

The Outlook: Oct. 29, 2021

Impressions versus Facts, as Always.

At Outlook we've mentioned, once or twice, the great importance for investors of *always* keeping in mind "the nature of the market." In a nutshell the market's daily behavior is driven by the vast money which is bet, each day and each hour, on the fleeting impressions created by "the headlines." The headlines are about everything from global lockdowns to a spike in the cost of buns at McDonalds. That vast crowd of betters is just what we might think: speculators looking to make big money, fast.

That sounds mighty discouraging, like a recipe for chaos, unless we also understand that the speculating mob must also bet on the stream of real facts which comes along: facts which most often tell us things about the remarkable ingenuity, energy and determination of Main Street USA, and elsewhere. What is actually happening in the real world, on Main Street, always rules the impressions (often nightmarish impressions) triggered by misleading headlines . . . eventually. And that is exactly why investors win, when they have the understanding and patience to own very strong companies run by very good people.

Since the "Virus and Lockdown Calamity" smashed down the market in early 2020, reaching its awful low point that March, we've been living through something very much like what we lived through in the months and years after the "Financial Panic and Bank Run Calamity" of 2008 – 2009 . . . which also happened to hit its awful low in March. In a word, we've been living through "Constant Fear." None of us like this much, but that speculating mob loves it. "Greed" and "Fear" are the most powerful emotions in the investment world. They've run the show, for the speculating crowd, for a couple of centuries—and they still do. "Fear" is the stronger of the two, which is why "nightmarish impressions" from the daily headlines drive the market's behavior so often.

The "constant fear," the "constant nightmares," and the constant stream of real-world, positive facts explain why we've spent the last 18 months enjoying "green days" like Thursday, only to suffer immediately through "red days" like Friday. Here they are.

Green Thursday

OCM Core Stock List SECURITY		Updated 16:02 EDT		Options ▼	
Symbol	Name	Price	Change	% Chg	As of (EST)
CAT	Caterpillar Inc	204.49	+8.36	+4.26%	10/28 16:00
CME	CME Group Inc	218.30	+1.24	+0.57%	10/28 16:00
CMI	Cummins Inc	242.79	+7.94	+3.38%	10/28 16:00
COP	ConocoPhillips	75.15	+0.72	+0.97%	10/28 16:00
FCX	Freeport-McMoRan Inc	38.12	+1.12	+3.03%	10/28 16:00
LMT	Lockheed Martin Corp	331.31	+0.37	+0.11%	10/28 16:00
MSFT	Microsoft Corp	324.32	+1.15	+0.36%	10/28 16:00
MU	Micron Technology Inc	69.57	+1.33	+1.95%	10/28 16:00
TXN	Texas Instruments Inc	187.83	+0.73	+0.39%	10/28 16:00
XOM	Exxon Mobil Corp	64.33	+0.20	+0.31%	10/28 16:00

Red Friday (Mostly)

OCM Core Stock List SECURITY		Updated 17:47 EDT			Options ▼
Symbol ▲	Name	Price	Change	% Chg	As of (EST)
CAT	Caterpillar Inc	203.86	-0.23	-0.11%	10/29 16:00 (x)
CME	CME Group Inc	220.54	+2.20	+1.01%	10/29 16:00 (x)
CMI	Cummins Inc	239.83	-2.91	-1.20%	10/29 16:00 (x)
COP	ConocoPhillips	74.49	-0.66	-0.88%	10/29 16:00 (x)
FCX	Freeport-McMoRan Inc	37.71	-0.39	-1.02%	10/29 16:00 (x)
LMT	Lockheed Martin Corp	332.30	+0.91	+0.27%	10/29 16:00 (x)
MSFT	Microsoft Corp	331.60	+7.25	+2.24%	10/29 16:00 (x)
MU	Micron Technology Inc	69.09	-0.49	-0.70%	10/29 16:00 (x)
TXN	Texas Instruments Inc	187.46	-0.41	-0.22%	10/29 16:00 (x)
XOM	Exxon Mobil Corp	64.47	+0.16	+0.25%	10/29 16:00 (x)

But here's the heart of the story. The remarkable 11-year Bull Market which followed the 2009 "Bank Run Calamity" happened because we endured week after week of stomach-churning "Red Days" mixed completely through, in and around the "Green Days." During those 11 years the market's betting mob tried countless times to push a "nightmarish impression" about the news into a panicking, plunging death spiral. It failed, again and again . . . because Main Street's facts kept showing up, and pricking the latest "nightmarish impression" like a balloon. It kept failing right up until the "Virus and Lockdown Calamity" came along, with the first global economy shutdown in the history of the world. That was worth a panicking, plunging death spiral all right—but which had an almost unbelievably short life as Main Street showed it was doing what it always does: adapt, innovate and survive.

Now we are living through something so much like the early part of the Bull Market of 2009 – 2020 that it's pretty remarkable: "Constant Fear," "Constant Nightmarish Impressions," yet "Constant News of Ingenuity, Determination and Adaptability on Main Street." Just like 12 years ago, the fear and scary impressions have kept the valuations of most U.S. companies' stocks at levels ranging from "Amazing Bargain" to "Solid Value." As we've noted a few times, only a small but very publicized group of stocks (the "Celebrity Techs") have seen the kind of enthusiasm from the betting mob which is the biggest danger signal for investors who understand. Everyone else gets constant anxiety, constant skepticism, constant pessimism from the betting crowd . . . but their passing real-world facts keep giving them "green days" anyway.

At Outlook we're pretty certain that's going to keep happening in the months and years ahead, just as it did 12 years ago. We own outstanding, strong companies—and we mean to hang onto them.

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