The Outlook: Dec. 16, 2022

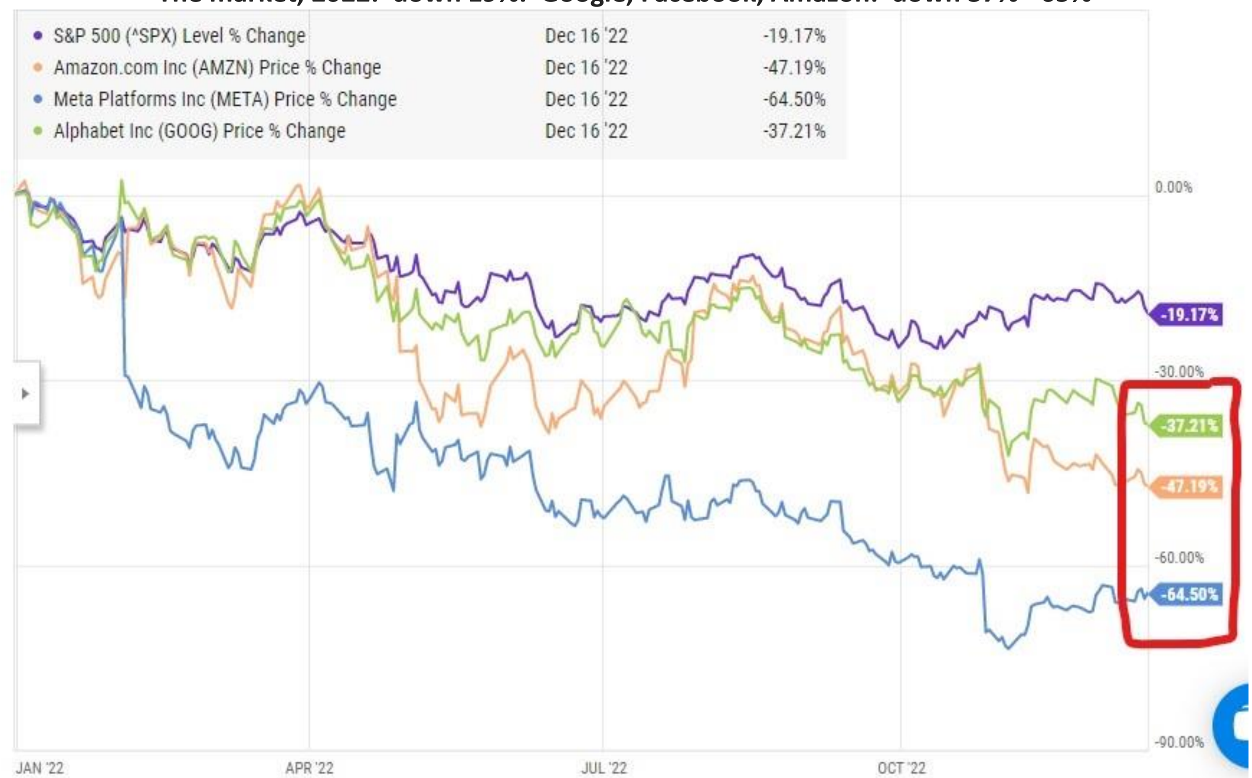
2022: the market danced to Main Street's tune . . . not the headlines'.

"Market Dreads the Fed! The Rout Deepens! Recession Fear!"

Headline writers have a job to do. While that job has nothing much to do with facts, perspective and real understanding, nevertheless we all admire "great" headlines . . . remembering that "great," in the media business, means how many million eyeballs are riveted to the big black ink, even for a few seconds. So our hat's off to today's headline, up there, which hit a grand slam homer with words like "Dreads!", "Rout!", "Deepens!" and "Fear!" They riveted our eyeballs, anyway.

Let's wrench them away from that headline, if we can, and glance at a couple of pictures.

The market, 2022: down 19%. Google, Facebook, Amazon: down 37% - 65%

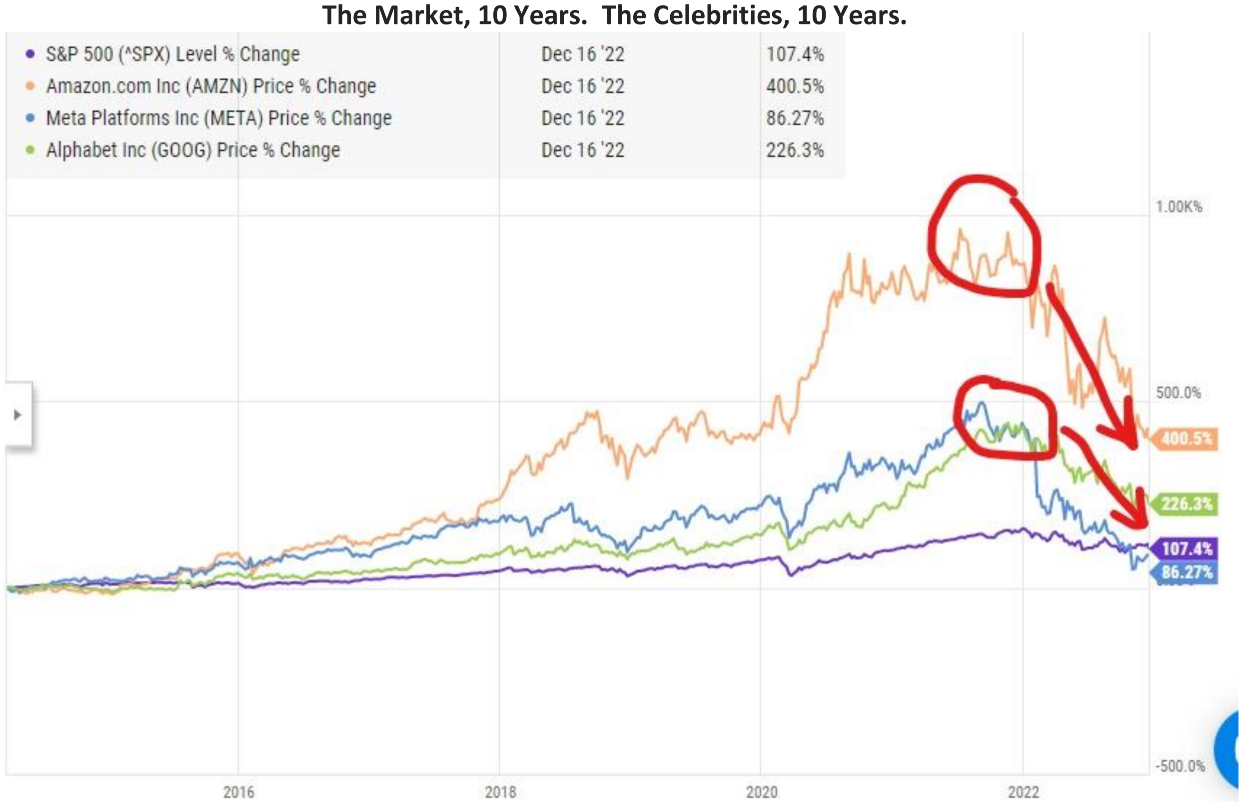


Here's the question. The headline writers have spent this entire year urging us to agonize about whether "Recession!" is here yet, and how bad it will be whenever the Fed's rate hikes "inevitably" bring it on. The market's vast betting crowd has gladly wallowed in 12 months of such headlines. Fear never goes out of style, for daily market gamblers. The only thing stopping the headlines and the bettors from teaming up to give us another 1929 Crash has been Main Street, which has refused to play ball with the headliners and bettors. It has stubbornly cranked out real facts about business and economic performance, month after month, which instead of "Crash!" have spelled out "Strength" and "Keep Trudging Ahead" as the picture of what's going on in real life.

But the picture above tells us a little more. There's the market: down 19%, which hurts. (Though Outlook's clients are wriggling around in the minus-2% to plus-2% range: a startling difference, which doesn't get that big very often.) But there's a sample of the Celebrity Techs, thinking about reminding us of that '29 Crash. As we've heard a lot, this past decade or so, the Celebrity Techs became a shockingly big percent of the value of the market. That means this agonized, down-19% year of 2022, for the market, would look a good deal less agonized if we weed out the extreme hammering taken by those Techs.

Here the second picture . . . and perspective.

The Market, 10 Years. The Celebrities, 10 Years.



When this worried 2022 began, that sample of the Celebrities was up 500% to 1000% over the decade, compared to the market's 160%. But for the year 2022, the word "agony" does fit them, doesn't it? They've given back 300 to 600 percentage points of their 500% to 1000% treasures. Now, instead of standing on Mt. Everest, they're standing on . . . a highway overpass?

That's pardonable cruel humor, we hope, from an investor who spent many years refusing to buy assets which were "priced for perfection." "Priced for perfection" always ends badly . . . but it can take so long, sometimes, that we are tempted to think our common sense is wrong, rather than the market's betting crowd.

This year 2022 has needed a stiff upper lip regardless. But these pictures tell us something comforting. Most of the market has danced to Main Street's tune, this year, far more than the headline-writers' tune. We might very well end up in "Recession!" . . . but except for the Celebrity Techs (and the usual small crowd of unrelated "silly stocks") the market been forced to "follow the actual facts on Main Street", as it always must in the end. And recession or not, Main Street <u>will</u> keep trudging ahead.

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