

The Outlook: June 21, 2022

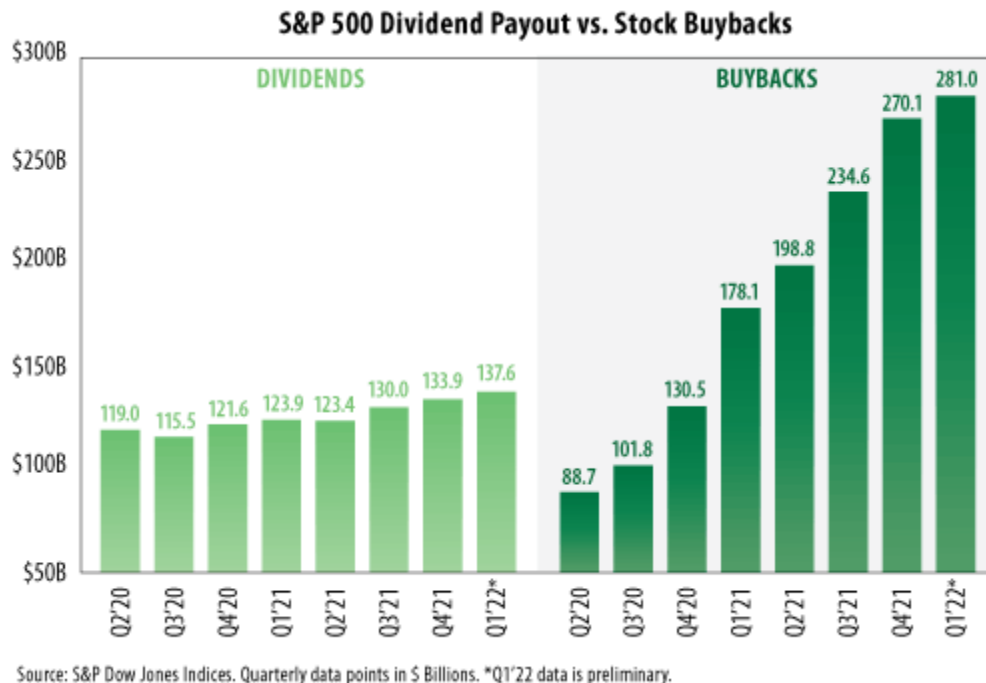
What to do in a moment of truth.

The market's vast daily betting crowd has been telling us to be afraid—very afraid—by handing us “Sea of Red” after “Sea of Red”, day after day. For us investors—not bettors, but investors—there is no more stark “moment of truth” than we see right now: when the market does its level best to frighten us out of good positions by knocking down prices so fast and so far that the Nightmare Thought, “Can it go to zero?” flashes through our heads. (Or tries to muscle its way into our heads and stay there, blinking its red light and howling its fire alarm so loud and long that we can't think anymore.)

It is a moment of truth which makes us decide again whether we'll think for ourselves, or let the market do our thinking for us.

If we choose to think for ourselves, the best beginning is simply to glance at facts about Main Street USA: that is, about the state of health and strength in the business and in the household worlds, at this moment. If they are sick and weak . . . the betting crowd will still be wrong as it tells us to sell everything and run for the hills, but we'll need to think harder and longer about more facts. But if they are healthy and strong, it'll be OK for us to tell the betting crowd to get lost and take its current Nightmare with it, and not trouble ourselves too much about “thinking harder and longer about more facts.”

The Westbury Economics firm, as usual, gave us a couple of facts about Main Street today: the business side of that street. Here they are:



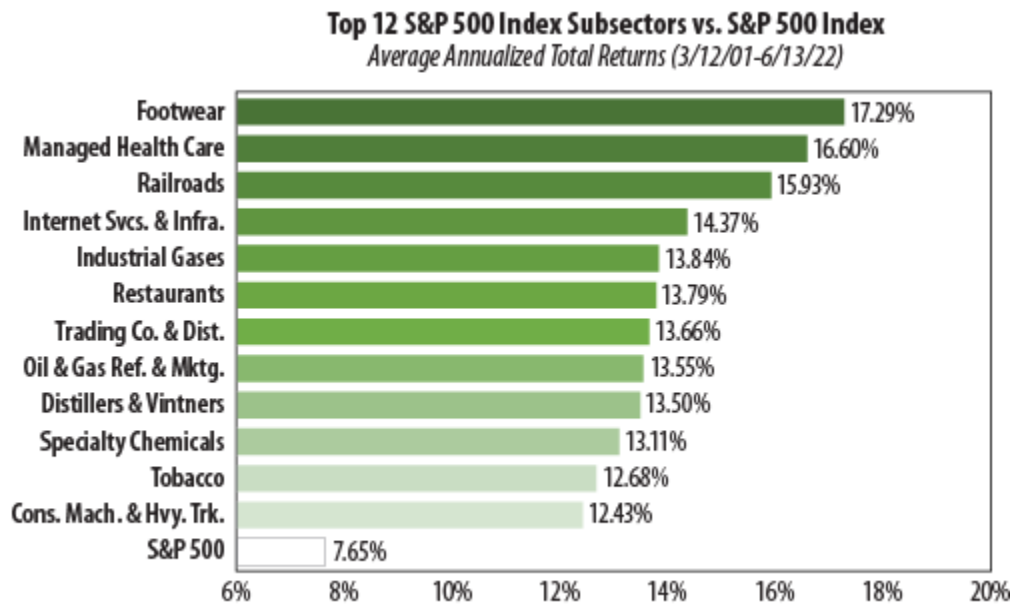
That picture shows what Main Street Business has doing with its cash since the “Virus and Lockdown Calamity” got started two years ago. Dividends dipped a bit, then resumed their very long, steady climb. Stock buybacks (when companies use their cash to take shares off the market, thereby increasing every investor's share of the company's profits and dividends) were another story. They exploded, pretty

much: not just once, but quarter after quarter for two years. Both dividends and buybacks set all-time records in 2022's first quarter.

Remarking on this, the Wesbury firm saved its most startling comment for last: "Keep in mind that in those 2 years since the Virus and Lockdown Calamity began, the S&P 500 (cross section of "big" Main Street) handed 2.7 trillion dollars of dividends and buybacks to its investors . . . but today "Big Main Street" holds the same amount of cash as it did two years ago." Yes: Main Street has been earning an Amazon River of cash, which has flowed into its money bins so fast that it's replaced every one of the 2.7 trillion dollars passed out to shareholders.

Here's the second picture:

Buy and Hold Crushes the Betting Crowd



Source: Bloomberg. **Past performance is no guarantee of future results.**

That picture begins 21 years ago with the Dotcom Bear Market—as ferocious a beast as any in history. The meaning of all those bars and numbers is simple: "Investors who concentrated their fortunes on any one of a lot of single industries, then sat on their hands through all the roller-coaster ups and downs for 21 years, would have completely crushed the performance of the "whole market." The Big Market earned 7.7% per year. The Wesbury selection of 12 industries—including many at the opposite end of the Celebrity Glamor" range, well down into the "Boring or Downright Ugly" range, earned from 12% to 17% per year.

When the betting crowd floors the gas pedal on the roller coaster, making it plunge in such a sickening way that we fear for our lives and sacred fortunes, any number of "experts" pop up to inform us that "buy and hold" investing is for losers. The meaning of that message is really: "Speculators are smart. Patient investors are dumb." Like many such insults, the truth is the opposite. It didn't take much digging to find the facts which prove it, did it?

We own remarkably strong companies. The market's betting crowd is handing them away at fire-sale discounts. It is a moment of truth . . . and it doesn't matter that today's big discounts might become next

month's gargantuan discounts. We can't know that, but we *can* know what to do in a moment of truth. We're buying.

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