

The Outlook: May 22, 2020

“There are more things in heaven and earth” . . . This economy will recover.

A couple of weeks ago, we named the “Two Big Questions” which are all that matter, as we struggle through this Virus Shutdown nightmare.

1. How fast and how fully will the U.S. and global economy recover from the Virus Shutdowns?
2. How will the Virus Shutdowns change the economy and business world, after some kind of recovery has happened?

What do we know today, about those two questions, that was still a mystery two weeks ago? “Not too much,” is the answer . . . but something important, even so. We know with nearly perfect certainty that there will be a recovery. We know this because in these two weeks, the economic “reopenings” have been gathering much more power and speed than looked possible two weeks ago. Instead of half the nation stuck deeply in “extreme shutdown mode,” we have only 3 or 4 corners of the country. They’re big corners, but America’s momentum is so clearly running far ahead of them that it’s perfectly clear they’ll be swinging into “catch up mode” themselves, pretty soon.

That is a big deal. It strikes right at the heart of the economic and market problem itself, which is simple: the Shutdowns. And the “green shoots” (those small but solid signs that economic growth is sprouting up again) are multiplying every week.

Why are these things happening? “Ahh,” we might say. “That really is the heart of the matter.”

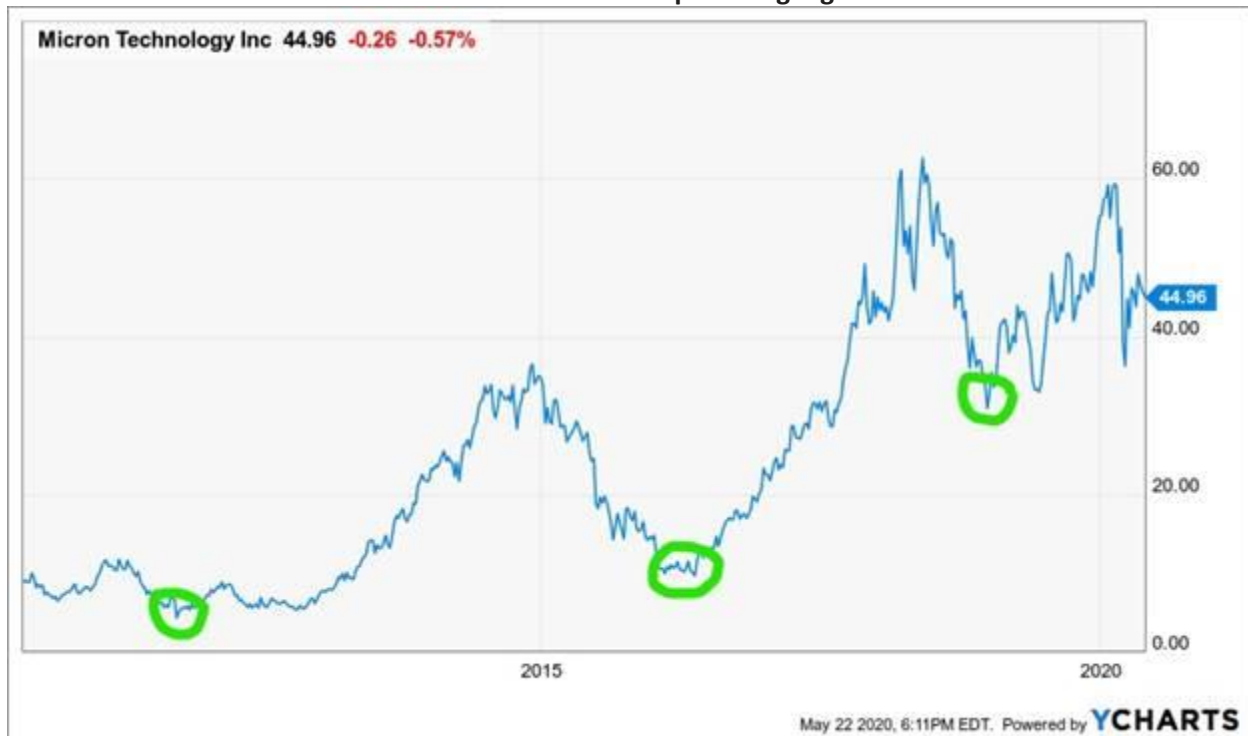
They are not happening because the same government which shut down the economy has led or inspired this slowly-accelerating recovery. All those “reopenings” add up to government getting *out* of the way, not leading the way. The good things are happening for the same reason they’ve always happened: American businesses and individuals taking actions to tackle and beat a “Big Problem” . . . and doing so much faster than seemed likely, when the Problem was new and looked big enough to blot out the sun. American, as individuals, are mostly responsible for themselves; and as business leaders, are completely responsible for their companies. Those facts make the U.S. the most fertile ground in the world for the “green shoots” which grow out of fast and determined efforts to do things in new ways, to get around the Problem. From auto factories to accounting firms we’ve been seeing such innovations almost every day, across America.

To a great many clever people, this sounds like flag-waving mush. Those people are mostly inclined, these days, to predict years of slow recovery, or worse. They’re inclined that way both because they accurately see the colossal destruction which rippled through the economy (and still is rippling through it) from the Shutdowns; and because they don’t believe in the flag-waving mush. Only believing in what they can see and measure, they’re always inclined to picture the economy as a kind of robotic machine—the Tin Man of Oz, without his heart, clanking stiffly along in the right direction, hopefully.

That point of view is very widespread . . . and always “misses the whole point,” so to speak. That point of view, for example, is exactly why the market thought those 3 green circles made sense, as a value for Micron Technologies, at the company’s last 3 cyclical bottoms in 2011 (\$4 per share), 2016 (\$9) and 2019 (\$30.) Micron did not climb from \$4 to \$36, then from \$9 to \$63, because the company robot was clanking

ahead on some kind of schedule. It made those bottom values look silly because its leaders and people had the determination and nerve to act with great speed and effectiveness, and also to take chances. In every case, just what those people did to make Micron climb out of problems was absolutely *not* understood or predicted by the market's clever people ahead of time, while the company was wallowing in the green circle swamps.

Micron: 10 Years of Good People Fixing Big Problems



There are a hundred or a thousand such stories. Outlook's core companies are all good examples.

"There are more things in heaven and earth, Horatio, than are dreamt of in your philosophy," the man said. ("Philosophy" meant something more like "science and logic," back then.) If it weren't for such things, it would be somewhat questionable, we might say, to commit our sacred fortunes to companies in the middle of big problems. It would be somewhat questionable, in fact, to commit to companies any time, problems or not—because when any company is strolling down a sunlit street, free and easy, the school of hard knocks teaches us there will be a bear waiting around the next corner, slaving at the mouth and ready to pounce. But good people overcome terrible obstacles, in American business, if government gives them half a chance. These last two weeks have made it clear they're going to get that chance, starting now. Outlook is holding hard, and looking to buy more shares, as usual.

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