

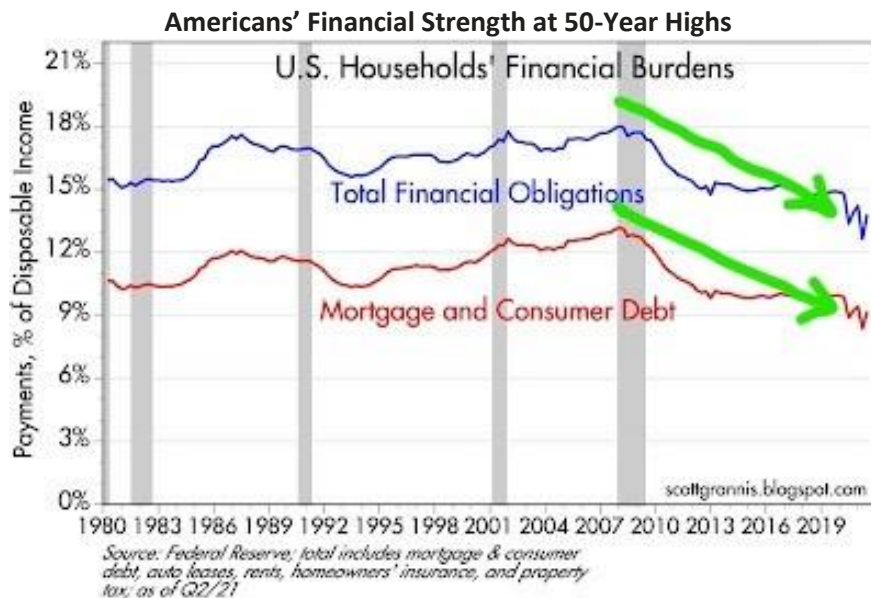
The Outlook: Nov. 2, 2021

Financial Strength Wins. Constant Fears Lose . . . Eventually.

Here's another of Outlook's "Golden Rules." It's especially important in today's investment world, where "Constant Fear" has dominated the investment climate since March, 2020.

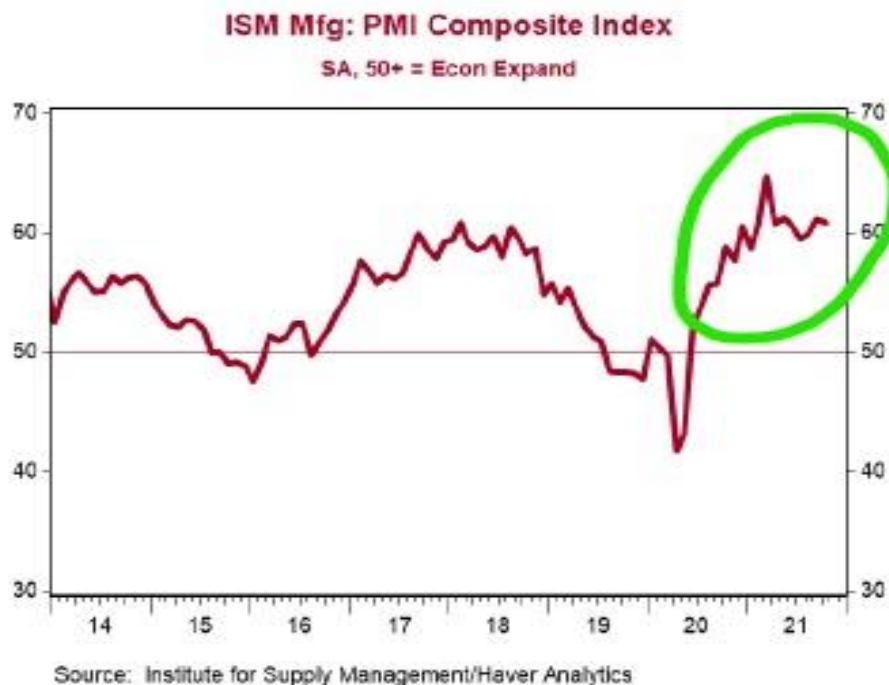
"The stronger we are before the Problem hits, the better we'll handle it."

That is pretty simple and obvious, isn't it? But the "simple and obvious" are so often buried under a blizzard of complicated explanations and foggy jargon, when the Problem is actually upon us, that it's terribly easy for most of us to lose sight of the simple things which really matter: whether we're wondering about Problems in economics, personal health, politics or even war. Here are a couple of pictures straight out of that Golden Rule:



Economist Scott Grannis always keeps track of that picture, thank goodness. Those green arrows begin in 2007, when the exact opposite ruled: Americans' financial strength was the weakest in decades. Along came the Global Bank Run of 2008 – 2009, the worst economic crisis since the Depression, just when Americans were at their weakest. It wasn't "Constant Fear" back then . . . it was "Constant Terror." But that terror was an almighty engine driving our behavior for the next 12 years, both as individuals and business people. It drove us to make darned certain we'd never be so vulnerable again. We reacted to something fearful like normal human beings, working hard and fast to prevent a repeat. The result was a position of great strength, for U.S. business and consumers, when the next Problem hit, 18 months ago.

That strength explains this next picture. That green circle shows the stunning speed and strength of U.S. business' return to growth, after the Virus and Lockdown Plunge. (Everything over the "50" line means manufacturing growth.) That rocket recovery, expected by almost nobody, depended completely on the financial strength of American business before the Virus Problem hit.



That same strength, for individuals and companies, explains why “Constant Fear” keeps failing to knock out this economic recovery, and this new Bull Market. The constant fears are not all imaginary (though some sure are.) There are real worries scattered around, and they won’t disappear. But Main Street USA has been in the business of coping with “real worries” for a very long time indeed. The overwhelming message from this Quarterly Earnings Season, so far, is that Main Street is coping quite well with today’s Constant Fears. As usual we mean to hold, and buy more shares whenever we can.

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Outlook Capital Management, LLC
125 S. Wilke Road, Suite 200E
Arlington Heights, IL 60005
847-797-0600