

## The Outlook: June 16, 2022

### ***“Bloodbath!” “Investors Panic as Recession Looms!”***

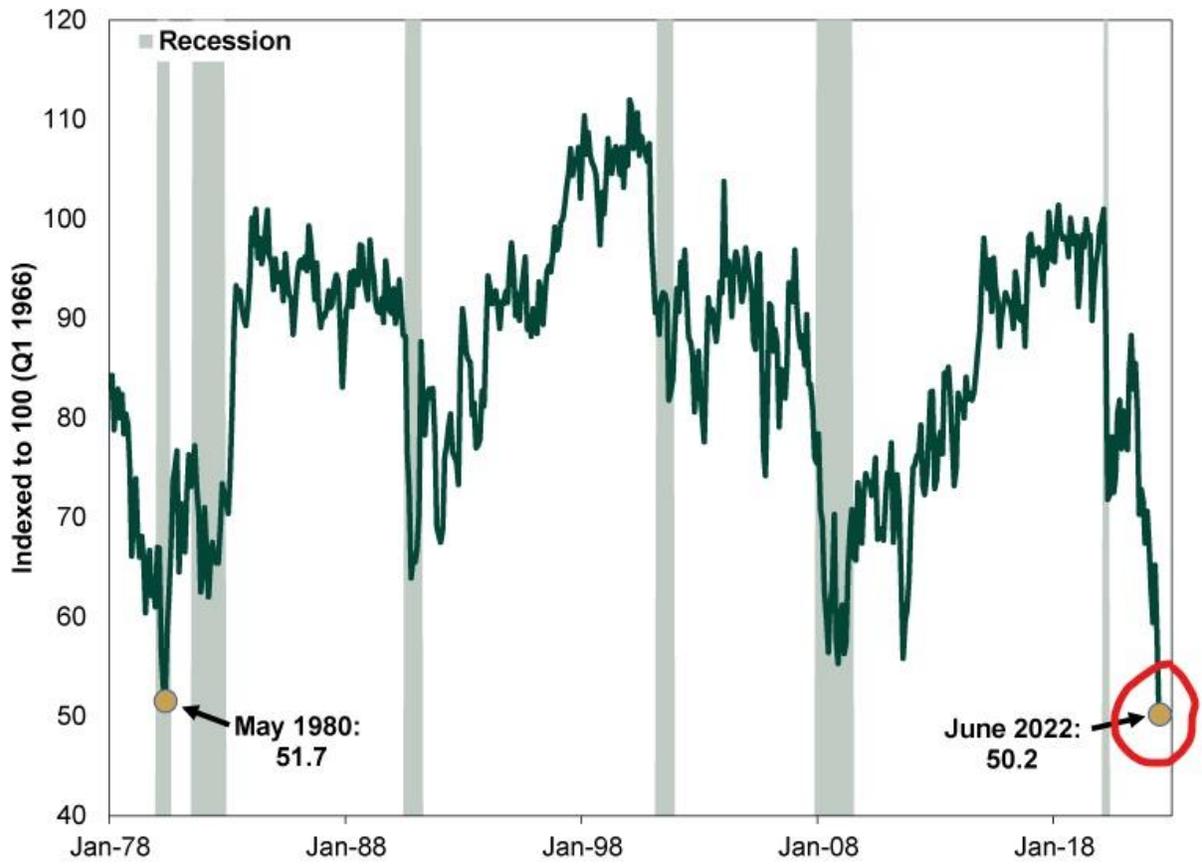
It was a fun day for headline writers . . . and they did well. Those two just scratch the surface, with lines like ***“Bear Market Gathers Steam!”*** and ***“21% Plunge Since January: What’s Next?”*** competing for our horrified gaze, when we could wrench our eyes from this kind of picture: a Sea of Red if there ever was one.

OCM Core Stock List SECURITY		Updated 16:02 EDT			Option
Overview	Data	Events	Alerts	News	
Symbol	Name	Price	Change	% Chg	As of (ET)
CAT	Caterpillar Inc	194.99	-11.01	-5.34%	06/16 16:00
CME	CME Group Inc	203.21	+2.33	+1.16%	06/16 16:00
CMI	Cummins Inc	189.12	-10.04	-5.04%	06/16 16:00
COP	ConocoPhillips	102.43	-6.90	-6.31%	06/16 16:00
FCX	Freeport-McMoRan Inc	34.89	-2.01	-5.45%	06/16 16:00
LMT	Lockheed Martin Corp	404.78	-9.32	-2.25%	06/16 16:00
MSFT	Microsoft Corp	245.05	-6.71	-2.67%	06/16 16:00
MU	Micron Technology Inc	55.01	-4.11	-6.95%	06/16 16:00
TXN	Texas Instruments Inc	151.39	-4.53	-2.91%	06/16 16:00
XOM	Exxon Mobil Corp	91.38	-3.51	-3.70%	06/16 16:00

Shall we be horrified, or shall we look at a few facts and think them over?

At Outlook our hat is off, today, to “Fisher Market Minder,” a daily analysis from the Fisher Investment Group written by analysts who approach almost every headline with an emphatic bias: “Oh yeah? We’ll debunk that!” The people at Fisher sometimes take that bias a little too far . . . but they’re mostly right, and always useful. One of the grim headlines lately has been the plunge in “Consumer Sentiment” as measured by a famous 50-year survey. It’s a survey, of course, which means it asks ordinary people “So, how are you feeling about your financial future at the moment?” Here’s the picture. Grim, isn’t it? The June survey says we’re feeling worse about our future than anytime in the last 46 years.

Exhibit 1: Feelings at a New Low?



Really? That’s the only sensible response, if we investors can bring ourselves to think a little bit. There is a lot of history in those 46 years; and a lot of genuinely awful memories: 15% inflation and 20% interest rates (1980 – 1981); rock-solid Tech companies losing 80% of their value 2000 – 2001); a run on the world banking system (2008 – 2009); the first act of global economic suicide in history (2020); and more. It may be that when we line up 2022’s Big Problems against some of that past history, we’ll reconsider our answer to the June survey—maybe tone it down a bit.

“Sentiment” is defined as “how we feel about things.” And as Outlook has mentioned once or twice, how we feel is mostly driven by our impressions, which are mostly driven by the size and blackness of the headlines.

Fisher wasn’t done. Next came this picture:

**Exhibit 2: Plunging Sentiment Didn't Hurt Consumer Spending or Stocks**

	UMich CSI (Period Change)	S&P 500 (12-Month Forward Return After CSI Low)	PCE (12-Month Growth Rate From CSI Low)
Jan 1980 - May 1980	-22.8%	25.0%	2.4%
April 1990 - Oct 1990	-31.9%	33.4%	0.4%
July 2005 - Oct 2005	-23.1%	16.3%	3.1%
Sept 2008 - Nov 2008	-21.3%	25.4%	-0.1%
May 2011 - Aug 2011	-24.9%	16.1%	1.1%
Feb 2020 - April 2020	-28.9%	46.0%	1.9%

Those determined debunkers at Fisher scrutinized history and dug out the 6 worst plunges in “Consumer Sentiment” in the last 46 years. They’re at the left. Then they asked, “Hmm. We wonder how the market did after so many of us said we’re feeling so terrible?”

That’s the green box in the middle. Of course we’ve all seen this coming, haven’t we? The market roared ahead, pretty much, after every one of those 6 fits of consumer depression. And on the far right, what consumers actually did with their money was mostly “live and spend normally” rather than “buy gold and canned goods, and run for the hills.”

Franklin Roosevelt said “The only thing to fear is fear itself” because he understood human nature, which makes us feel like freezing both our actions and our brains when we’re frightened enough. But we must never do that. At Outlook we think this market is giving away dollars for 50 cents. It does that from time to time. We’re buying.

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