” category, we’ve seen no end of entries along the lines of “Market in Danger! Speculative Bubble, Say Experts!” But we saw that headline month in and month out, for the 11 solid years of recovery from the 2008 – 2009 Financial Calamity. The passage of time showed that those headlines belonged in the “Frighten People Around the Clock” category, not in the “Report the Facts” category. The “Facts” turned out to be exactly the same, those 11 years, as the Facts behind this clawing, step-by-step climb in jobs since last year’s Lockdown Low: Main Street’s cautious but determined attitude. For 11 years Main Street glanced at the sky-is-falling headlines, and to the media figuratively said, “We’ve got work to do. Get lost.” That’s the kind of attitude—the very opposite of “Speculative Bubble!”—which creates long, strong economic expansions—and outstanding returns to investors.

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