

The Outlook: Feb. 2, 2021

The Golden Rule of Fear

At Outlook we've mentioned, once or twice, that very old-fashioned Golden Rules—all easy to understand—govern our success as investors, just as they govern our success at everything else in life. Being human, most of us find that hard to believe until we've been around the block so many times that our bumps, bruises and old scars finally convince us.

One of those principles is this: "Fear clouds our judgment better than anything else in the world. So when we're afraid, we must make ourselves think calmly and clearly anyway—or we'll be sorry."

At Outlook we've seen this Golden Rule in action countless times over the decades . . . but the year 2020 just might take the cake for extreme fear, clouded judgment and sad consequences, all cropping up in every corner of the investment world as well as every other world. Our natural fear of a serious disease became extreme fear, fanned as always by people behaving normally in response to fear—not admirably, but normally—in the media, politics, science and everywhere else. A tidal wave of clouded judgment swept all before it, and "calm, clear thinking" was as rare as it always is.

All that fearful, clouded thinking is still hanging around the investment world in 2021, but it's like a thick midnight fog beginning to break up under the morning sun. At its thickest and most fearful, we might express it this way: "A deadly disease is here; we've turned business and life itself upside down in response; will things ever return to normal?" Investors like Outlook answer, "Maybe not normal, but close enough," and we hang onto our positions like bulldogs. Investors who differ say, "The disease and its economic consequences are here to stay, to some degree, so "normal" is out of reach for the foreseeable future." That crowd tends to think the market's progress has been something in the same broad category as the current GameStop silliness: "Sure to end badly for the optimists."

As always, only time and the gradual arrival of hard facts will settle who is right and wrong. Let's glance at a few of them—mostly courtesy of economist Brian Wesbury's outstanding weekly "COVID Trackers."

Estimated COVID-19 Infections and Deaths by Age Group

February 2020 – December 2020

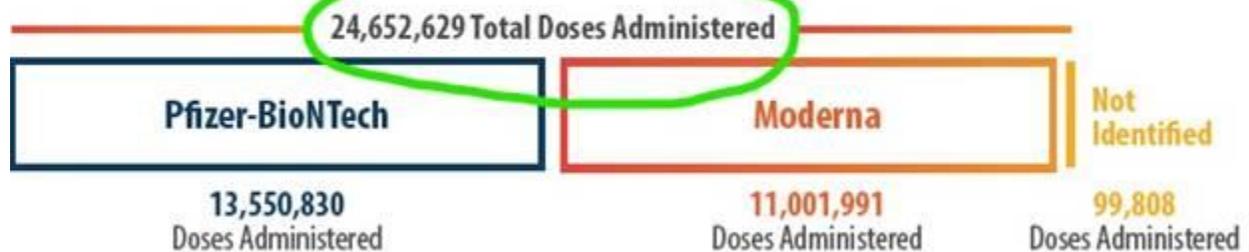
Age Group	Infections	Deaths	Infection Fatality Rate
0-4 yrs	3,001,623	51	0.002%
5-17 yrs	14,550,829	96	0.001%
18-49 yrs	41,940,215	13,521	0.032%
50-64 yrs	14,447,134	44,879	0.311%
65+ yrs	9,039,683	243,132	2.690%
All ages	83,111,629	301,679	0.363%

Sources: CDC.gov, First Trust Advisors

By this point in time, there might be exactly one undisputed thing to say about the Virus, highlighted by the fatality numbers in that orange square: “Never before in human history has the world, or any single nation, decided that such figures deserved such a drastic response.” That leaves nothing else to say, so here’s the next picture:

U.S. COVID-19 Vaccine Doses Administered by Vaccine Type

As of January 27, 2021

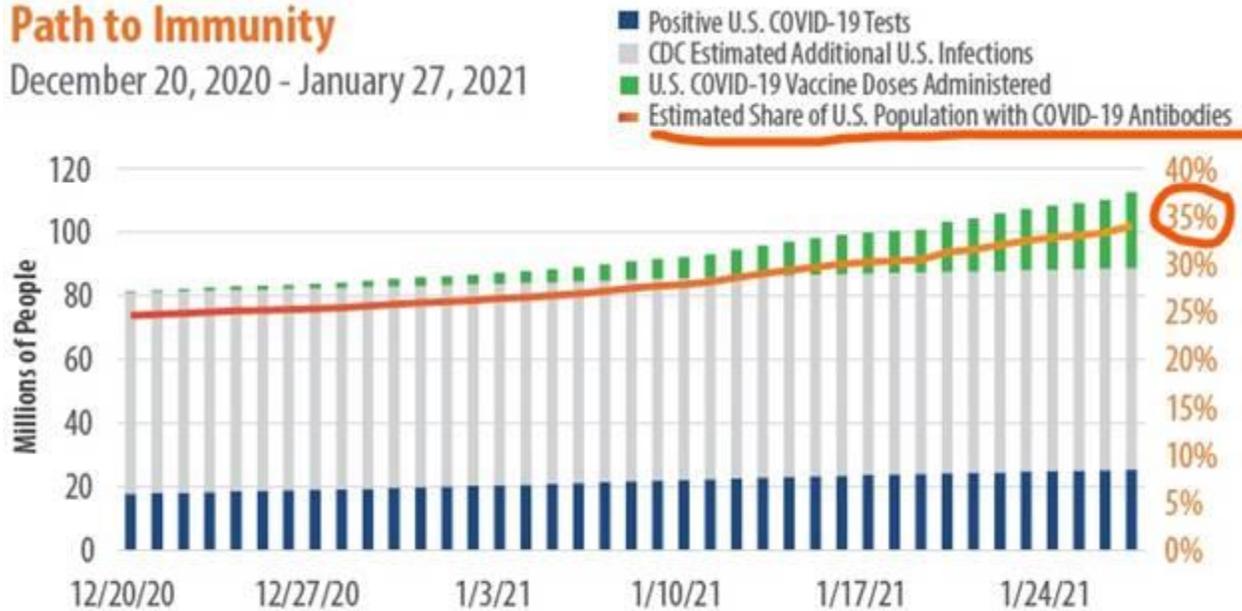


Source: CDC.gov

25 million vaccine doses administered a week ago. That means 32 million doses, or so, as of today. That’s “only” 10% of the population . . . but the numbers are rising steadily, aren’t they? Next is the most powerful picture of all:

Path to Immunity

December 20, 2020 - January 27, 2021

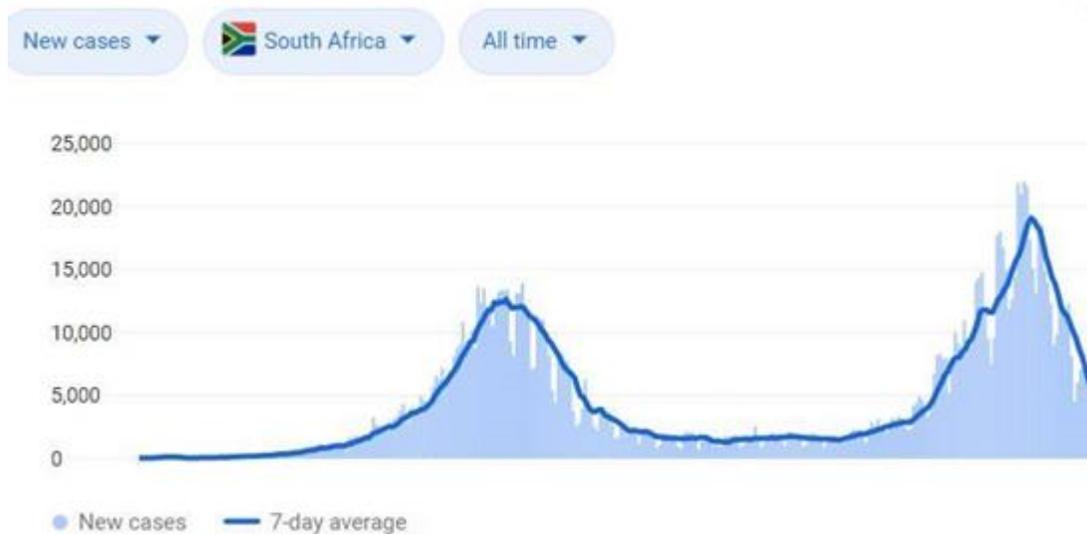


Sources: CDC.gov, Covidtracking.com, U.S. Bureau of Economic Analysis (population estimates as of Nov 2020), First Trust Advisors L.P.

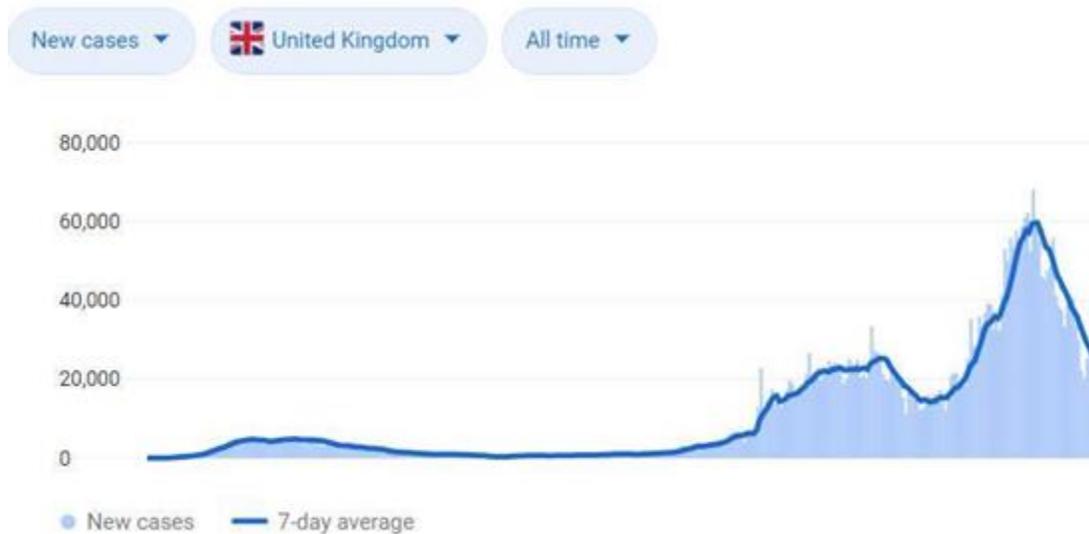
About one-third of Americans probably have some degree of virus protection by now. The meaning of that fact is stark: “Unless those “new variants” screaming from the headlines are indeed something real and deadly, this disease faces an ever-steeper, uphill battle if it wants to keep its stranglehold on American life, both economic and personal.”

Now, about those “new variants:”

South Africa Variant



United Kingdom Variant



Almost a year ago, as the first tidal waves of fear swept the world, a tiny group of “calm thinkers” began digging into the *whole* picture of the disease. (Today that group is considerably larger than it used to be.) But 11 months ago, one disease expert published a chart which looked like those. “This is how every infectious disease behaves,” he noted. “A sharp climb; a sharp fall; often repeated once, or maybe twice . . . then it’s mostly gone.” Outlook suspects that particular expert may not be too troubled by the “new variants,” which are behaving normally.

What shall we make of all this?

Fear is still hanging around in 2021, doing its level best to cloud our judgment. But the gradual passage of hard facts is not helping fear do that job. Instead it’s clearing the fog away, slowly but surely. The market’s daily speculating crowd does not spend much time peering at “gradually arriving facts” and judging their meaning for the future—but it knows the message of these pictures, regardless. That’s why the market’s attempts to step over the edge at Half Dome, so to speak, have been foiled every time, so far, as if some kindhearted soul had spread safety nets a few feet below. There’s a great list of “Problems to Worry About” for us investors, as always, but the special one labeled “This Disease Has Changed the World Forever!” is looking a little less fearful with each passing week.

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