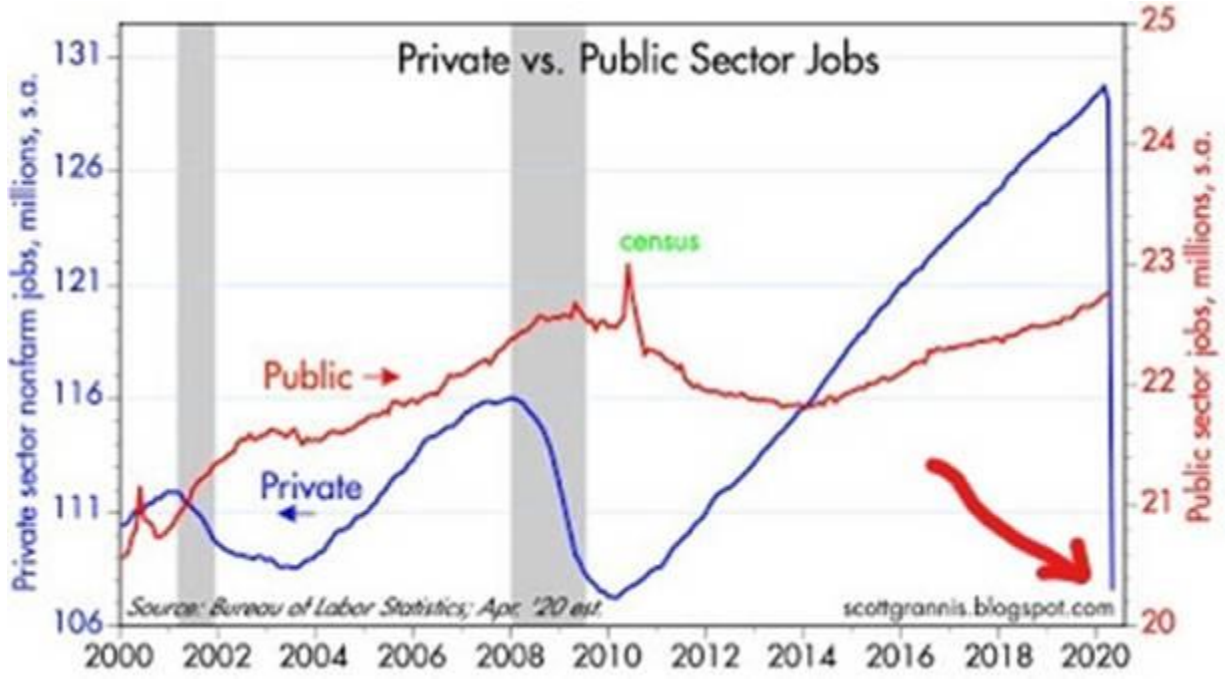
<u>The Outlook: April 18, 2020</u>

The "deep" meaning of 700 points: "It's not the end of the world."

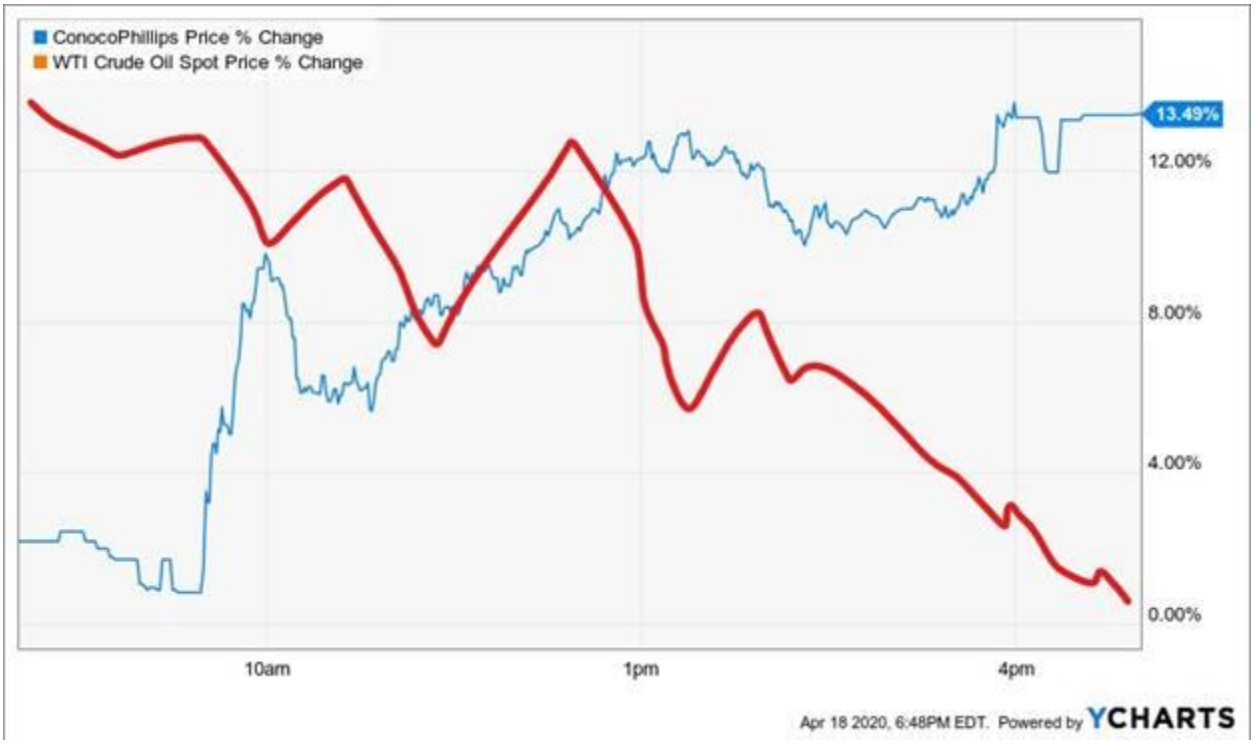
We've had a great many "strange" days in the last couple of months, and Friday was another one. "Economy and Market Send Conflicting Messages!" and "The Stock Market Is Ignoring the Economy!" were typical headlines explaining Friday's 700 points "up" while the economy made history in the "down" direction, as below. We have to look twice or we might think that vertical blue line at the right is just the chart's right-hand scale, rather than a cliff-dive in private-sector jobs which made history, and made the Depression's short-term job-loss charts look like mild softness, by comparison. That's what 22 million jobs lost in a few weeks looks like.



So "Stock Market Ignores Economy!" was an easy headline to write . . . and as wrong as always, in the headline category. For investors who've schooled themselves to disbelieve every headline, though, decoding these was easy. The market's driver, since it's "end of the world" plunge to 18,000 from 30,000, has been simple: <u>it's not the end of the world</u>. The market being what it is, it might very well dive down there again, just to make sure; but it will come to the same conclusion, if it does.

The other "strange" thing about Friday was this:

Blue: Conoco on Friday. Red: Oil on Friday (the general idea, anyway.)



West Texas oil (WTI) fell to $18 per barrel on Friday. The oil market and the stock market know perfectly well that $18 per barrel means nothing except this: "If it got to $18, it can get to $12, or $6 or who knows?" $18 per barrel is another way of saying "Disaster!" or "Catastrophe!" or "We Wish We'd Never Heard of Oil!" to everyone in the oil business, especially investors. And $12 or $6 are ways of saying "What Difference Does It Make? Why Rub It In?"

So why on earth did Conoco pop up 13%, Exxon 10%, Shell 9%? And why did poor Schlumberger, which chose Friday to announce a 75% dividend cut, also choose Friday for a 9% rocket ride of its own . . . "up"?

At Outlook we've remarked a few times, about the market, that it's like a big crowd of people (since that's just what it is) in that it often shows profoundly foolish judgment, but not always; and often shows rather good perception of what lies ahead, but not always.
Friday was one of those clear-sighted times. $18 per barrel, or $12 or $6, means <u>there will be enduring shortages of oil supply this time, eventually</u>, unlike 2016's cliff-diving oil price and its quick recovery. The Conoco's, Exxon's and Shell's of the world will come out on top, as the strongest always do when their industries pass through the fires . . . and those enduring shortages mean remarkably good things for those companies, on the other side.

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