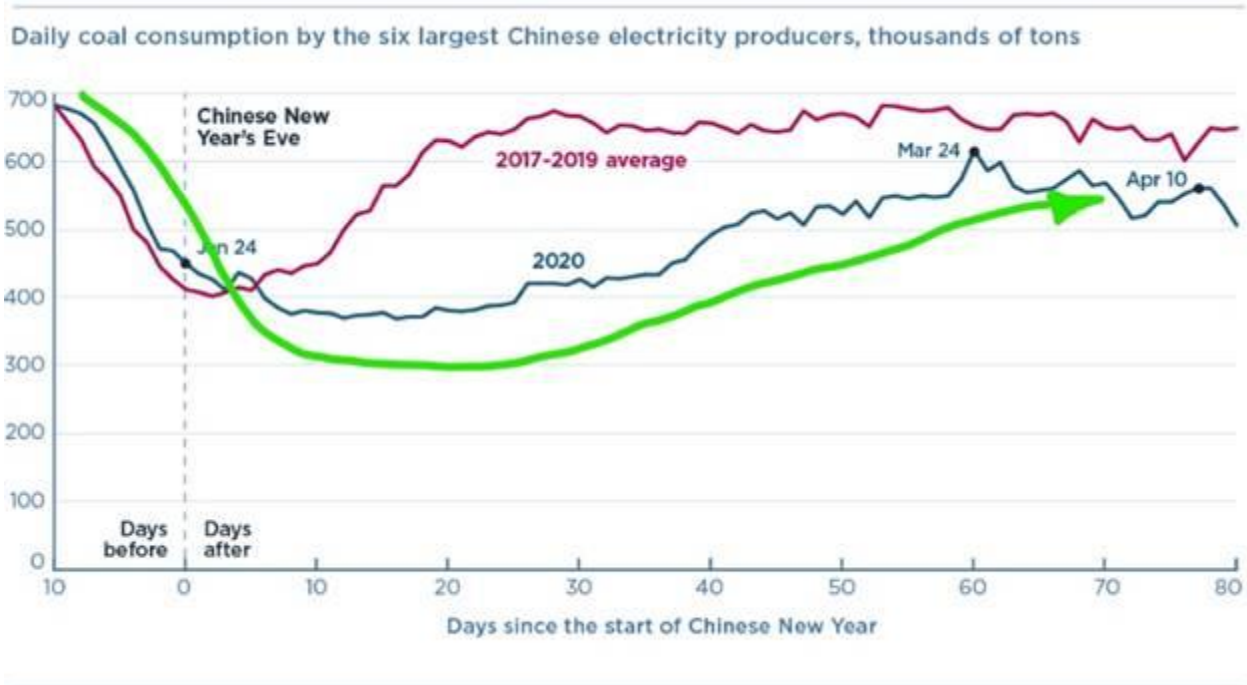


The Outlook: April 16, 2020

Even with a giant grain of salt, a useful message from China.

It's mighty hard to find anyone saying anything good about China, these days, isn't it? China's dictator, after an amazing string of blunders through the "Trade War Crisis" of 2018 – 2019, seems to have doubled down on that streak during the Virus Crisis of 2020. Most of us have a natural inclination to assume that people who've climbed to the top of giant nations—even dictators like Mr. Xi—may not have good values, but must surely have a certain amount of qualities like knowledge, shrewdness and good judgment. The best way to cancel out that assumption is to read enough history. Eventually we get a pretty good handle on "giant" figures of the past. Some of them—Abraham Lincoln being Outlook's favorite example—turn out to be greater and greater, the more we know about them. But most of them turn out to have had completely human weaknesses and flaws, often including a jaw-dropping shortage of "knowledge, shrewdness and good judgment." Mr. Xi has placed himself deep in that category.

Among the facts the world grasps about China these days is that most of its statistics can't be trusted at all: with Example One of that statement being only 82,000 Virus cases and 3,300 deaths. (When anyone from a whole nation to the occasional dishonest public company begins making up numbers to suit its interests, time has a way of making the false numbers look too far-fetched for words, eventually; which is China's current problem with its Virus statistics.) Having said all that, though, here we are looking at an interesting picture of a vital economic statistic, from China.



The top red line is the range of tons of coal used by Chinese electricity producers over the last 3 years. The blue line is "2020 Virus Coal Consumption." It plunged by 35% - 40%. A sensible observer would assume it was actually worse . . . but the reported numbers are bad enough. Then it began to rise—in fits and starts, but mostly higher nevertheless, and very gradually catching up to the non-Virus "norm" of past years.

Can this chart be trusted? Outlook's opinion is "Yes, broadly—not the specific numbers, but the general upward trend and its speed." One reason to "trust" a chart like this is that it's confirmed by a few other numbers which are much harder for China to make up: particularly a fairly sharp surge in copper imports recently. The dollars China spends on copper imports are real and valuable, for any company in China which has been through the wringer this year. It's one thing to tell China's government number-crunchers that yes indeed, you are patriotically burning more coal for electricity these days, as "recommended" by the dictator and his crew. It's quite another thing to hand over precious cash to an Australian or American copper company—unless you're pretty sure you can use it, and your customers will buy the copper-based products your factories are making.

So this chart has a genuinely useful message for us over here, as we try to understand the future speed and strength of our economy's recovery from the Shutdown. We might sum it up like this: "Believe it or not, things do come back."

Eleven years ago we began climbing out of the "Catastrophe of 2008 – 2009." It was truly hard for people to believe, back then, that the U.S. and world economies could possibly shrug off the awful consequences of the global financial panic. Recovery was sure to be "L-shaped," meaning a flat, barely-conscious rise from the bottom of the cliff, over an appalling number of years. It wasn't. Economic activity and the operating performance of the business sector grew steadily, and sometimes very strongly, right from the beginning. There is absolutely no explanation for that except "that's how free, determined people and companies behave, when they get half a chance to rebuild."

If China's recovery is even half the path reported in that chart up there, the U.S. recovery will be stronger and faster. It will not be "V-shaped:" that's too much to expect. But it's rather likely to be stronger and faster than we can easily imagine, at this moment.

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