The Outlook: Jan. 27, 2023

The Big Question: not "Recession?" but "Does it matter?"

"Misery loves company" indeed. There is always plenty of pessimism and doubt in the investment world, but as we begin 2023 it seems to be at high tide. Here are a few examples:

Consumer Sentiment: about as gloomy as it's been in 40 years

RECESSION

Survey: 98% of US CEO's and 99% in Europe believe in recession in the next 12 to 18 months.

- Larry Summers warns of 'spectacular' 1970s-style economic crisis if Fed blinks on inflation
- Why US home prices will fall another 10 percent, according to Harvard economist
- Goldman Sachs CEO blames 'challenging' US economy as profits plunge

Real GDP Growth Forecast by Congressional Budget Office (7 Years of Famine, More or Less)

2022	2.2
2023	1.5
2024	1.6
2025	1.4
2026	1.6
2027	1.8
2028	1.8
2029	1.8

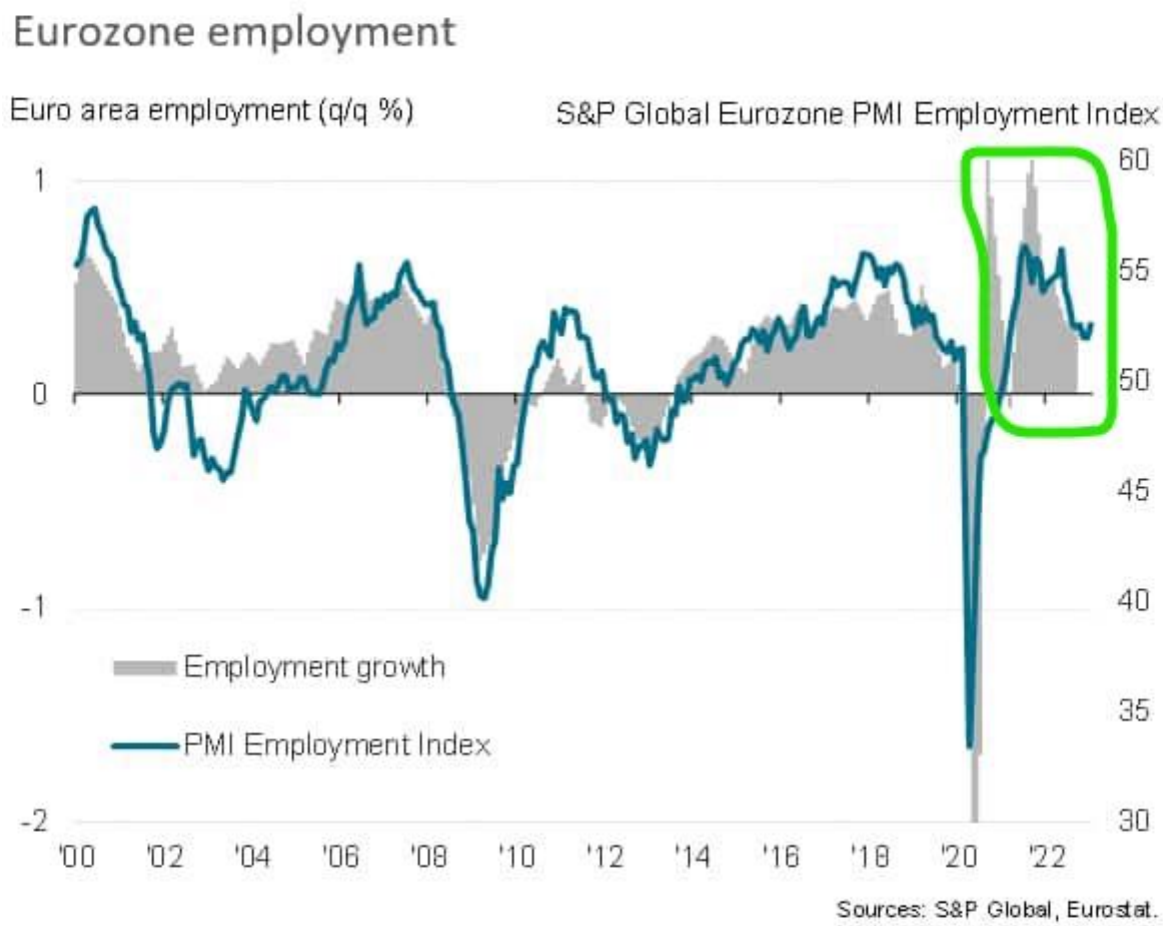
And finally,

"Tech Company Layoffs Pass 100,000!"

Those are just a sample of the gloom, up there. We might sum things up by remembering that "Recession Is Here!" dominated most of last year, ending in "Well, maybe not quite . . . but it's sure to come in 2023." Now we're in 2023, and it's "Recession is right around the corner! How bad will it be?"

For investors, though, the right question isn't "How bad will it be?" but "Why does it matter?"

In 2022 we had one of the shortest Bear Markets in history, triggered by the Federal Reserve's about-face on hiking interest rates. Over in Europe the ECB (European Central Bank) was reading from the same book on rate hikes, while War in Ukraine gave the whole continent worries which made ours seem trivial. Deep recession was a certainty, supposedly, plus skyrocketing inflation, power blackouts as a way of life, mass factory layoffs due to all that, and more. Misery does love company, but Europe sprinted out to a mile lead in the Misery Sweepstakes last year, and we haven't begun to catch up. So we might get a little perspective if we ask, "How exactly are things going, over there?" First a couple of pictures.



What those green circles at the right mean, in essence, comes courtesy of Mark Twain: "The reports of Europe's death are greatly exaggerated." Halfway through 2022 we all expected Europe's economy to be in a coma by now. Instead it looks like it has a bad cold, and maybe a sprained ankle; but it's certainly hobbling ahead. For us American investors, here's the point: "If Europe can do that, with the Troubles it's had . . . why so much fuss about "Recession around the corner!" over here?

If a U.S. recession does show up, it'll be the most expected and scrutinized recession in a long time. We've been rehearsing it for a year or so. We had our Recession Bear Market last year, even if the 2022 Recession was more "technical" than actual. We've had 98% of CEO's in America expecting it, and nearly that many getting their companies ready for it. So their companies—Main Street, that is—will not be much hurt by it. So "Why does it matter?" indeed.

Although the media and CEO's or consumers answering surveys are at 40-year gloomy lows, the market's betting crowd hasn't gone along. That crowd is often wrong, but not always. It can be counted on to grossly exaggerate its reaction to good or bad news (especially bad), but after it's done that it has a way of not making the same mistake twice—at least until a couple of years have passed. It acted as if last year's "technical" recession was the sky caving in . . . but with it perfectly obvious the sky is still up there—here and in Europe—the crowd seems reluctant to plunge into gloom again, no matter how many years of famine the Congressional Budget Office says we're in for.

At Outlook we doubt all long-term forecasts very much . . . and we doubt Government's attempts at them even more. We suspect the story of 2023 is going to be of an economy (and a market) getting over a bad cold and feeling a sprained ankle heal. We're hanging on and buying, as usual.

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