<u>The Outlook: Nov. 14, 2019</u>

Good news needles in bad news haystacks, again.

Here is a surprising table. It shows how the local stock market has performed all over the world, so far this year. Those nations in boxes are the "G7" countries: the 7 biggest "advanced economies" in the world, with around half the world's annual income and wealth.

Country Stock Mkt YTD % Chg (Local Currency)

Country	YTD % Chg	Country	YTD % Chg
Greece	40.99	Spain	10.00
Russia	37.38	Britain	9.38
Romania	31.23	Czech Republic	9.30
Jamaica	30.68	Luxembourg	9.14
Italy	28.44	Estonia	8.11
Sweden	25.83	Philippines	8.03
Germany	25.28	South Africa	7.36
France	24.50	Malta	7.11
Ireland	24.32	Hong Kong	6.99
New Zealand	23.44	Dubai UAE	6.68
Denmark	23.16	Singapore	6.37
United States	23.03	Mexico	4.88
Brazil	22.88	Thailand	4.73
Switzerland	22.30	South Korea	4.71
Netherlands	22.26	Abu Dhabi (UAE)	4.40
Portugal	21.49	Slovakia	3.14
Belgium	19.52	Namibia	2.87
Colombia	19.37	Peru	2.78
Iceland	19.31	Serbia	2.34
Australia	19.09	Morocco	2.19
Taiwan	19.04	Qatar	-0.24
Israel	18.91	Indonesia	-0.27
China	18.86	Saudi Arabia	-0.36
Canada	17.73	Poland	-0.93
Japan	16.87	Sri Lanka	-1.62
Lithuania	15.45	Pakistan	-2.94

It was surprising, at Outlook, despite how closely we pay attention to the U.S. and world economy. Almost everybody is having a good year—including countries which we might think have no right whatsoever to have a good stock market. T

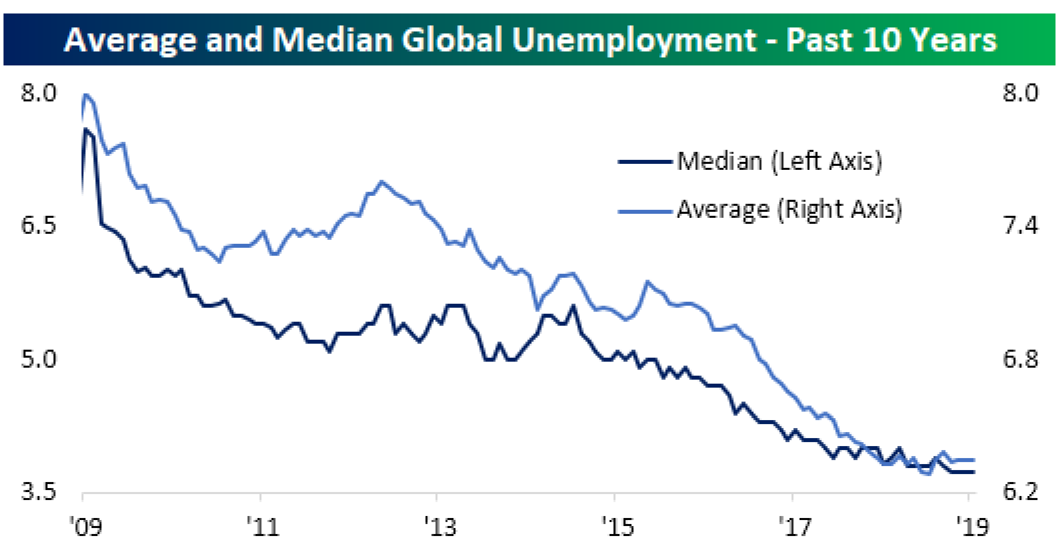
There's Greece at the very top. Its economy has been in the hospital for a decade or so. Lately it's been moved from "Critical Condition" to "Long Term Intensive Care." But "up 41%?" One explanation is that there's a new doctor on the case (Greece's new president) whose idea of the best treatment for the patient is less like medieval blood-letting, and more like nourishing hot soup.

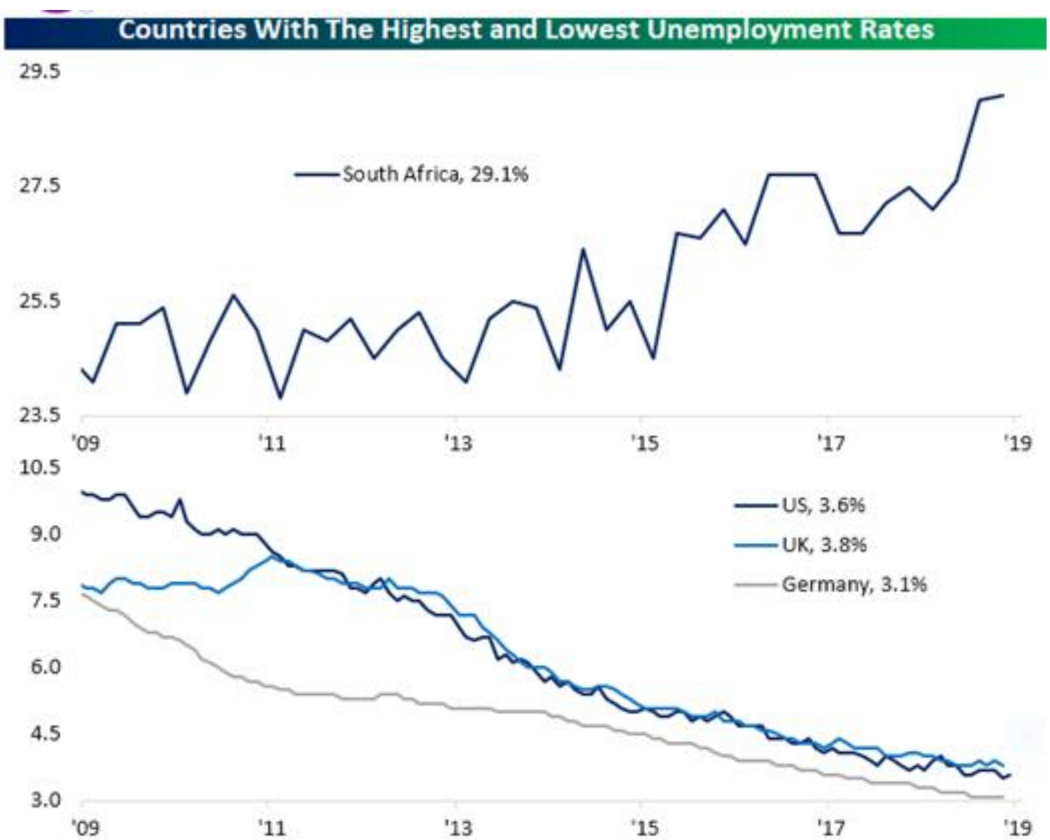
Then, scanning down, we see more boxes: Italy, Germany, France and Japan. They're all having spectacular years, pretty much. How? Those 4 economies have been the very definition of "stagnant" for 10 solid years . . . and the Trade War, throughout this year, has looked like a torpedo under the waterline, as far as the their already-stagnant economic indicators are concerned. The last box contains Britain. It should have died of Brexit this year, if not long ago, as far as the expert commentators are concerned.

Our last glance is at Russia, up 37%; and China, up 19%. We can't believe much about either nation's self-reported economic indicators—but we can say with certainty that China is at its weakest in 20 years; and Russia has very little in its economy under the heading of "Dynamic, Enduring Growth." It has oil and gas, which it milks for all they're worth.

Why all the good market numbers, then?

That brings us face-to-face with the profound differences in how people look at the world. Not all, but many market participants would answer this way: "Those numbers are just the tail end of a gigantic asset bubble, created by the world's central banks printing an ocean of money for the last decade, which has flowed into stock and bond prices, taking them to heights which tell us that Armageddon is around the corner." For those people, Main Street and its hard work, invention and determination just aren't part of the picture. They never change their minds, for deep psychological reasons we don't understand, but here are a couple of charts they ought to think about, anyway.





At the top we see global unemployment falling from about 8% to about 6%, this past decade. At the bottom we see U.S. unemployment plunging from 10% to 3.6%; the German rate down to 3.1% from 7.5%; and poor, Brexit-doomed Britain falling, somehow, from 7.6% to 3.8% . . . of which the last full percentage point improvement has been during the 3 years <u>after</u> the Brexit vote. (When Britain's famous *Economist* magazine led the parade of experts predicting collapse, due to that vote.)

Compared to the U.S., the rest of the world's economies, by and large, have been trudging ahead bearing burdens of taxation and regulation which range from "heavy" to "crushing." But the unemployment numbers carry one message which is crystal clear: they have been trudging forward, anyway. It is a testament to something Outlook has observed a few times: "A little bit of market freedom, of competition, of capitalism goes a remarkably long way, when it comes to promoting economic growth." Those things have certainly been helped considerably by the growth-triggering benefits of the Technological Revolution, still going on after several decades. They all add up to "Main Street" doing its job; <u>not</u> central banks making everything go up with funny money.

There is one more factor behind that top chart's market performances. It's called "valuation." Europe's economic progress is very slow . . . but a lot of its big companies are both financially strong, and cheaply valued. America's progress is much better than "slow," and a lot of its big companies are both financially strong, and cheaply valued. They've been valued as if Armageddon is probably around the corner, or at least not far down the road. The market does that kind of thing, by its nature. It gets overly pessimistic and stays that way for remarkably long periods of time. But financial strength and good value always call the market's tune, eventually. That's most of the story behind these interesting charts.

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

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