

The Outlook: May 1, 2020

“Pandemic Long Term Pain!” from the headlines. “Green Shoots” from Exxon.

“The Pandemic’s Long-Term Pain Is Just Becoming Clear to Markets” was the headline this morning. By the end of the day, adding up to around 900 points of “Down!” in the last two days, it began to look like a pretty good explanation.

No need, Friday evening, to explore the details of that “Long-Term Pain.” Sometimes, at Outlook, we exaggerate a little . . . being as human as the daily headline-writers. But weeks ago, when we began saying “The Virus Shutdowns have triggered not ripple effects, but tidal waves of destruction rolling back and forth through the global economy,” we weren’t exaggerating a bit. It was perfectly clear that would happen; just as it was perfectly clear that shocking numbers of politicians were not going to grasp the scale of the destruction until it was crashing on top of them—and their voters.

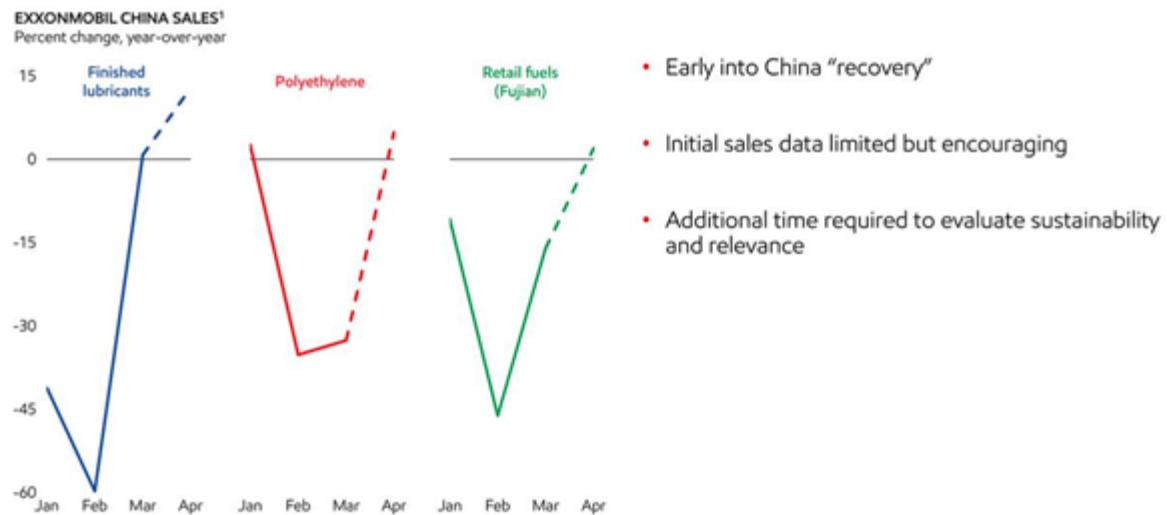
That is what’s happening right now, with today’s 30 million lost jobs total being just the worst of the hundreds of examples. It will go much higher. “Long Term Pain Becoming Clear!” indeed.

With April’s 13% bounceback, the market simply showed us how it can and will behave, sometime, once the Virus Shutdown is finally shut down, itself, and looks highly unlikely to come back. The April Bounceback wasn’t the sighting of blue sky ahead, or green shoots underfoot—it was only the market coming to its senses enough to admit there is a real-world difference, economically, between adjectives: “awful,” “terrible,” “catastrophic” and “end of the world” are a range of descriptions of very bad news on Main Street. The economy (Main Street) is somewhere in the “terrible” to “catastrophic” neighborhood. It is not at “end of the world,” and in April the market admitted it.

We can only guess just when “terrible to catastrophic” will fade back toward “grim but improving.” The most popular guess at the moment is in the 4th Quarter of 2020. Whether that turns out to be true or not, our companies will endure and eventually gather speed again as they rebuild their growth paths. But we’d all certainly like to know “when”, wouldn’t we? Here are 2 pictures which can’t tell us “when,” but do begin to dab blue paint on the sky up there.

Exxon Mobil: Sales of Oil Products in China in 2020

CHALLENGING MARKET ENVIRONMENT



¹See Supplemental Information

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The best thing about this chart is that it gives us certainty. These are facts from Exxon about China . . . not "facts" from China supplied by China. Yes, they are real. When Exxon CEO Darren Woods showed this picture during this morning's Earnings Call, an analyst asked, "Do this mean you're seeing a "V-Shaped Recovery" in China?" Mr. Woods replied, roughly, "With what we've been going through this year, I wouldn't make any prediction like that. We just don't know. But we do know one thing: the strength of returning demand for Exxon products in China has surprised all of us, in the company. We'll see what happens next."

Here's the next picture:

Traffic in Beijing, April 23



Traffic travel along a road in Beijing, China, on April 23. Photographer: Giulia Marchi/Bloomberg

A month ago that 6-lane road was empty. The far-right section of the Exxon chart shows “Retail Fuels” consumption, in green, tracing out a “V-Shaped Recovery” if there ever was one. That, of course, is what those cars are running on.

Here is something about the nature of the market. On any given day, it has a very hard time holding more than one “big idea” in its mind. The “big idea” today was “Long Term Economic Pain Just Becoming Clear!”, hence 622 points of “Down.” But the Big Idea of the market’s day is never anything remotely close to the “Whole Picture” of the economy, or of excellent companies run by extraordinarily determined people. These 2 pictures show us something more of the Whole Picture than that “Long Term Pain” headline suggested . . . and it would be quite all right to call this part of it, “Green Shoots, Indeed.”

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