

The Outlook: May 4, 2022

Shambles in the betting crowd's mind . . . not on Main Street.

"Fed Lifts Rates by Half Point in Biggest Hike Since 2000!" was the day's big headline. The sub-heading beneath was "Powell Quashes Talk of ¾ Point Hike, Fueling Surge in Stocks!" And the essence of the story was that the Sea of Green below, and a 932-point rocket for the market, happened because "investors" were so relieved that the Federal Reserve will only hike rates a half-point per month or so, this year . . . and never by ¾ point. Hmm.

OCM Core Stock List SECURITY		Updated 16:00 EDT			Options
Overview	Data	Events	Alerts	News	
Symbol	Name	Price	Change	% Chg	As of (ET)
CAT	Caterpillar Inc	222.92	+9.30	+4.35%	05/04 15:59
CME	CME Group Inc	220.78	+1.62	+0.74%	05/04 15:59
CMI	Cummins Inc	208.87	+6.74	+3.33%	05/04 15:59
COP	ConocoPhillips	103.94	+5.01	+5.06%	05/04 15:59
FCX	Freeport-McMoRan Inc	41.32	+1.17	+2.91%	05/04 15:59
LMT	Lockheed Martin Corp	445.62	+10.85	+2.50%	05/04 15:59
MSFT	Microsoft Corp	290.07	+8.29	+2.94%	05/04 15:59
MU	Micron Technology Inc	73.59	+2.33	+3.27%	05/04 15:59
TXN	Texas Instruments Inc	176.14	+3.60	+2.09%	05/04 15:59
XOM	Exxon Mobil Corp	91.72	+3.53	+4.00%	05/04 15:59

As the old saying goes, "If we believe that, there's a bridge in Brooklyn someone will sell us."

The unspoken idea behind those headlines is that the market's vast speculating mob has a keen understanding—a supernatural understanding, in fact—of the delicate balance between interest rates rising "fast enough" to tame inflation without plunging the economy into recession, and interest rates rising "too fast" for the economy to bear the load . . . triggering a plunge into recession which is always the mob's Number One Nightmare. The idea, further, is that such a delicate balance will be wrecked by exactly one-fourth of an extra point of rate hike, even among a crowd of one-half point hikes headed our way over the next 6 to 12 months. The only word for that idea is "silly."

There is indeed an unspoken idea behind today's green rocket . . . but it needs no supernatural understanding. It's plain and clear.

The market's betting crowd has been trashing most companies' stocks for a while—as if a hurricane just passed through Main Street and it's in shambles. But it didn't; and Main Street is doing very well. This Quarterly Earnings Season is already making that "plain and clear." Company after company—especially the Outlook firms enjoying that Sea of Green overhead—is reporting solid results; often outstanding results. They're reporting those results despite "Supply Line Chaos!" "War in Ukraine!" and "Inflation!" Their financial strength has been Rock of Gibraltar strength for a long time . . . and only gets "rockier" with each passing quarter.

There is no trace of shambles on Main Street. There is only strength and progress toward each company's goals.

The market never stops trying to frighten us out of good positions. But in between all those repeated attempts the market keeps throwing in the towel and buying with both hands—because Main Street's reality is ever so much more powerful than Wall Street's impressions and passing nightmares.

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