The Outlook: Jan. 22, 2021

The Big Picture, Unchanged. (Thank Goodness.)

"The Big Picture," if we get it right, doesn't change very fast. It sticks around while the truly important things which it highlights keep doing just what the "Big Picture" showed us they're doing. The Big Picture today is exactly what it's been since the summer of 2020, when we began to see what American people and businesses were doing once we were past the first shock of the Virus and Lockdowns:

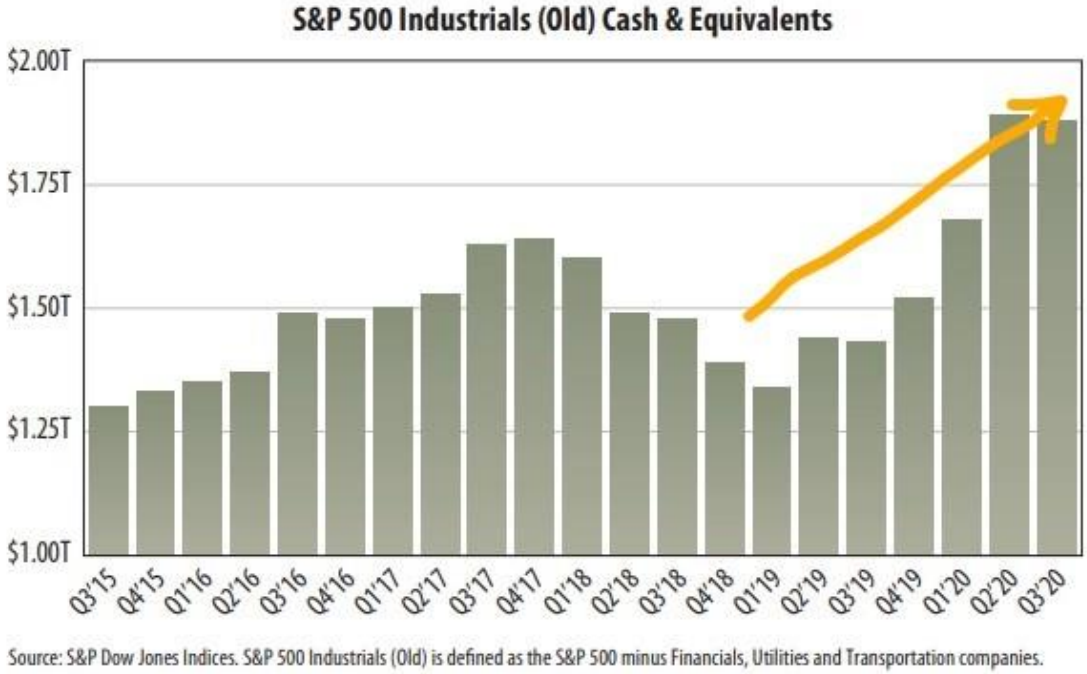
The Big Picture: Extraordinary calamities, both natural and man-made, followed by extraordinary determination and ingenuity.

The "calamities" part of the Picture is still with us, of course, with "Virus" and "Lockdowns" still rearing their fearsome heads, but tamed to a distinct degree by "Vaccines" and by time and experience. The "determination and ingenuity" parts of the picture were merely "green shoots" last June . . . but they are strong oak trees today, bending a little in the teeth of "Virus and Lockdowns Continued," but growing stronger every week and month regardless.

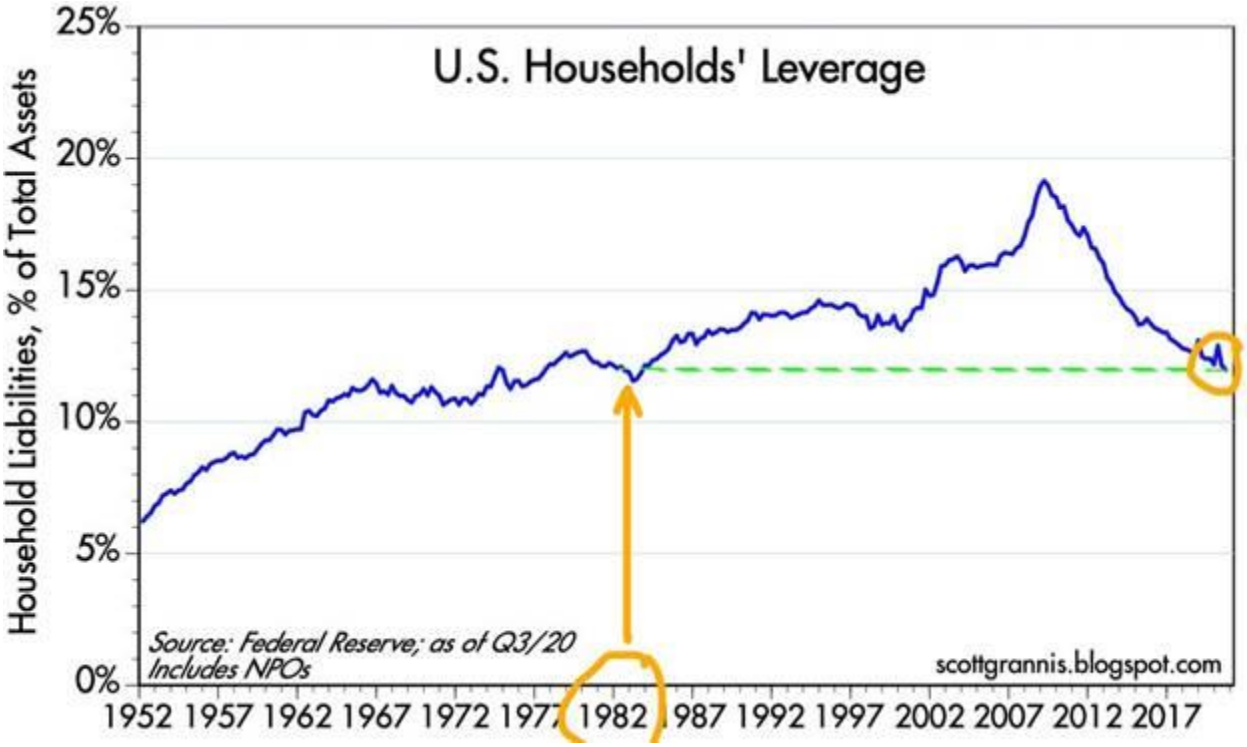
At Outlook we spend most of our time intensely following the business operations of the companies we own—and a few others. We've been at this for decades and possibly learned one or two things—the hard way, naturally. One of those things is that the determination and ingenuity of American business leaders is the best in the world, as a whole, and pretty often accomplishes amazing things. There is a vital foundation for those amazing things, though: financial strength. A company might be run by a CEO who combines the best traits of Andrew Carnegie, Nelson Rockefeller and Henry Ford; but if his company, when torpedoed by unexpected calamity, has too little cash and too much debt . . . watch out. There have been a good many brilliant CEO's who failed at fixing their companies' problems simply because their debt and liquidity obstacles were so high that *nobody* could clear them.

Hence the huge importance of the "background" for today's Big Picture. That background is a US economy—business and consumer sectors combined—which since the Calamity of 2008 – 2009 had been acting just as we'd expect normal people to act: building up cash and trimming debt, so that they couldn't be destroyed by a repeat of that problem. The foundation of financial strength let all that determination and ingenuity work their miracle, from 2009 – 2020 . . . and it's been letting them work the same kind of miracle since the summer of 2020.

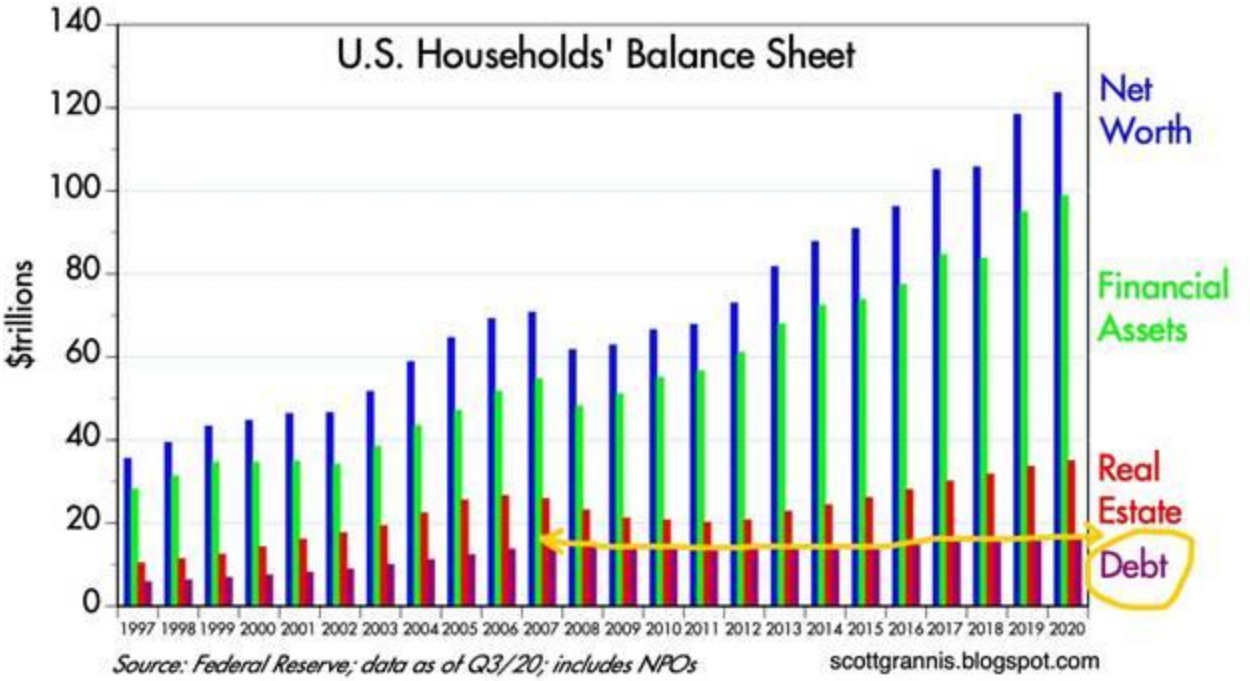
Time for pictures:



First the "big" business sector, above. Cash on hand is at historic highs, and we can see the acceleration the moment those "Virus and Lockdowns" calamities showed up.



Next the consumer sector, whose debt load is at 40-year lows. This picture deserves a closer scrutiny, below.



As we can see from the sharply-climbing value of households' investment capital (green bars), the 40-year low in consumer leverage has been driven mainly by a long-term rising stock market (bond market, too.) But that is *not* the whole picture. The gold line from 2007 to 2021, "Debt," is remarkable: 14 years with no growth in debt, for American households as a whole. It's remarkable, and it's also "normal:" that is, normal human beings reacting sensibly to fearsome, even catastrophic events. In the face of those things we pull in and protect ourselves against a repeat. That slows us down somewhat, for a while, but it also builds an extraordinary foundation of strength for the future . . . which was a lifesaver when the calamities of 2020 came 'round the corner.

That foundation has only grown stronger since early 2020—and it is already helping "determination and ingenuity" work their miracle of stubborn growth in the face of continuing "Virus and Lockdown" headwinds.

That's the Big Picture . . . unchanged.

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