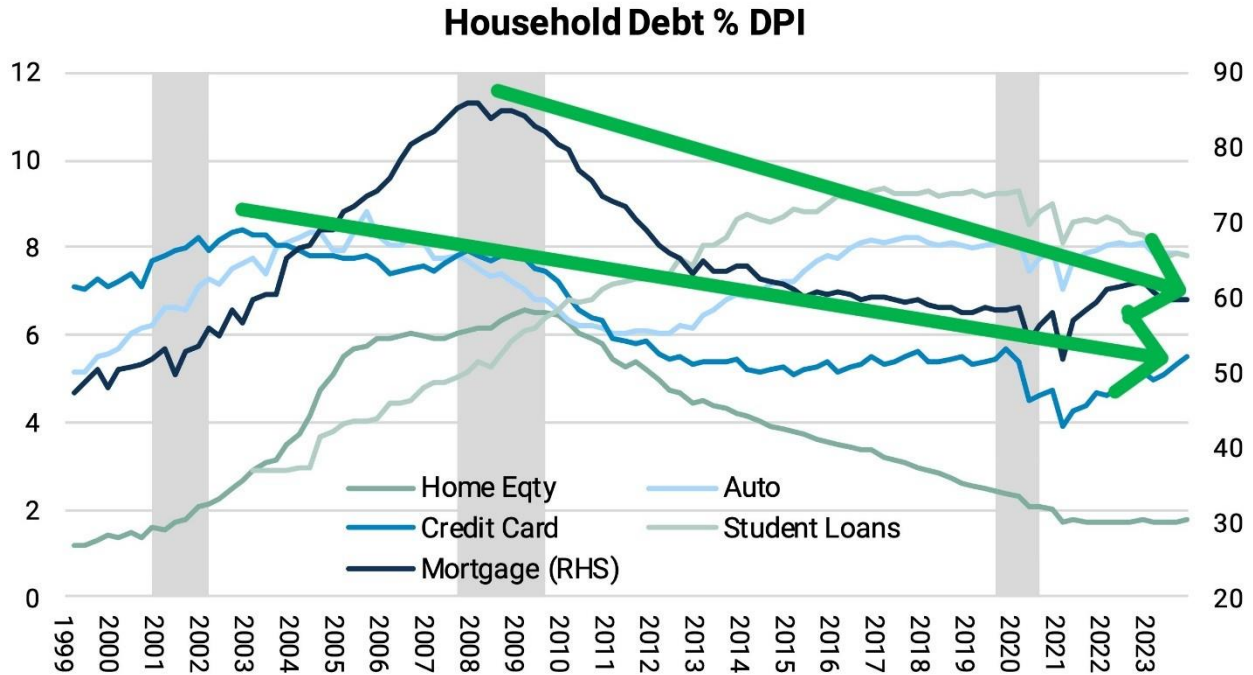


The Outlook: May 1, 2024

Facts versus impressions, as usual.

Here's a complicated-looking chart with a simple message: the households on Main Street USA are pretty darned strong, financially.



Source: Haver, JEF Economics

When the Great Financial Crisis of 2008—2009 blew up, that top green arrow shows Main Street Household's mortgage debt was approaching 90% of take-home pay. Now, that 90% number sounds catastrophic at first, but it's not. That number compares a volume (of debt) with a flow (of take-home pay.) Experts like to do that same comparison at a national scale, comparing Government Debt (volume) to GDI (total national income.) When that ratio nears and passes 100%, it's fashionable for them to wail and gnash their teeth and warn us about impending doom. In fact, nobody knows what on earth 90% means, or 120%, or whatever. They're just very rough numbers which offer a vague picture of the direction of things: worse or better, without knowing exactly how bad or good either "worse" or "better" are.

So we'll keep that in mind as we gaze at this picture. The meaningful thing isn't the old 90% ratio of mortgage debt to take-home-pay, or today's 65% . . . it's the dramatic downtrend since the Great Financial Crisis. That downtrend tells us something simple: Main Street Households have strengthened themselves a lot in 15 years. Same thing for credit card debt. It's down from 8% of take-home pay to 5.5%.

This is all old hat to Outlook clients of course, who've been served several dozen different looks at the same picture over the last few years, and even more looks at the strengthening trends in Main Street Businesses' financial strength. But we all hear and see assorted versions of "The Sky Is Falling! Sell

Everything and Run for the Hills!” every day, pretty much, month after month. So it might help to see the facts now and then, which so very often amount to, “No It’s Not! It’s Still Up There!”

So far this Quarterly Earnings Season—as Theresa’s Inside reports have shown us—the sky is still up there indeed for our companies . . . way up there, usually. That hasn’t stopped the market’s daily betting crowd from doing what they do: making short-term bets on the impressions created by the daily headlines. But it does remind us, as always, that we must never let impressions do our thinking for us. We make a great deal more money that way.

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

The remarks above aren’t a general recommendation to buy or sell particular securities. Such decisions should only be made in the context of an investor’s own circumstances. Stocks and bonds carry the risk of loss.