

The Outlook: Oct. 15, 2021

The Big Picture Has Changed.

It was a nice week in the market, especially for Outlook's companies, with several days looking like this:

OCM Core Stock List SECURITY						Updated 16:00 EDT
Overview	Data	Events	Alerts	News		
Symbol	Name	Price	Change	% Chg		
CAT	Caterpillar Inc	199.05	+4.72	+2.43%	10/15	
CME	CME Group Inc	211.95	+4.90	+2.37%	10/15	
CMI	Cummins Inc	238.23	-0.60	-0.25%	10/15	
COP	ConocoPhillips	74.12	+0.27	+0.37%	10/15	
FCX	Freeport-McMoRan Inc	38.64	+1.51	+4.07%	10/15	
LMT	Lockheed Martin Corp	365.58	+3.52	+0.97%	10/15	
MSFT	Microsoft Corp	304.19	+1.44	+0.47%	10/15	
MU	Micron Technology Inc	67.70	-0.10	-0.14%	10/15	
TXN	Texas Instruments Inc	194.50	+2.01	+1.04%	10/15	
XOM	Exxon Mobil Corp	62.57	+0.57	+0.92%	10/15	

It's good to be cheerful about this, particularly on a Friday; but at the same time let's look at how the economic world's "Big Picture" is changing these days. It's been changing pretty fast and pretty dramatically.

In a nutshell, *"Inflation Has Arrived."* It hasn't knocked politely on the door, asking if it could shuffle inside. It's pretty much hammered down the door, growling and looking for something to bite. Outlook's clients and friends know we've been expecting Inflation's Arrival for a solid year or more . . . but we thought we'd be seeing that polite knock and slow shuffle, not this battering ram.

We never stop warning about misleading headlines—but this week's have been mostly about cold facts: "Oil Hits \$80!", "Copper Stockpiles at 47-Year Low!", "European Gas Prices Rocket to New Record!" along with a group we could generalize as: "Factories, Refineries and Mines Lurch to Halts, Lacking Power or Raw Materials!" (Or enough money to pay for the power and commodities.)

Like all headlines, though, those frightening ones aim to give us the impression that "The Sky Is Falling!" as usual. It is not . . . but it's raining and getting cold, and pretty sure to get wetter and colder. We are absolutely seeing the consequences of some bad things which have been years in the making: mainly a mind-boggling flood of printed money by the world's main central banks; and far too little effort to create long-term supplies of reliable energy and of vital commodities. The money flood has been going on for a couple of years. The turning of backs against oil, gas and coal has been going on for many years—partly driven by low prices which did their usual job of discouraging supply, and partly driven by green politics which, to be polite, has not been realistic about just how fast "global decarbonization" can actually happen. It looks like Europe is going to pay the highest price for these mistakes; but we live in a totally-connected world. We'll feel it too.

That sounds grim for a Friday night, and that near “Sea of Green” up there to boot. It’ll turn out less grim, though, because of a Golden Rule about Main Street: “Companies and people adapt remarkably well to just about any problem . . . if they have enough time.” It’s the “out of the blue” nightmares which temporarily freeze Main Street: the Lehman Brothers run and collapse; the Virus and Lockdown calamity. When it comes to surging inflation and rocketing energy and commodity prices, the signs have been out there to be seen. Outlook took a fairly early and lonely forecasting position, regarding those signs, but we weren’t alone . . . and a host of eminent voices are on the bandwagon now.

Main Street saw the signs of trouble, and it’s working very hard to fix them. It is adapting. It will take time. Meanwhile, the energy, commodity (copper) and heavy industry companies we own will do well for a good while: from “pretty well” to “wow!” And others, like Texas Instrument, Micron, Microsoft and Lockheed—are themselves in a very strong position to give the world products it needs very much, no matter the rain and cold.

The Big Picture has changed. We’ve pretty nearly left the “Virus and Lockdown Nightmare” and we’re pretty well into “Inflation’s Arrived and It’s Snarling!” But our companies will cope with that Nightmare, and benefit from it—which is too bad from one point of view, but pretty good from another, namely “Our Money.” The market’s roller coaster ride will go on, as it does forever . . . but it’s still pointing up over time for our assets.

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