

The Outlook: Oct. 6, 2020

Lockdown Recovery: A Tide Which Can't Be Stopped.

Here's the Big Picture. Two things have dominated everything else in the Year 2020 . . . even though "everything else" has included a lot of crazy things:

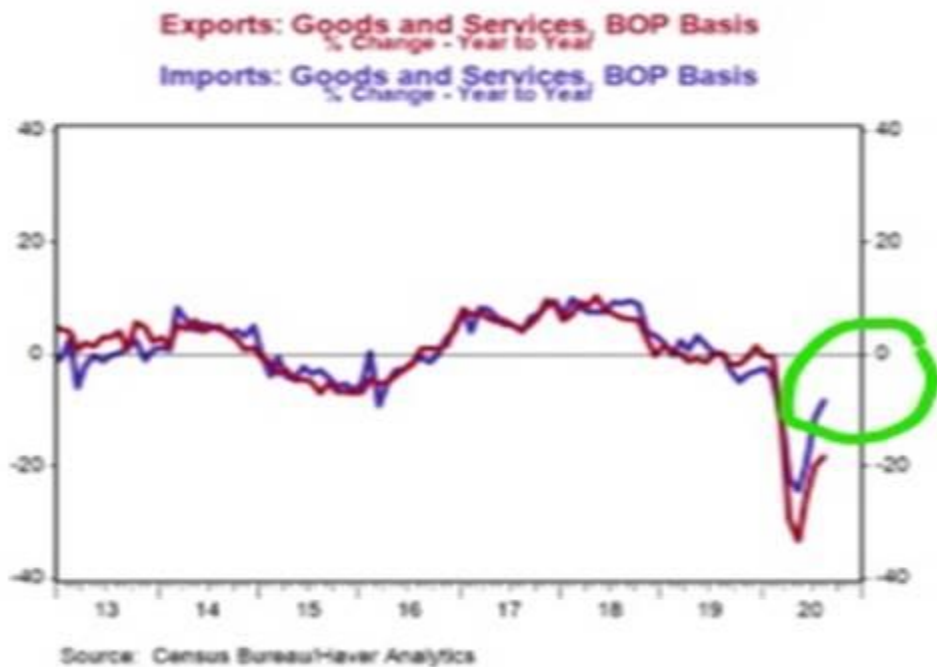
- Lockdown Earthquake!
- Lockdown Recovery?

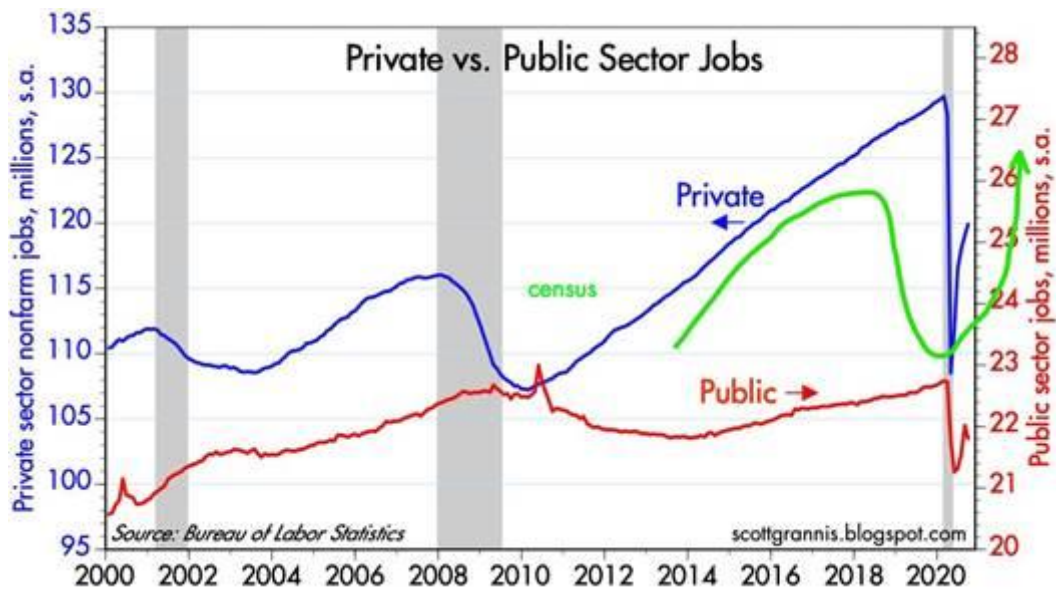
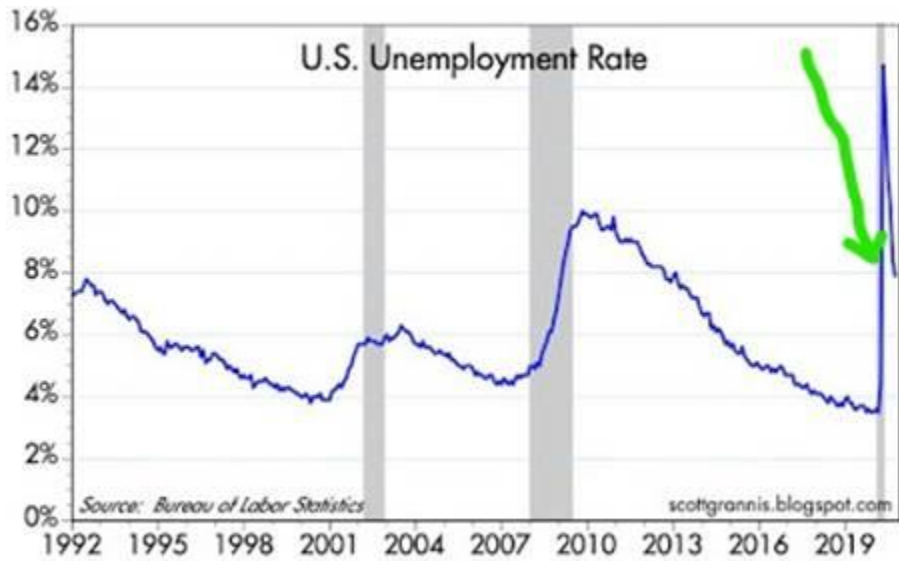
"Lockdown Earthquake!" was the single most economically-catastrophic political action in modern history. We can leave it at that, today—we've looked at its gory details more than enough, this year. But that Earthquake is over. Now we are right in the middle of "Lockdown Recovery?"

That question mark captures the powerful anxiety which cloaks the market and seeps into every corner of the economic world right now. Having never lived through anything like "Lockdown Earthquake!", the investment world is understandably jittery (to say the least) about how "Recovery?" is going to look. It's happily surprised us so far, but will it crash into a brick wall? Will it slow down so much, and will inflation triggered by galactic-scale money-printing, make us remember the terrible "Stagflation" decade of the Seventies?

We're going to have to wait and experience the answers to those Big Questions, rather than predict them with clever analysis—because we've never lived through "Lockdown Earthquake!" before. When we investors can't make tough decisions by clever analysis, we either have nothing at all to fall back upon . . . or we have something pretty profound, depending on our characters and philosophies. For Outlook, that "something", of course, is "faith and confidence" in the power of free markets, competition, invention and accountability to overcome galactic-scale problems, previously-lived-through or not.

Every single passing week and month, since April, has shown us that power at work. Let's glance at a few examples.

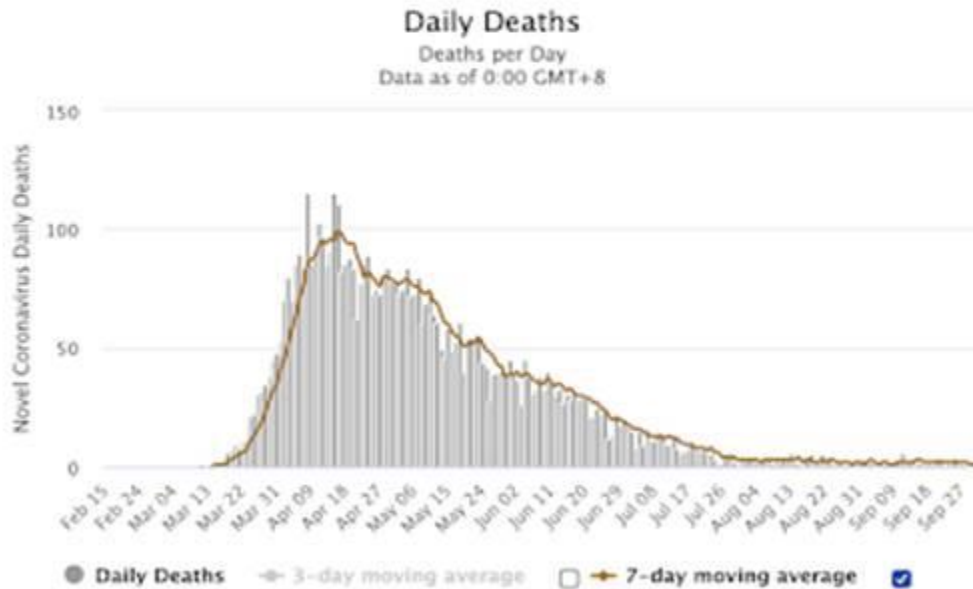




The main reason for all those green arrows—some soaring upwards, some trudging step by step—is that “faith and confidence” item: the power of the growth engines which have always pushed economies and businesses toward recovery and long-term growth.

But another reason is very specific to the calamity of 2020. If there is one chart which expresses it, here it is:

Daily New Deaths in Sweden



At this moment we're living through endless debate and anxiety over the "second waves" of cases around the world. Every nation seems to be having them except for two: China and Sweden. China's chart, if we can believe it, looks like Sweden's: cases at zero, for all intents and purposes. To that cheerful picture, we might add this item from Bloomberg News today:

"With the Covid-19 pandemic largely under control in China, the Golden Week holiday is putting on display the country's confidence in its economic rebound and its public health measures. Through the first four days of the week-long holiday that started Oct. 1, some 425 million people traveled domestically, according to the Ministry of Culture and Tourism, nearly 80% of last year's throngs."

There was plenty of supporting detail in that story—hotel rates and bookings skyrocketing, ride-sharing apps overwhelmed, tickets to the Great Wall sold out, etc. We can only say one thing about such news and statistics, coming from China: "Well, it *might* be true."

But Sweden is another story. Those are facts, up there. Their overwhelming message is this: "The Virus has done its worst, all over the world. Sweden simply let many more citizens get exposed and infected, sooner. "Second waves" or not, everyone will eventually follow the path of virus facts in Sweden."

So the "Virus Tide" is going out, and won't be reversed; and the "Lockdown Recovery Tide" is coming in, and won't be stopped. We'll have all manner of starts and stops, temporary nightmares, and false alarms along the way . . . but those tides are the Big Picture. It's not "Lockdown Recovery?" but "Lockdown Recovery!" and at Outlook we think it will keep surprising us with its strength and persistence.

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