

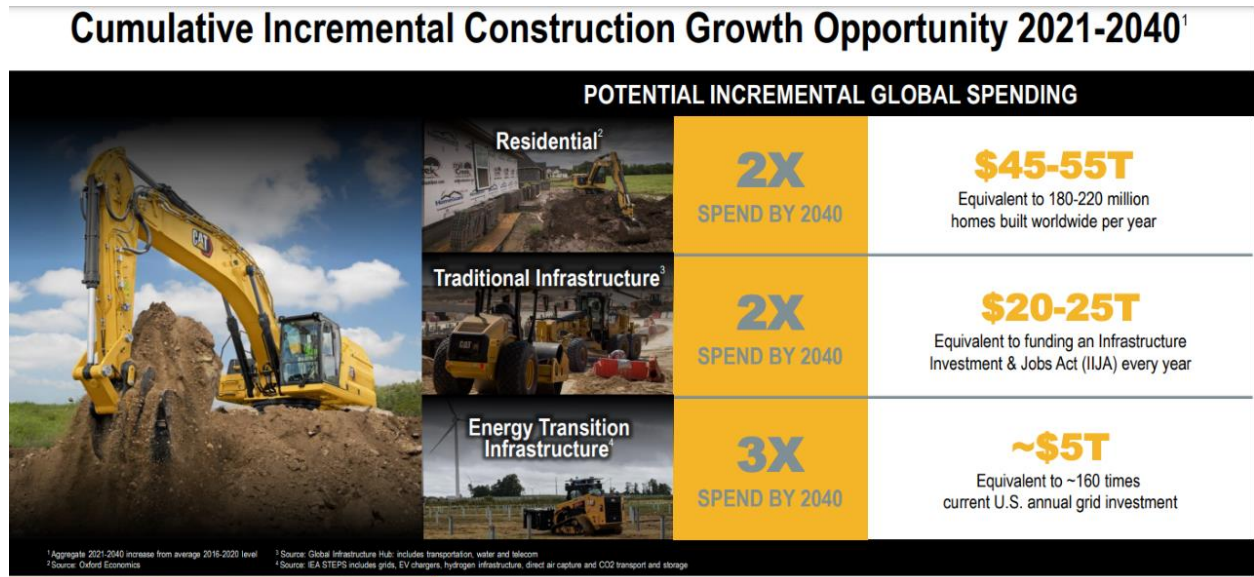
The Outlook: June 2, 2022

Understanding Very Big Things, Courtesy of Caterpillar

There are a lot of frightening things in the world. As a general rule, though, the more we know about most of those things, the less we're afraid of them: maybe not "laugh out loud" happy about them . . . but a good deal less paralyzed by fear. That perfectly describes the U.S. and world economic picture today, and how we feel about the market's endless attempts to panic about that picture.

A few days ago Caterpillar gave a talk to investors, complete with 101 slides shining a light on every corner of the giant company's operations. Here are a few of them. They shine a pretty clear light on the "U.S. and world economic picture." That light cuts right through the fog of fear created by the market's behavior for the past month or so.

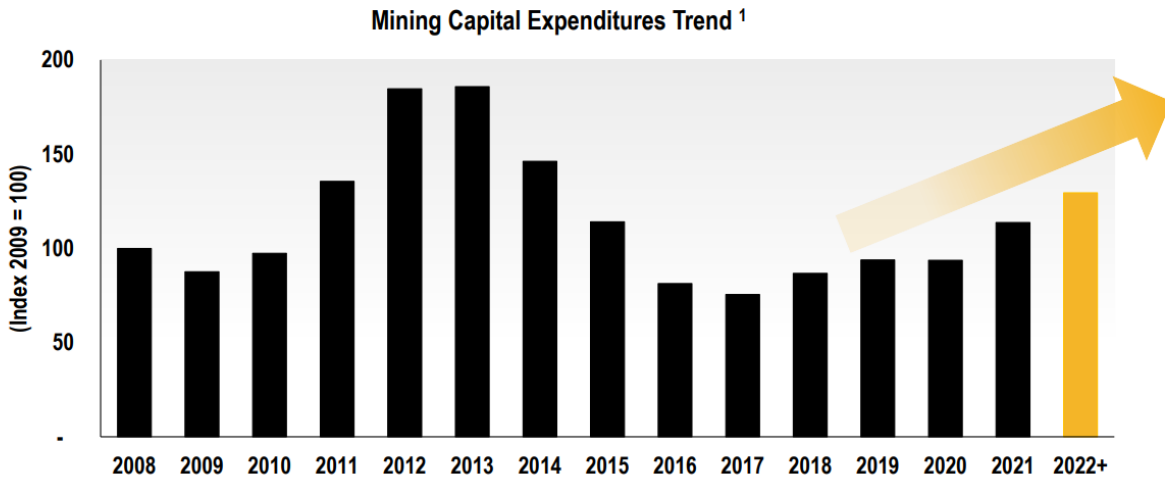
How the Next 20 Years Look to Caterpillar



The yellow middle column is best. It's CAT's forecast of the added global spending on residential construction, traditional infrastructure construction (roads, bridges, airports), and "green energy" construction likely between now and 2040. They're big numbers, aren't they: especially the bottom number, which informs us that today's annual U.S. spending on the energy grid will have to grow 160 times bigger to approach anything like the world's "green" goals. None of that will happen without Caterpillar equipment.

Here's another picture, of the global mining industry.

Global Mining Spending



This picture makes perfect sense next to our first one. The world has a vast need for energy and metals, among many other commodities, in the 20 years ahead. Spending on mining those items plunged 50% in 4 years, from 2013 – 2017. Then it began a crawling climb upwards. That climb hasn't spent remotely enough money to supply what the world needs today, and will need for 20 years. Hence today's rocketing commodity prices, which tell us that fact about supply versus demand. As CAT's yellow arrow shows, that spending climb has a long run ahead, to Caterpillar's benefit.

Caterpillar at a Glance

A GLOBAL SNAPSHOT

A legacy of
95+ years
in construction

125k+
New Customers
since 2018

Nearly
300 MODELS

Producing a machine
approximately every
5 minutes

Over **60,000**
machines financed annually

1.9 Million
active global
construction
machines

This final picture actually takes us right to the heart of a very human problem we all have: it's really hard for us to imagine very large things. That's true whether it's the size of the galaxy, the depth of the ocean, or the truly fantastic breadth and depth of the U.S. and world economies. Because it's so hard to imagine such things, it's much easier to feel they are weaker or more fragile than they really are. It's much easier to have the impression that the market's latest Nightmare, whatever it is, may well be the iceberg that sinks the Titanic. We can understand the Nightmare pretty well; but we struggle to understand that the

Nightmare is itself pretty weak and fragile next to the hard-to-imagine strength of the economy—that is, of “Main Street.”

Caterpillar’s first-quarter Earnings Report, a couple of week ago, showed a company running with the “pedal to the medal,” pretty much. Every line of business is booming, or almost booming. They’re doing that in the teeth of Nightmares: Supply Chain Chaos, Rocketing Inflation, Ukraine War. We can’t understand why they’re able to do that unless we grasp the incredible breadth, depth and determination which describes Main Street. Such Nightmares do slow Main Street down. They don’t stop it or sink it—and that in a nutshell is the perspective we need to do the right thing when the market spends a month trying to terrify us: hold, and buy more.

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Outlook Capital Management, LLC
125 S. Wilke Road, Suite 200E
Arlington Heights, IL 60005
847-797-0600

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