

## The Outlook: Nov. 30, 2021

### *Mr. Ramaphosa's bucket of cold water*

We talk a lot about “Nightmares,” when we’re looking at whatever the market’s done lately. “Nightmares” are very frightening . . . but not real, even though they’re often triggered by something disturbing in our daily lives. That’s the nature of the market, right there—because it’s our nature as human beings; and the market is mostly an almighty crowd of somewhat normal people who’ve chosen to take chances with their money every day. So “disturbing things” become Nightmares all the time, for that daily betting crowd . . . hence the 900-point plunge on Friday, curtailed rocket on Monday, and 650-point plunge today.

But with the rarest of exceptions (Pearl Harbor, for example) the “disturbing things” do not become real-world Nightmares. They become real-world Problems, which Main Street fixes: sometimes fast, sometimes slower . . . but always fixes. The Virus, these past 21 months, has been about as good as a “disturbing thing” can get at creating Nightmares for the market’s betting crowd. “How deadly will it be?” “How fast will it spread?” and “How many mutant forms will crop up, defeating all the prior fixes?” That’s a Nightmare with legs—and this week’s Omicron Variant is just the latest lap of the race.

But the Virus has been an economic and market nightmare because of the world’s terrified response to it, far more than because of the deadliness of its nature. It’s not “denial” but simply “factual” to observe that the Virus is not remotely like smallpox or the black plague of the Middle Ages. Eventually, as Outlook has noted a few times, facts drive most of our judgments—even if fear drove our judgments in the beginning. So as we wonder how long and deep this “Omicron” nightmare might go, we might appreciate what South Africa’s President Cyril Ramaphosa said on Sunday:

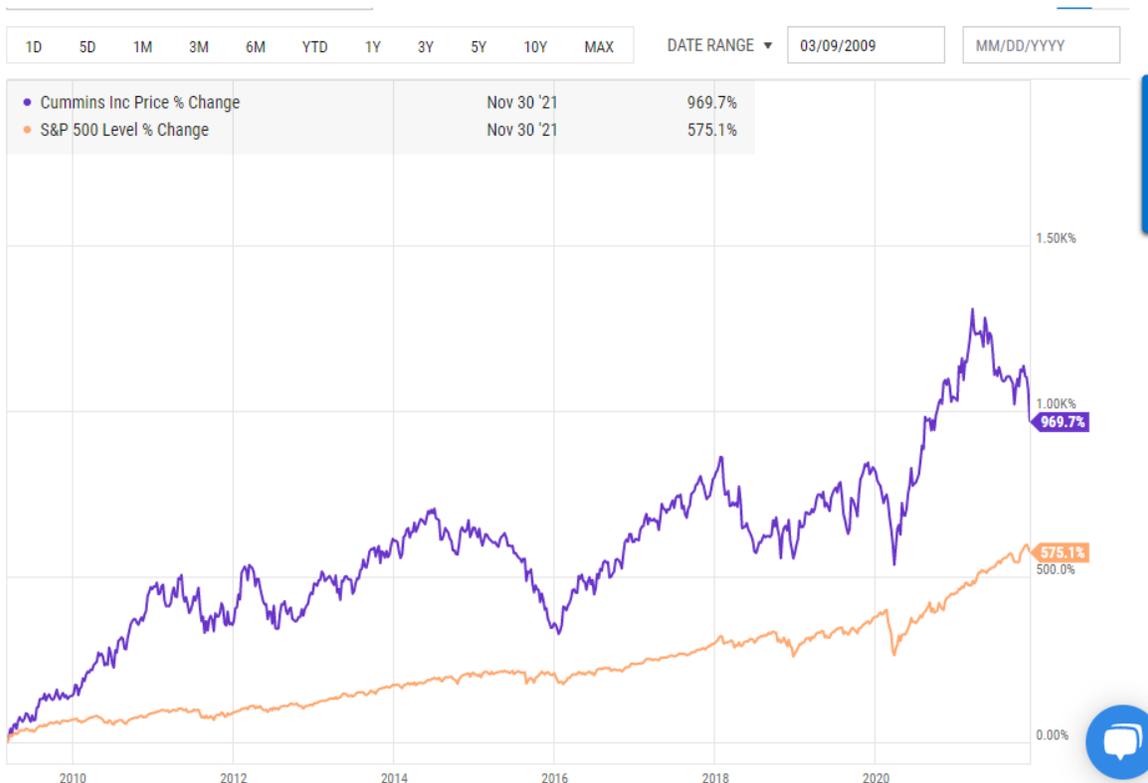
“Our country will not impose a lockdown or increase restrictions. When we encountered previous waves of infection, vaccines were not widely available and far fewer people were vaccinated,” he noted. “We also know that the coronavirus will be with us for the long term. We must therefore find ways of managing the pandemic while limiting disruptions to the economy and ensuring continuity.”

That kind of statement is a bucket of cold water in the Nightmare’s face, isn’t it?

What does this mean for us investors? At Outlook, the similarity between “2021-and-beyond” and “2009-and-beyond” is striking, so far. The 11-year bull market and economic expansion after the 2009 Financial Calamity happened not despite the terrible damage done by the Calamity, and the lasting global anxiety which followed . . . but because of those things. Business leaders and common citizens alike recovered from the shock, and built up their defenses to ensure they wouldn’t be hammered that badly, ever again. This picture is one of the results.



The green arrow highlights the amazing acceleration in business profitability from 2009 right through today. Why? Because of the continuing Tech Revolution, and even more because of people's determination to strengthen themselves and their companies. And how did the market feel about this remarkable acceleration, during the 11-year ride?



It worried about it constantly, for 11 solid years; and it suffered Nightmares over and over again. The purple line up there is Cummins, which shows the worry and the Nightmares a little more clearly than the orange line for the market itself. But both results were downright spectacular. The market

gained 16% per year, on average. Cummins gained 21% per year. The market's historical norms have always been in the 9% - 10% range. The 2009 – 2020 Bull Market shattered those norms because of facts, not because of crazed speculation. The facts were the cold cash profits shown in the first chart, plus a world of other good things for companies and investors. Those facts kept driving the market for 11 years because the market's recurring Nightmares kept defusing that "crazed speculation" (regardless of a relative handful of Celebrity Tech stocks which were indeed fairly crazed.)

We won't know for sure until we look back on today, a decade from now. But at Outlook we're very willing to bet things will turn out essentially the same way. When we look at it that way, although laughing merrily at 600 to 900-point plunges might be too much to ask, a shrug and a smile wouldn't be out of line.

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