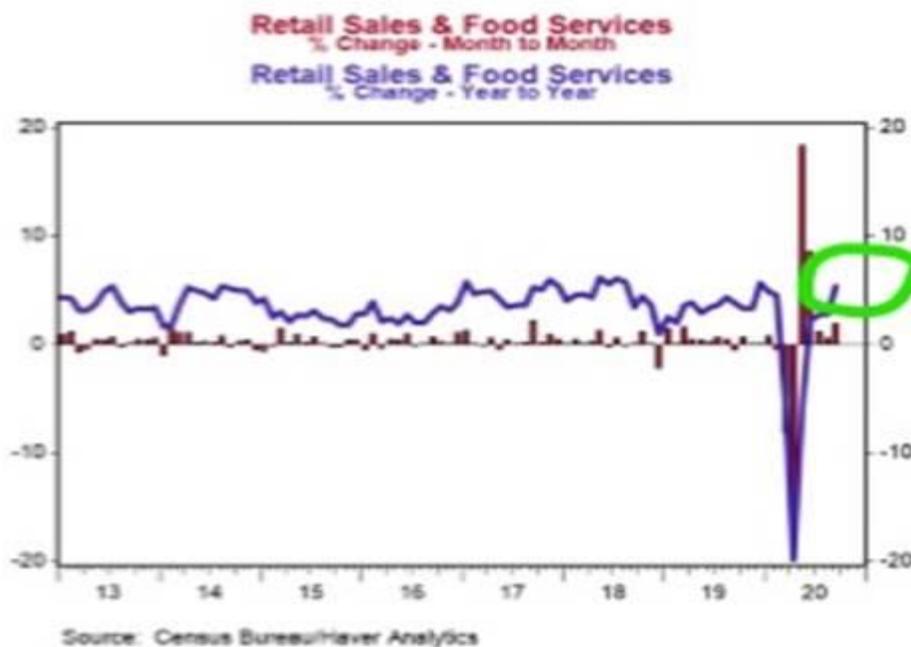


The Outlook: Oct. 16, 2020

The Virus and Main Street: sprinters and marathoners.

“Many of the economic green shoots of May have become the oak trees of October,” we remarked a couple of days ago. Those kinds of “facts from Main Street” have surprised the whole investment world (including Outlook Capital Management) over and over again, since the Lockdown Calamity exploded under the U.S. and world economies. At Outlook we think one of the Lessons from History is that optimism pays off much better than pessimism—but even when we expected Main Street to rebuild pretty strongly, it was hard to imagine the actual speed and strength of this recovery in many sectors of the economy.

The latest example came out this morning: retail sales. That green arrow circles one impressive fact: U.S. retail sales are 5.4% higher than they were one year ago. That’s impressive because we’ve seen a flood of fast-recovering corners on Main Street—but their recoveries have mostly been impressive because of month-to-month gains. When we begin 300 feet below sea level at Badwater Basin in Death Valley, each 100-foot climb is a dramatic gain . . . but we’re still mighty low and mighty hot down there. But today’s level of retail sales in America, at 5% over last year, is just what we’d expect it to be if the Virus and Lockdowns had only been a disaster movie from Hollywood, rather than a mind-boggling real event.



The Big Picture at this moment—for the economy, corporate earnings and the market—is just what it’s been since summer. The Lockdown was an economic catastrophe. Its damage still surrounds us. The speed and strength of all those green shoots and oak trees have given us not just hope, but confidence, that the damage will be repaired. Those repairs will happen, period . . . but how fast they happen certainly depends on political leaders deciding not to return to “Lockdown!” In Europe, many of those politicians are caving in to just that pressure: responding to skyrocketing “cases” of the Virus by dabbling with “Lockdowns, Part 2.” But most of those very people are acting a good deal more cautiously, in their Lockdown dabbles, than they did 6 months ago. When the catastrophic consequences of “Lockdown”

were in the future and therefore kind of hypothetical, and death counts were right in front of them and frightening, a great many political leaders acted like normal human beings and ignored the hypothetical future in favor of “doing something” about the present. But it’s different now, because they have seen first-hand what the Lockdown Catastrophe really meant, economically. So they are acting more carefully . . . most of them, anyway.

A couple of weeks ago we looked at Sweden’s first-skyrocketing-then-disappearing path of virus cases and deaths, and drew a conclusion: all over the world, this Virus will follow Sweden’s pattern, but over a longer time period with more of a roller-coaster ride. The Virus and Lockdowns have been a truly awful event in modern economic history . . . but they will not have endurance. That’s what Main Street has. The Virus is a sprinter: startling speed, then out of gas. Main Street is a marathoner: it never stops running, and rebuilding.

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