

The Outlook: Dec. 2, 2022

A story: old, but profound.

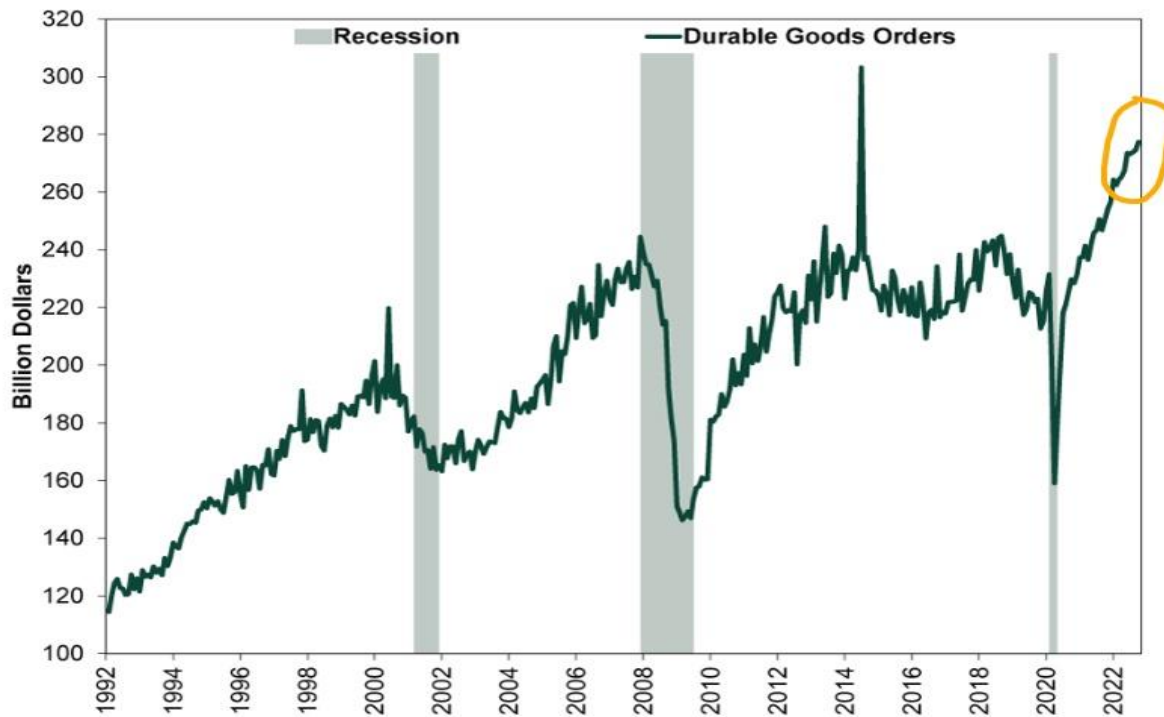
Here are a few recent charts which tell an old story: old, but profound.



The red arrows mark the awful depths of the Virus and Lockdown Calamity about 30 months ago. These two pictures are still jaw-dropping. Instead of the normal 2,500,000 daily air travelers, there were less than 100,000. Instead of the normal 70% occupancy of hotel rooms, the number was 20%. As that terrible year inched on, and as employees by the tens of millions “worked from home”, it was just about impossible to find anyone who did not think the hotel and airline industries were train wrecks for the foreseeable future. “We all found out we could work from home! Why would business travelers ever go back to living their lives in airports and hotels?” That was the “common sense” of the day . . . and even those of us who value common sense very highly found it pretty tough to answer that question.

As usual, Main Street answered it for us. The green circles up there show how air travel and hotels are doing today. They’re back to normal. Some train wreck. Let’s glance at one more picture, from this week.

Exhibit 1: Durable Goods Orders Making New Cycle Highs



Source: Federal Reserve Bank of St. Louis, as of 11/29/2022. Durable goods orders, February 1992 – October 2022.

Durable goods orders are a kind of thermometer, showing how weak and sick America's factories might be feeling at the moment. Durable goods cost plenty of money, so when Main Street's feeling feverish it is not very interested in plunking down big money for them. Main Street hasn't exactly been sick since the Virus and Lockdown Calamity, has it? That 30-month rise in durable orders, up there, is the most explosive and sustained rise in 30 years or more. It's gone on month after month, and November kept the streak going.

What's the profound old story?

Main Street doesn't scare very easily . . . and every now and then, when something startling turns the corner and spooks it, it doesn't stay scared very long. America's normal, hardworking businesspeople and consumers clearly don't pay much attention to frantic headlines or shouting politicians. Thank goodness. That old story is the profound lesson from the investment and economic worlds over all the long years. It takes a lot to derail Main Street. It's not a good idea to bet against it.

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