

The Outlook: June 5, 2020

Mr. Roosevelt Explains.

Before reading yet another commentary on today's spectacular market, let's just enjoy the picture:

Market Fun: Up 5% for the Week. Freeport Up 20%.



Those green circles are the “gap ups” as the market opened, 3 of the 4 mornings this week. If those green circles could speak, they would say: “Here’s why you don’t wait to invest until things feel “safe.” They never do—until it’s too late.”

But that is not what’s important about today. To understand what’s important, remember that there are two kinds of people in the economic world: the observers and critics who make remarks from the sidelines, perched on Wall Street; and the men and women of action, who actually build—and must often repair—things on Main Street. The vast crowd of people—dominated by speculators—which is the market are the observers and critics. So is the vast crowd of media, professors and politicians. The much bigger crowd of people (thank goodness) who must rely on themselves to build and rebuild their personal lives and their businesses, large and small . . . are the men and women of action, on Main Street.

The employment report which triggered today’s explosion was a real stunner, foreseen by nobody. Instead of 7.5 million more jobs lost in May, as expected, the jobs report said 2.5 million jobs were *gained*. And the market was off to the races and never looked back.

But “off to the races and never looked back” was nothing to be impressed about, or even surprised about. It was just the market acting according to its nature. The shocking “Lockdown!” news, 3 months ago, gave the speculating crowd a strong impression to bet upon: the impression that the economy’s sky

really had fallen, and it would take unthinkable amounts of time and effort to hoist it up again, and maybe it couldn't be done. That impression held up for a few weeks in March . . . until the usual slow stream of real-world facts began to make the impression look shaky. Then the spec crowd abandoned that one-way bet and gradually shifted to the impression created by that stream of facts: "maybe the sky is still up there after all." Today's jobs shocker eliminated every last trace of "maybe" from that last impression.

It didn't do anything more than that. Every economic statistic in the world comes with a "buyer beware" sticker: "To be revised, in the future!" The May jobs report will certainly be revised, and who knows where it will end up? But it won't matter. The stream of real-world facts always makes false impressions vanish . . . eventually. Those facts are going to be filled with "green shoots," mostly—***because Main Street is planting them and making them grow.***

Nobody in the world, among the "observing" crowd, thought the U.S. economy had any "right" to add 2.5 million jobs last month (and that includes the observers at Outlook.) But the saving grace for all of us investors has always been this: those who are "in the arena" on Main Street do not take directions from the observing crowd. Quite often they seem, thank goodness, to completely ignore that crowd. Those who are "in the arena" on Main Street simply build their lives and businesses, and must often rebuild them after some economic or political tidal wave has knocked them down. On Main Street people understand the overwhelming power of determination, and of the willingness to take risks. But the observing crowd stands so far outside that arena that most of it does not grasp the power which lives there, nor what creates it.

It has been impossible, since the Shutdown began in March, to make investment decisions as we usually do: understanding the basic direction of things, then closely watching that "stream of real-world facts" for signs that the direction might be changing in some way. The Shutdown turned the world upside down, and the sensible practice of watching for small changes suddenly made no sense . . . for a while. That meant that we investors had to fall back on something rather deeper and more profound: our core belief in the power of Main Street to fix problems and overcome obstacles, no matter how shocking. Many investors do not have that core belief. They sold, and they have paid for their lack of understanding ever since. If they survived, they'll do the same thing again in the future. The truth is that core beliefs and values matter more than cleverness, in every walk of life including the investment world. That truth is always what long-term investors are betting on, when it comes down to it. We'll keep betting on it.

"It is not the critic who counts; not the man who points out how the strong man stumbles, or where the doer of deeds could have done them better. The credit belongs to the man who is actually in the arena, whose face is marred by dust and sweat and blood; who strives valiantly; who errs, who comes short again and again, because there is no effort without error and shortcoming; but who does actually strive to do the deeds; who knows great enthusiasms, the great devotions; who spends himself in a worthy cause; who at the best knows, in the end, the triumph of high achievement, and who at the worst, if he fails, at least fails while daring greatly, so that his place shall never be with those cold and timid souls who neither know victory nor defeat." (Theodore Roosevelt.)

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