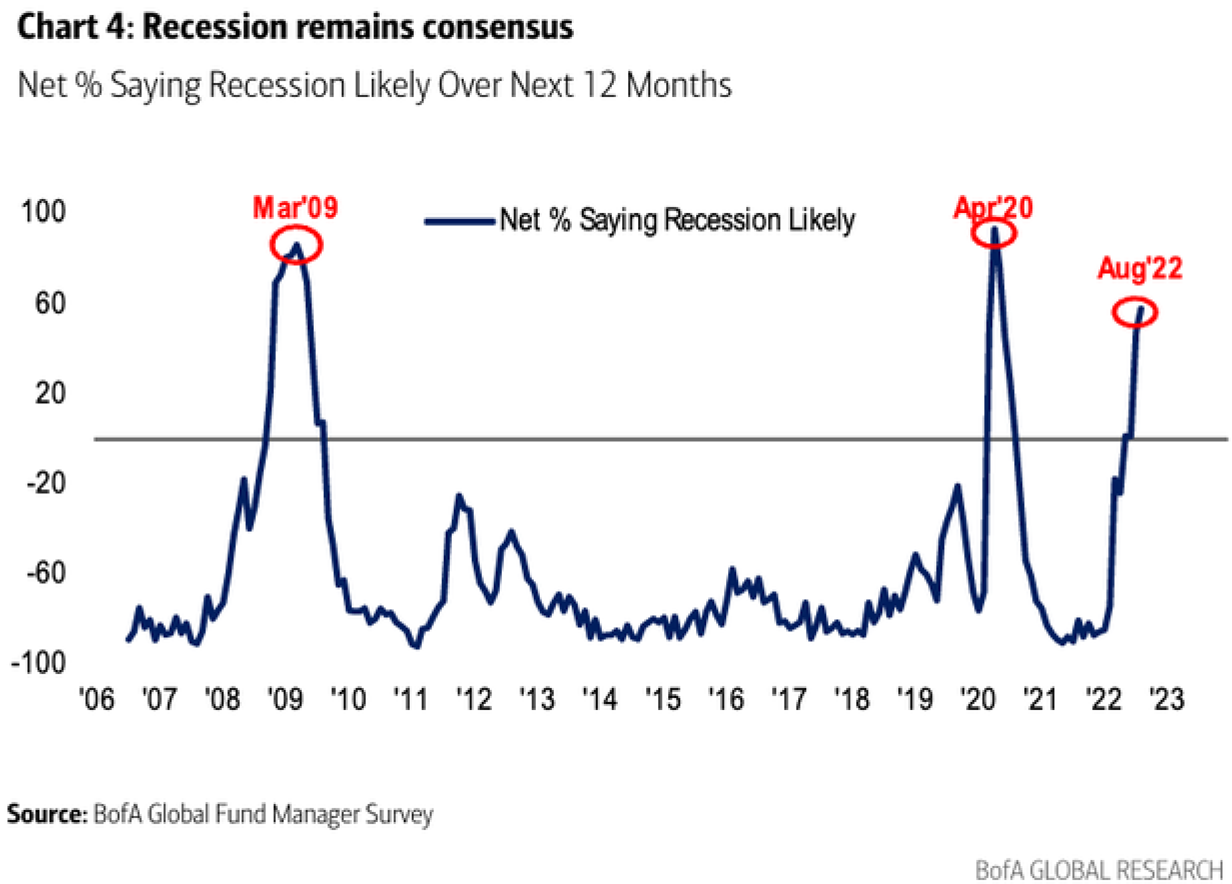
<u>The Outlook: August 20, 2022</u>

Recessions, impressions . . . and hard looks.

Sometimes a picture reaches out and grabs us, looks us right in the eye, and says, "*Look* at me. This is how the investment world works. *Never forget this*, when you're thinking about what you ought to do."



It's a survey of what's in the minds of "global fund managers:" that is, it asks that elite, sophisticated group if they think a recession is likely over the next 12 months. Bank of America has been running this survey for a long time, as we see above. The red-circled spikes, up there, show the very rare moments when that "elite" crowd's opinion was almost unanimous . . . with almost 100% of "global fund managers" saying "Yup, watch out. Recession's around the corner, for sure."

We know what's coming, of course. In the first two red spikes—March 2009 and April 2020—<u>the recessions the clever crowd was warning about were already over</u> . . . or just about. What was coming "in the next 12 months" was strong economic growth, not more decay. The elite crowd was just about unanimous, which is something rare . . . and it was just about 100% wrong.

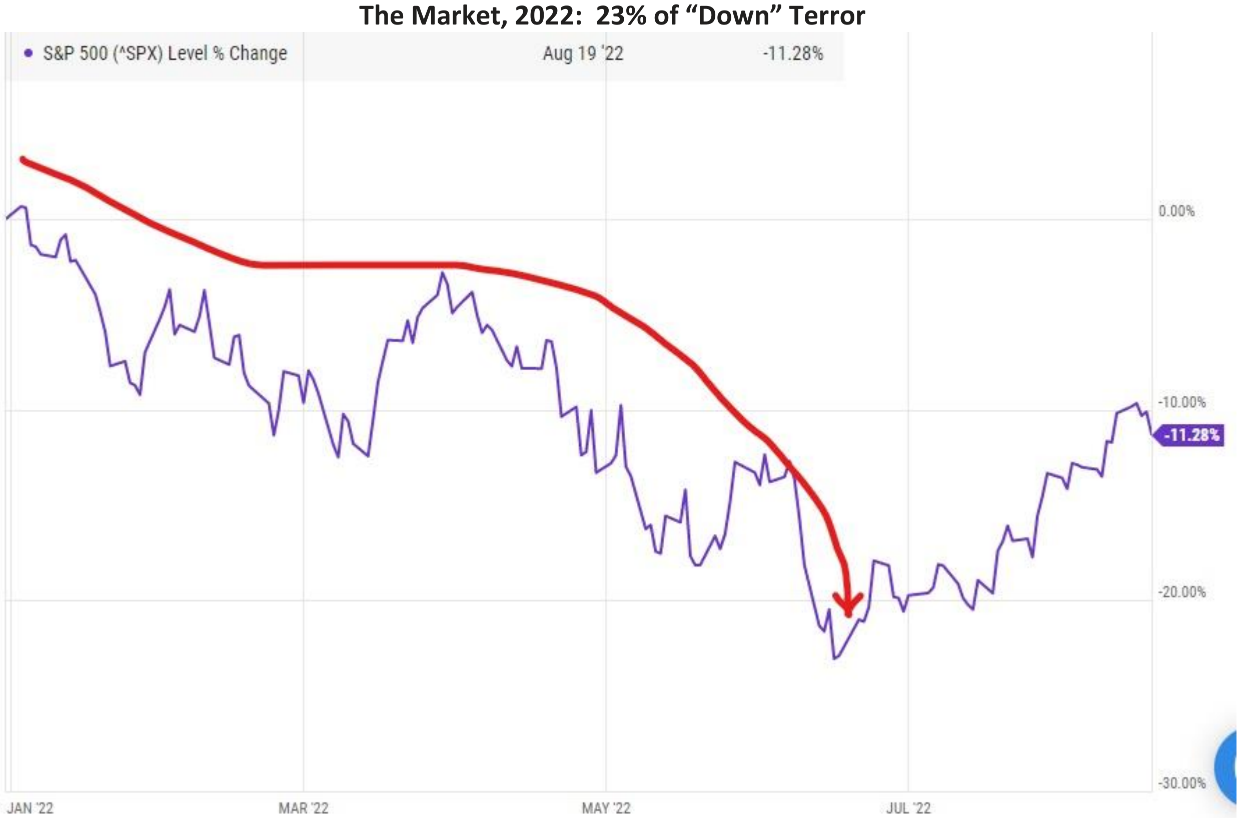
Why?

Because "global fund managers" are human beings first, and "clever, sophisticated investors" second . . . a distant second, unfortunately. Let us not sneer at them, or even chuckle—or we may miss the profound lesson. That lesson is that we human beings find it *very, very* hard to believe that big changes will happen, and will come very soon. We find it hard to believe even though history grabs us by the collar, shakes us, and shouts "But can't you see, for heaven's sake? Can't you see that big changes happen all the time . . . most especially in the investment and economic worlds?"

The events and forces which *seem* to be dominating things today always give us the <u>impression</u> they are unshakable and long-lasting. (Outlook clients and friends know what we think of that word, "impression," so no need to wallow in it this time.) The truth is very often that they're not unshakable or long-lasting . . . but the only path to that truth is hard, clear thinking backed up by digging for the whole picture of the moment, all the while ignoring our deep-rooted inclination to swallow the strongest impressions of the moment. Those global fund managers aren't the least bit dumb, but they're as human as the rest of us, and that quite often clouds their thinking.

The last red spike, up there, is right now: August 2022. Unlike the 2009 and 2020 spikes, it hasn't approached 100% unanimity yet, but at 60% we can see it's already one of the rare moments of gathering consensus. And what might be the "impression" which has delivered this rare moment of consensus opinion? It's the red arrow below.

The Market, 2022: 23% of "Down" Terror



Fear is pretty close to the strongest thing we human beings feel, and for "global fund managers" a 23% plunge feels pretty fearful. The market's betting crowd has spent a lot of 2022 trying to persuade itself that "Recession!" is upon us. But that "whole picture" and those "facts to dig up" have <u>not</u> shown that. They have shown "trouble" but they have not shown economic decay, stagnation or collapse . . . or anything close to those things, despite all the "troubles" hanging around. But we humans are very inclined to doubt ourselves and to believe everyone else, when “everyone else” seems to be powerfully single-minded about what’s going on at the moment.

“When the market seems to hate something . . . it’s time to get interested” is one of Outlook’s Golden Rules. “Getting interested” does not mean “buy.” It does mean, “Take a hard look.” Most of Outlook’s core companies passed that hard look with flying colors, and eventually left the market’s hate a long, long way behind. That’s still what we’re doing, no matter the global fund managers’ state of mind.

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