

The Outlook: Sept. 18, 2018

Strange day for the market. Normal, for Main Street.

Today was a strange day for the market—which is saying something, because the market is always pretty odd. If we put a few of today's items side by side, we'll see about that strangeness.

Item One:

“New U.S. Tariffs Hit China; Beijing Vows to Strike Back!”

(Wall Street Journal headline over the news that after Mr. Trump led with another \$200 billion, China answered with \$60 billion.)

Item Two:

Dow Rises 185 Points

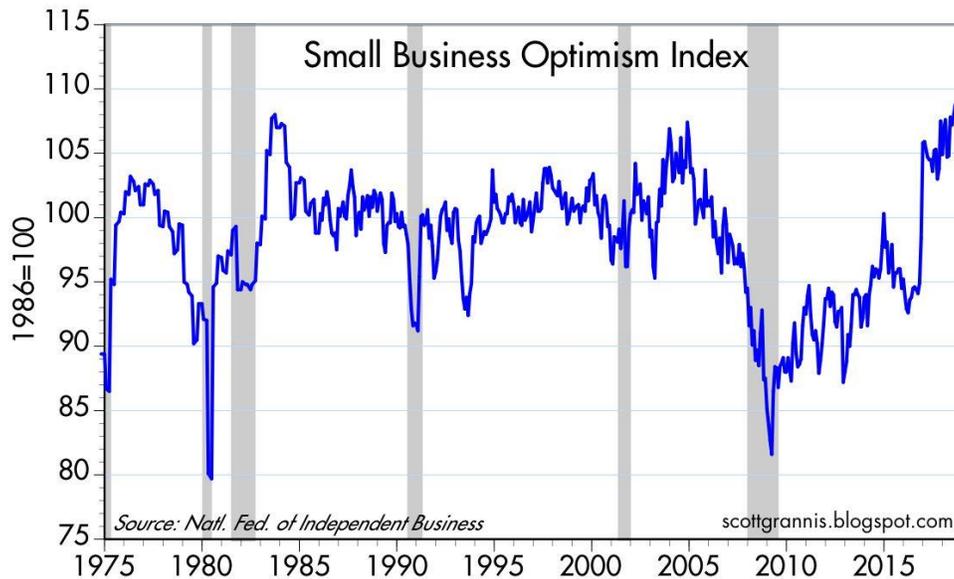


For a subject so downright dry (at least, compared to shooting wars; Supreme Court fights; hurricanes; or Mr. Mueller's latest arrest) it's interesting that "Trade War" has stayed the market's Number One Nightmare all year long. It's been an effective nightmare: with almost every threat, counter-threat and tariff action scaring the market into at least a minor cliff-dive, for at least a few days. But glance at the left-hand side of that chart above. Today the scare seems to have lasted about 45 minutes. Of course, for the market's speculators—and they are as the stars in the sky in number—45 minutes may seem plenty long; but it's a lot shorter than a few days or weeks.

Today's tariff actions were the biggest all year . . . and the market blinked, shrugged and said "So what?" Furthermore, the President doubled then redoubled his bet, this morning, while China was still studying its cards—announcing the next U.S. round of tariffs at \$267 billion, any time now. And the market rose.

All that is fairly strange, but let's look at a few more items (not quite this morning's news, but pretty fresh all the same.)

Items Three, Four and Five





It will be no surprise that these 3 charts come from economist Scott Grannis who, like Brian Wesbury, has spent the past 10 years looking at facts concerning the health of the U.S. economy, rather than the shadows and nightmares showing up in the daily headlines.

American small business employs more than 60% of the labor force—which is why Mr. Grannis looks so carefully at how small business is acting, and seems to be thinking. And in today’s “strange items” competition, the top 2 charts (small business optimism and hiring plans) win the gold and silver medals. They are both at all-time historical highs; and they got there by rising year after year after year, straight into the teeth of countless market and media nightmares: “Global Trade Wars,” “Euro Near Collapse,” “Brexit Catastrophe,” “Turkey Implodes,” you name it.

For any who might be acquainted with small business in some way, this remarkably “strange” fact seems even more remarkable. Small businesses are not Apple—wallowing in so much spare cash, sloshing around its giant money bins, that it’s surely subject to the moon’s tidal pull. They’re not the 1000 other giant companies which have, on balance, seen impressive growth in financial strength since the Calamity of 10 years ago. No: small business is always on the front lines, staring out into No Man’s Land, knowing that an economic storm which merely sprinkles a little rain on the giants can wash over them like a tidal wave. But year after year and even month after month, through countless headlines like “Beijing Vows to Strike Back!” and worse, U.S. small business has kept its determined, optimistic view of the future, and has backed it up by hiring more people. (As the bottom chart shows.)

This has been strange indeed—though some better words would be “astounding, admirable and remarkable.” Neither the countless speculators who push around the market’s daily prices, nor the countless media and other pundits who shout about their favorite nightmares, have much understanding or experience at standing in Main Street’s business trenches, looking out at No Man’s Land all the time. As Outlook has remarked a few times, the people “in the arena,” who act, are the people from Main Street. Mr. Roosevelt’s “critics” are not there, and do not know how it feels to be there . . . which is why their clever justifications of most market Nightmares turn out to be so wrong. But even those critics begin to tire of Nightmares which seem to be taking their sweet time becoming reality. Today’s strange behavior by a market which has been so reliably spooked, all year, by the “Trade War” nightmare, does

suggest that the market's crowd of critics just might be noticing, finally, that Main Street has been shrugging at all those headlines, and getting on with business.



“It is not the critic who counts; not the man who points out how the strong man stumbles, or where the doer of deeds could have done them better. The credit belongs to the man who is actually in the arena, whose face is marred by dust and sweat and blood; who strives valiantly; who errs, who comes short again and again, because there is no effort without error and shortcoming; but who does actually strive to do the deeds; who knows great enthusiasms, the great devotions; who spends himself in a worthy cause; who at the best knows in the end the triumph of high achievement, and who at the worst, if he fails, at least fails while daring greatly, so that his place shall never be with those cold and timid souls who neither know victory nor defeat.”

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