

## The Outlook: July 22, 2020

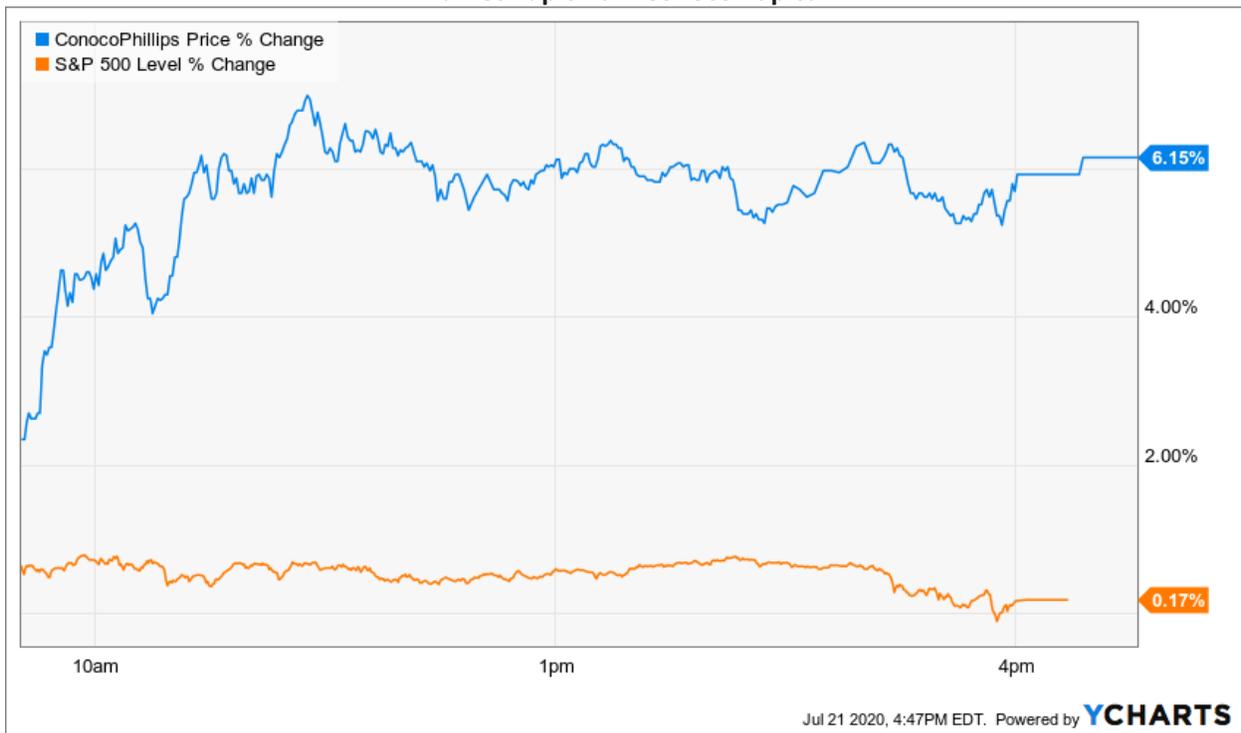
*Texas Instruments helps us choose who to believe.*

“If everyone says something is true, does that mean it’s true?”

Pardon the silly question . . . but at Outlook we’ve found it pretty important, over the years, to remind ourselves that the answer to that silly question is always “NO!”, in capital letters. It’s “No” because the truth about lots of things isn’t obvious, and is hard work to dig for, and nobody has much time for digging. Vast crowds of people, being uncertain about the truth concerning things which matter a lot (like our money), strongly tend to believe what everyone else seems to be believing . . . for a while, until the truth comes out. Sometimes it’s a long while.

The headline yesterday was “European Union to Spend \$2 Trillion to Rescue European Economy!” It was backed up by another headline, floating around already: “Another Trillion Dollar Stimulus Plan for U.S.!” The market’s response to that, yesterday, was captured below:

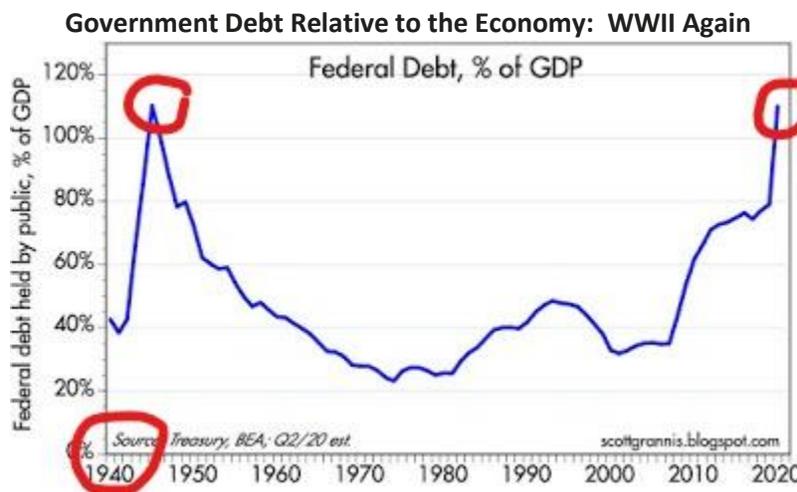
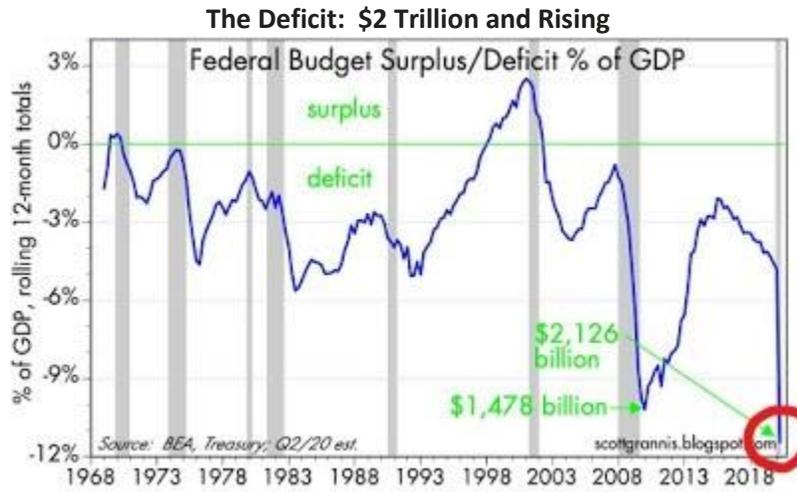
**Market: up 0.2%. Conoco: up 6%.**



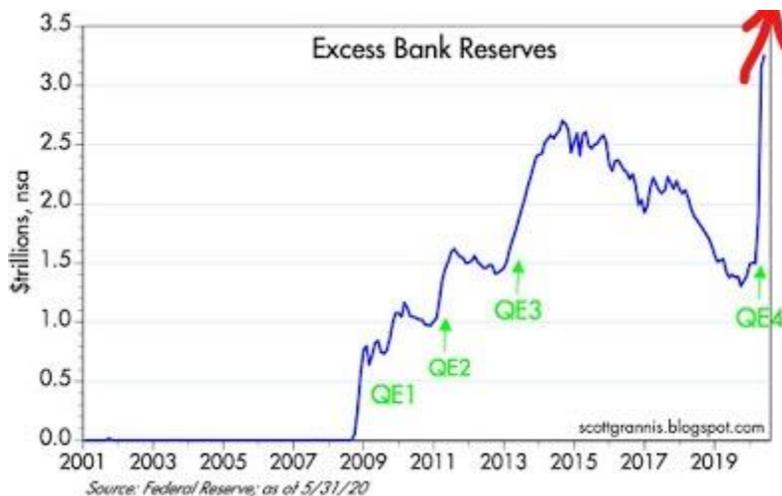
It’s not that the market didn’t like the idea of the \$3 trillion river of government cash, just that it’s been celebrating already, 4 out of every 5 days or so. But yesterday was a day for the oil kings, led by Conoco, all jumping at the idea that even more massive government spending would finally rescue the faltering economies of Europe and America, with oil and gas demand leading the way.

If everyone believes something is true, does that mean it’s true? If everyone believes gigantic economies dance to the tune of Big Government spending, does that mean . . . etc.? From our corner of the world at Outlook Capital Management, it is pretty remarkable to behold the near-unanimity of the media, the expert-commentator class, celebrity investment professionals, and of course a packed crowd of

politicians, on the answer to that question. It's "YES!" in capital letters, to them. And just as remarkable is the vast absence of worry about the explosion of government debt, the supply of money, and the risk of inflation down the road. Here are those pictures, just for perspective.



**Blinking at the U.S. Money Supply Explosion**



Let's sum up what matters here.

- The debt, deficit, and money supply—both here and in Europe—are in fantastic territory: “fantastic” not meaning “wonderful,” but meaning “You’re off the charts, Jack. There be monsters here.”
- The “monsters” are inflation and, eventually, economic stagnation. They are not waiting around the corner, though . . . off the charts though we may be. Inflation is closer, but it will take time to show up. It will take that time because (as we’ve noted before) though we certainly have a fantastic volume of “too much money” floating around—printed and borrowed by government—Main Street’s deep-down caution and concern, triggered by the Virus Shutdown, is stopping that ocean of money from “chasing too few goods” with any speed at all . . . at the moment. We’re living through a repeat, in that way, of the years 2009 – 2019, after the Financial Panic. An ocean of printed money met a mountain of fear and caution . . . so we had years of careful, step-by-step growth and no inflation to speak of, because the ocean of new money circulated only slowly, even sluggishly, through the economy.
- The Big Questions are:
  - (1) Will the same thing happen again, so no worries about inflation?
  - (2) Will those fantastic spending plans do the European and U.S. economies any good?
- And the Short Answers are:
  1. Inflation will not hibernate for another decade. Caution will indeed slow the new money’s circulation . . . but we’ve gone from last decade’s Amazon River of printed money to 2020’s Pacific Ocean of the stuff. The new money won’t “chase too few goods” very fast . . . but there is so much of it, now, that it will show up in rising prices, within the next 12 – 24 months. (Outlook’s guess.) Further, inflation will drive up the long-suffering prices of commodities like oil and copper, and the long-suffering companies which produce them.

2. Not much good. *Very much less* good than “everyone says.” Economic growth and vitality either come from Main Street, or they don’t come at all. Washington DC and Brussels are not the fountains from which growth gushes, directed by political leaders who know just where each dollar of spending will do the most good. Investors who have the time to dig a little bit, looking for the truth, find that no giant-spending government program in history has led any economy to prosperity: beginning with the Depression’s New Deal and running right through the old Soviet Union’s and Communist China’s planned economies—where government was the source of *all* spending, more or less.

How fast and how strongly the U.S. economy recovers, as 2020 moves into 2021, will not depend on how many how many trillions come out of Capital Hill and the White House, but on how many reports we see like Texas Instruments’ quarterly earnings, yesterday:

***“Revenue fell 12% from a year ago, mainly because of weakness in our automotive market. **But excluding that market, we had positive sequential growth (from first to second quarter) across our two major product lines.**”***

Rich Templeton, CEO

That last sentence sounds a little dull . . . but it reported a fact which is downright jaw-dropping. Texas Instruments sells fairly cheap “sensing chips” by the millions, to hundreds of thousands of businesses. The sensing chips are a backbone of the “Internet of Things,” which is a more powerful engine for growth than anything thought up in Brussels or DC. During the Second Quarter of the 2020 we were living through the Virus Shutdown Calamity at its worst . . . and except for the auto industry, Texas Instruments’ customers were not just buying, but buying more. That’s especially remarkable because unlike some of the Celebrity Tech stocks like Amazon or Outlook’s own Microsoft, TI’s client base is much more Industrial America rather than Silicon Valley, America.

Yes . . . Main Street kept working, as hard as it possibly could while enduring the Shutdown, while “everyone else” in the investment world gazed at DC and Brussels, and wondered when the “Rescue” would be delivered. Just because “everyone” says something is true, or says it’s really important, doesn’t make it either true, or important. Mr. Templeton is only one man: but what he said yesterday was both true and very important.

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