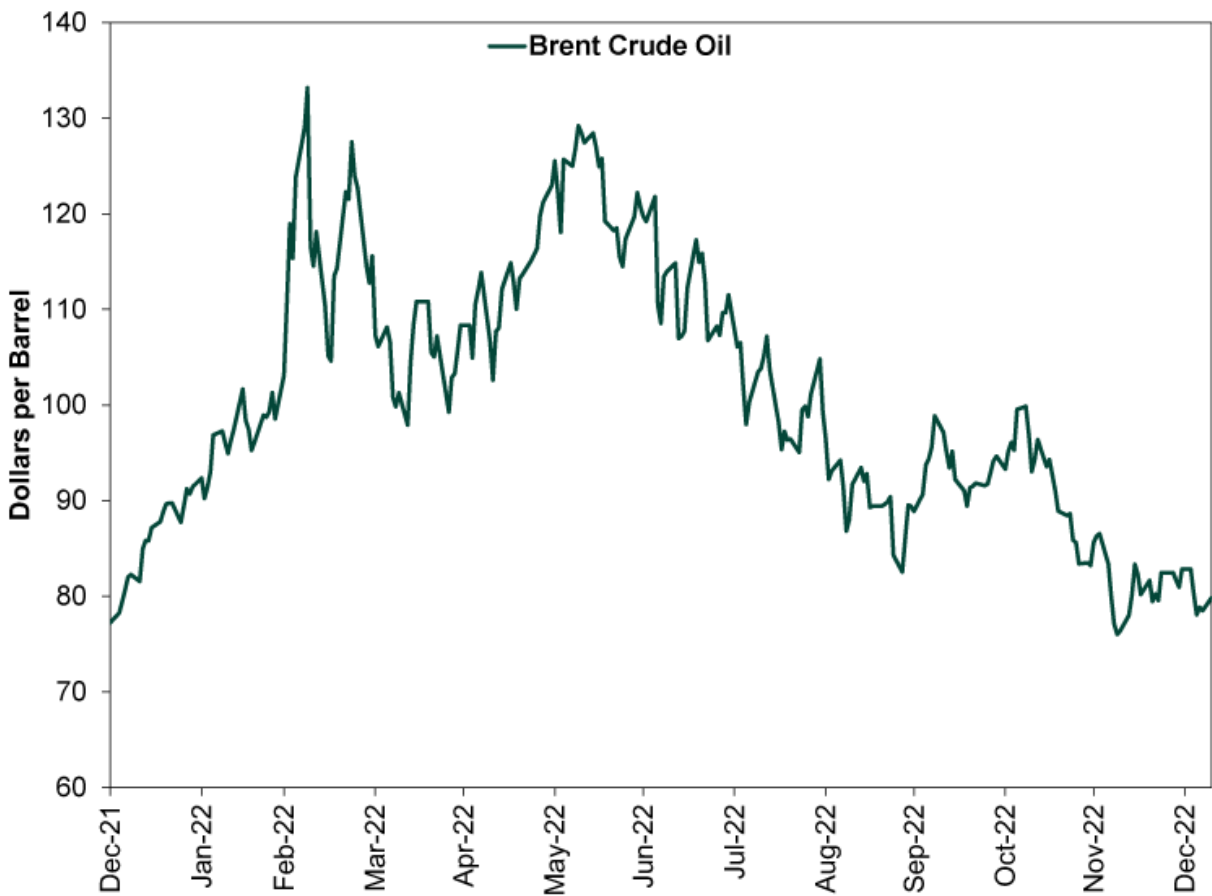


**The Outlook: Jan. 11, 2023**

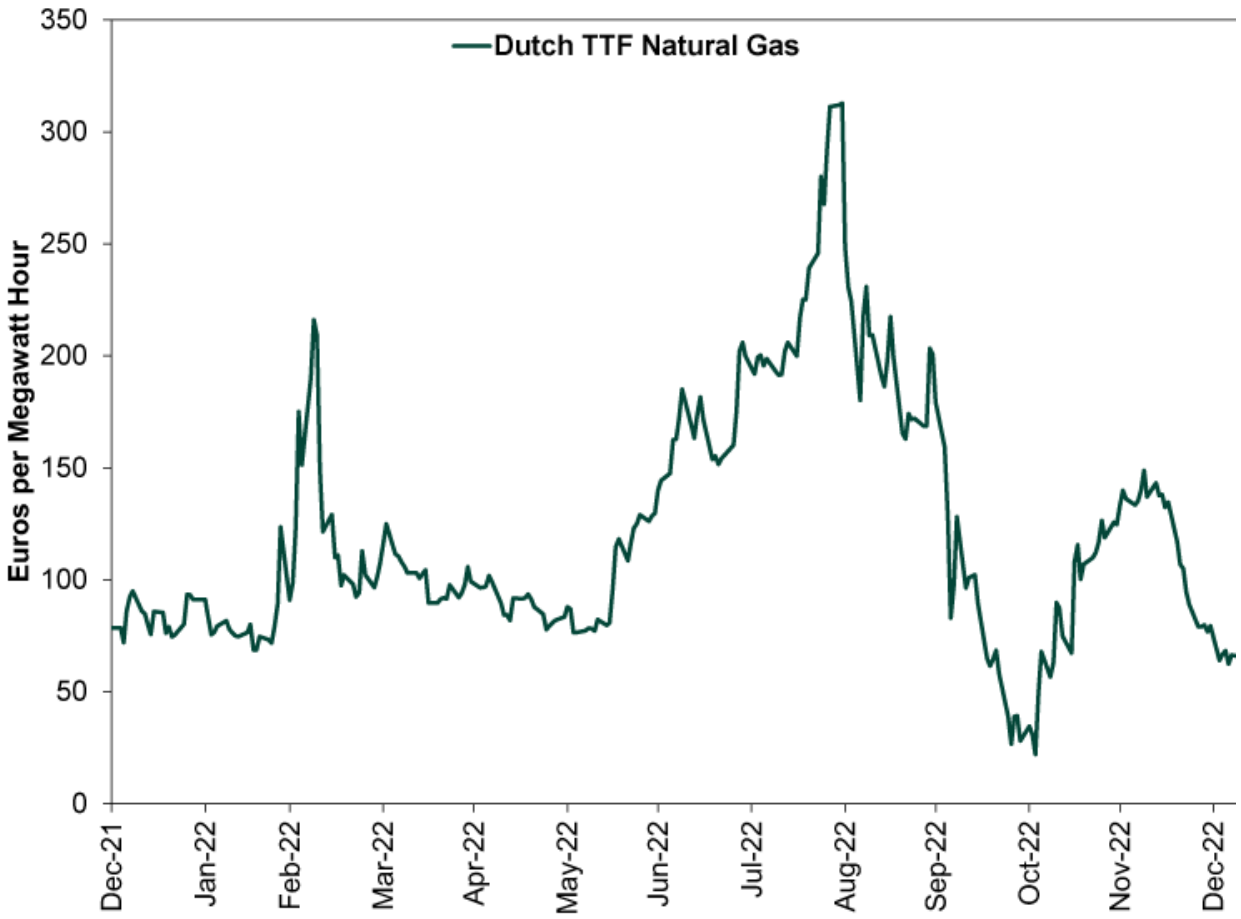
***2022: Some chicken! Some neck!***

“Expect the Unexpected!” We’ve all heard that old saying. Generals, politicians, scientists, business chiefs . . . everyone likes saying it, especially if something in their careers makes it seem as if they were pretty good at “expecting the unexpected.” It’s a wonderful skill to have, so at Outlook our hats are off to anyone who can do it . . . but the truth is that every time we’ve tried to do it, it turned out to be kind of hard. The “unexpected” is hard to actually imagine, by definition.

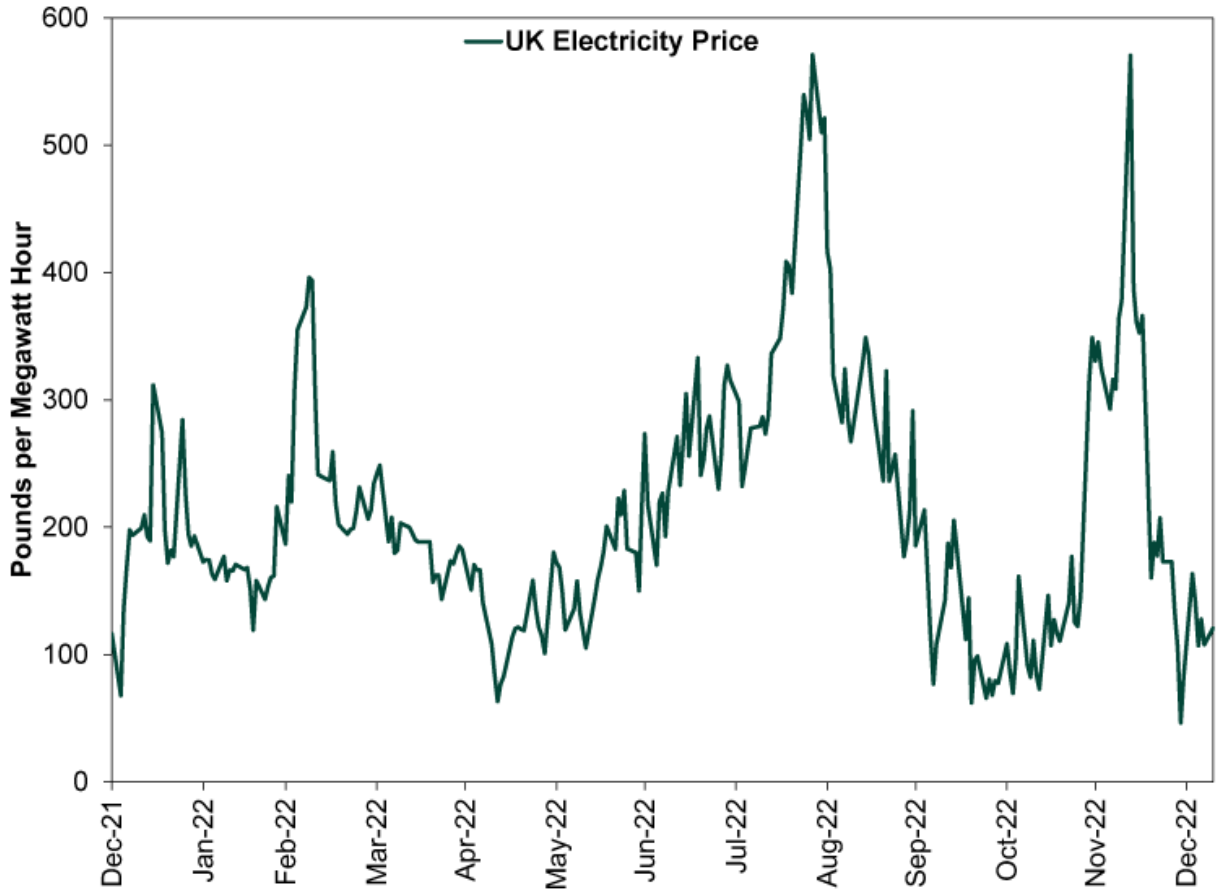
Let’s glance at some amazing pictures courtesy of the hard-boiled skeptics at Fisher. We’ll sum them up first. They show the fairly incredible skyrocket in the price of vital things last year, mostly triggered by Putin’s War . . . then their “unexpected” cliff-dive back to where they began, sort of.



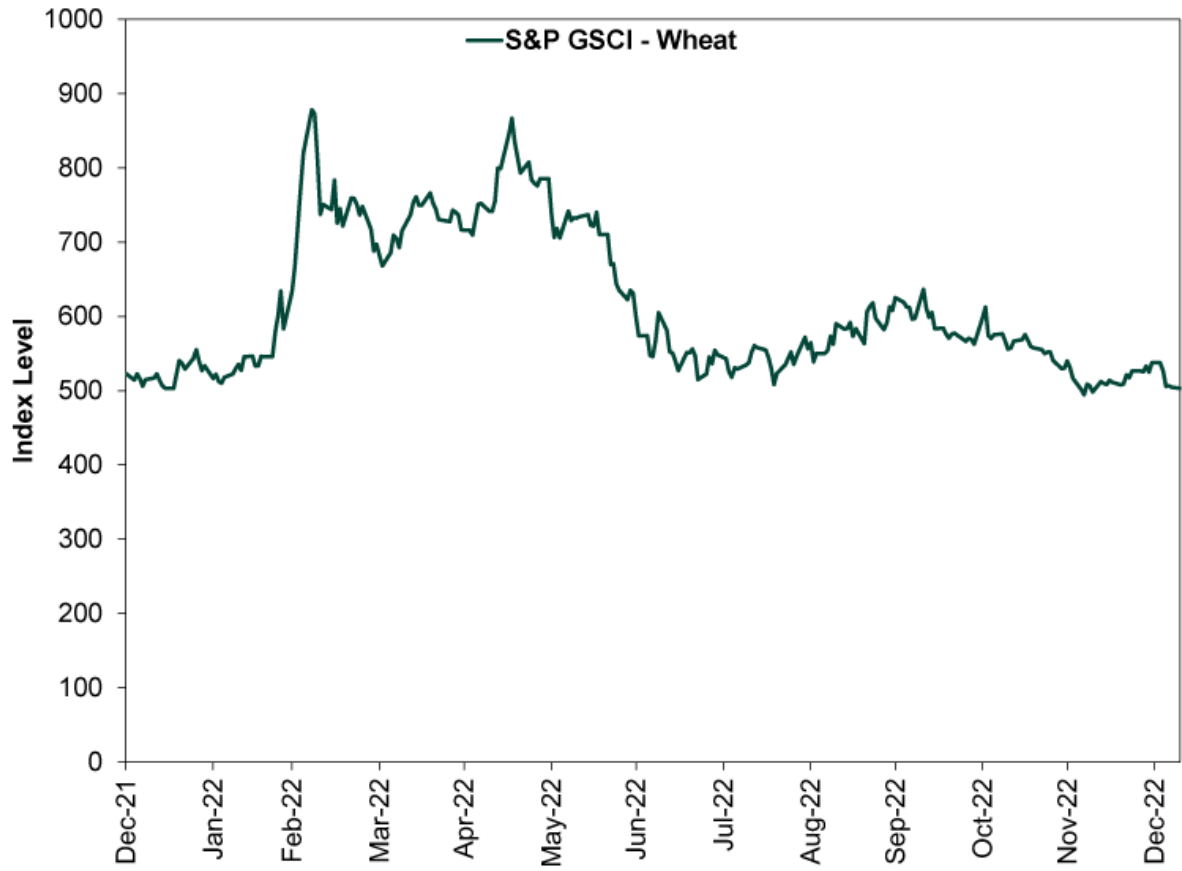
Source: FactSet, as of 1/10/2023. Brent crude oil spot price, 12/31/2021 – 1/9/2023.



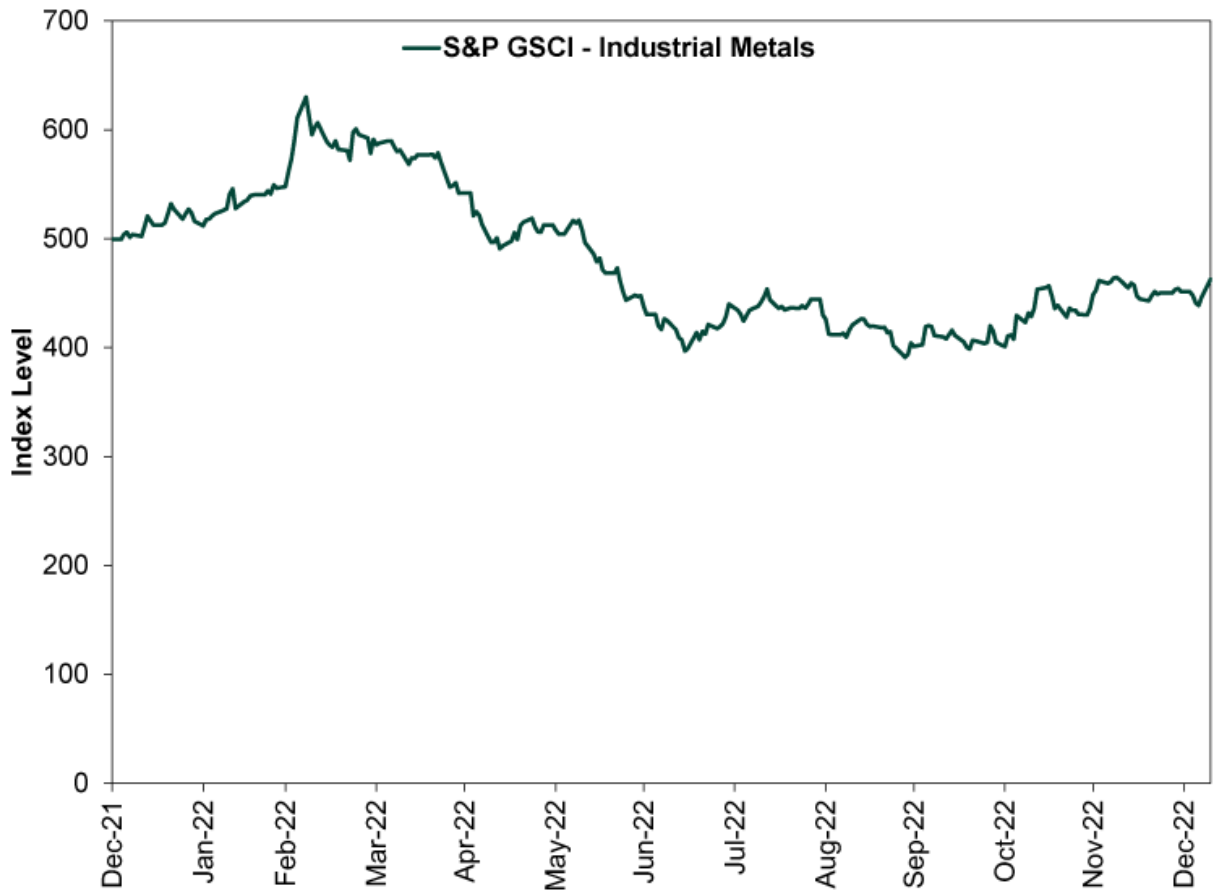
Source: FactSet, as of 1/10/2023. Dutch TTF Natural Gas spot price, 12/31/2021 – 1/9/2023.



Source: FactSet, as of 1/10/2023. NORX UK Power Daily Average, 12/31/2021 – 1/9/2023.



Source: FactSet, as of 1/10/2023. S&P GSCI - Wheat, 12/31/2021 - 1/9/2023.



Source: FactSet, as of 1/10/2023. S&P GSCI – Industrial Metals, 12/31/2021 – 1/9/2023.

Mr. Putin’s War was shocking and “unexpected” no matter the many warning signs. The skyrocketing reaction of energy costs, food costs, electricity costs and industrial metals costs made a good deal of sense, both to countless experts and us normal people, due to Russia’s and Ukraine’s powerful positions in some of those markets. It made so much sense that it wasn’t easy to argue with the Europe’s Doomsday Scenario which was indeed the “consensus of opinion” at the time. “How could Europe possibly survive Russia’s stranglehold on its energy, power and even food supplies?” That was the Big Question, and the bare facts about Europe’s dependence on Russia seemed to confirm the power of that stranglehold.

As France unexpectedly collapsed and surrendered to Germany early in World War Two, its collaborating politicians told Winston Churchill, “If England tries to fight on, in three weeks it will have its neck wrung like a chicken!” Less than two years later (after going through hell and coming out the other side, much to the world’s amazement), Mr. Churchill said, “Some chicken! Some neck!” If anyone has the right to say that today, it’s Mr. Zelensky of Ukraine. But on a lesser scale, Europe itself might say the same thing as it finds its Main Street chugging along not too badly just now . . . rather than flattened by that Doomsday Scenario so popular only 6 months ago.

Why the rocket, and why the cliff-dive . . . and was everything really so “unexpected?”

Here’s Outlook’s answer. Every market in the world is under the thumb of a betting crowd. We call it “vast” because it really is, and most of us normal investors find it hard to grasp just how “vast” that crowd

is. Real-world, Main Street things like supply and demand (for wheat, oil, gas, you name it) can always be overwhelmed by the buying or selling of the betting crowd . . . for a while. Eventually supply and demand win, though . . . because the betting crowd knows it can't make money betting against cash facts in the long run. All that means skyrocketing prices are always overdone; and cliff-diving prices are too.

So when the “skyrocket” part happened in the first half of 2022 (generally) Outlook’s reaction was, “Too much, too fast—they’ll fall.” When the “cliff-dive” part happened later in 2022, Outlook’s reaction was, “Too much, too fast—they’ll rise again.” They’ll do that because before Putin’s War shocked the world, it looked to Outlook as if long-term supply and demand were flowing toward higher prices over the many years ahead, for oil and copper especially. The “unexpected” Putin shock changed things in the short term—which of course is all the betting crowd cares about—but did not change things in the long run. That’s how the betting crowd behaves, and it’s how markets behave . . . so it wasn’t exactly “unexpected. And it’s why neither the skyrocket nor the cliff-dive changed Outlook’s judgment about the companies we own, and the long-term tailwinds behind them.

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