

The Outlook: Feb. 18, 2021

The Big Picture is Main Street's Miracle . . . Still in the Early Innings.

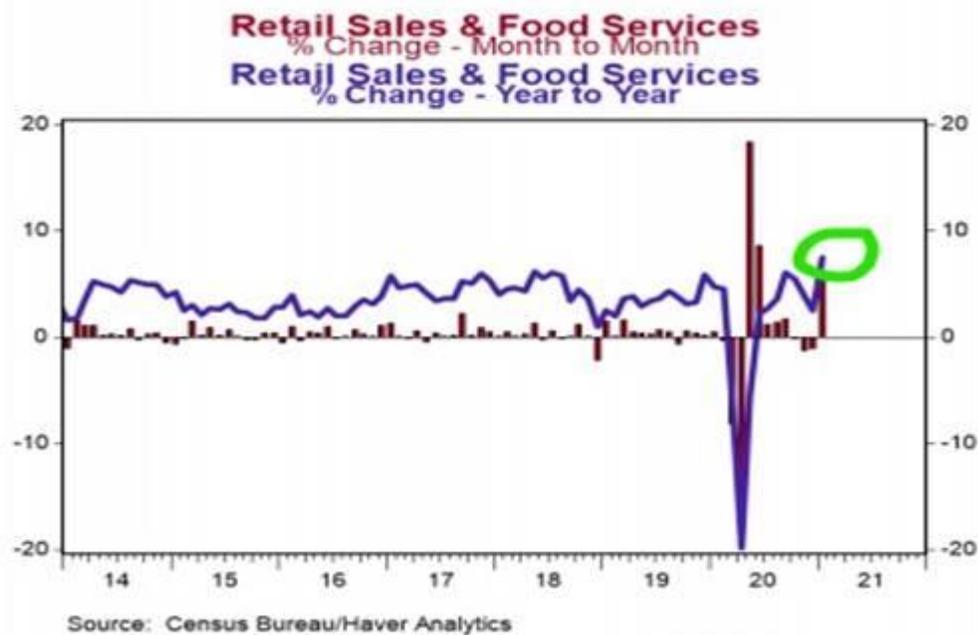
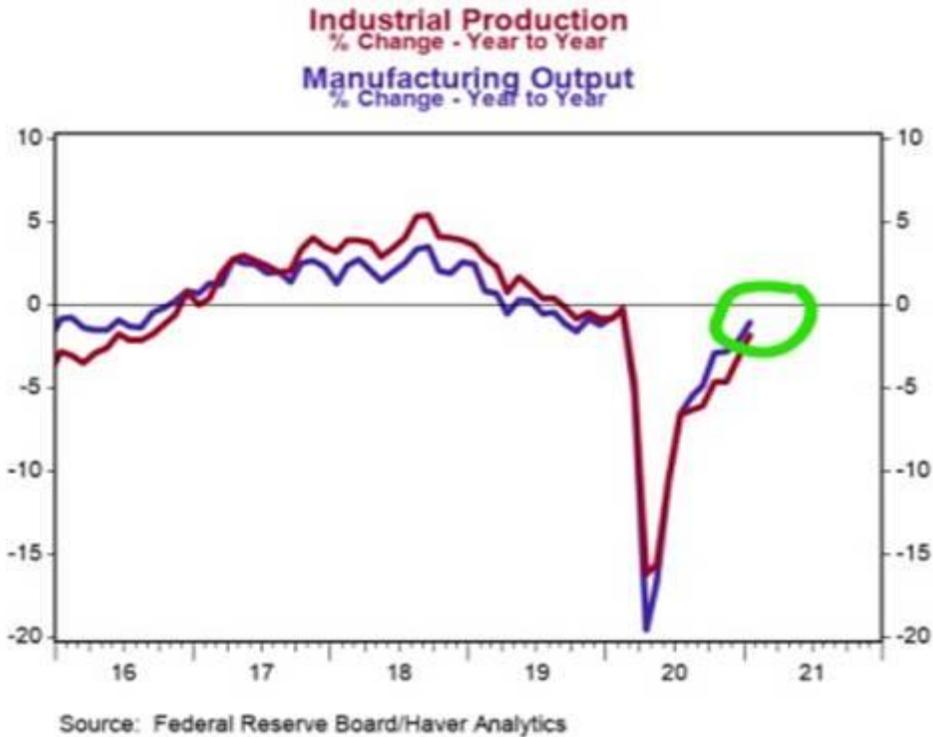
There is *always* good news and bad news, in the investment world and every other. Outlook's endless insistence upon "looking at the whole picture" just means looking squarely at every meaningful item in both categories—good and bad—then ranking them by their current "power" . . . and remembering that such "power" always changes over time. We can sum up the whole picture, today, pretty clearly:

- The U.S. economy is absolutely surging ahead right now—and nothing is likely to make it stumble, for at least the year ahead.
- When it does stumble, somewhere down the line, it will have tripped over one of two problems:
 1. An alarming surge in inflation; and/or
 2. An alarming surge in taxation.

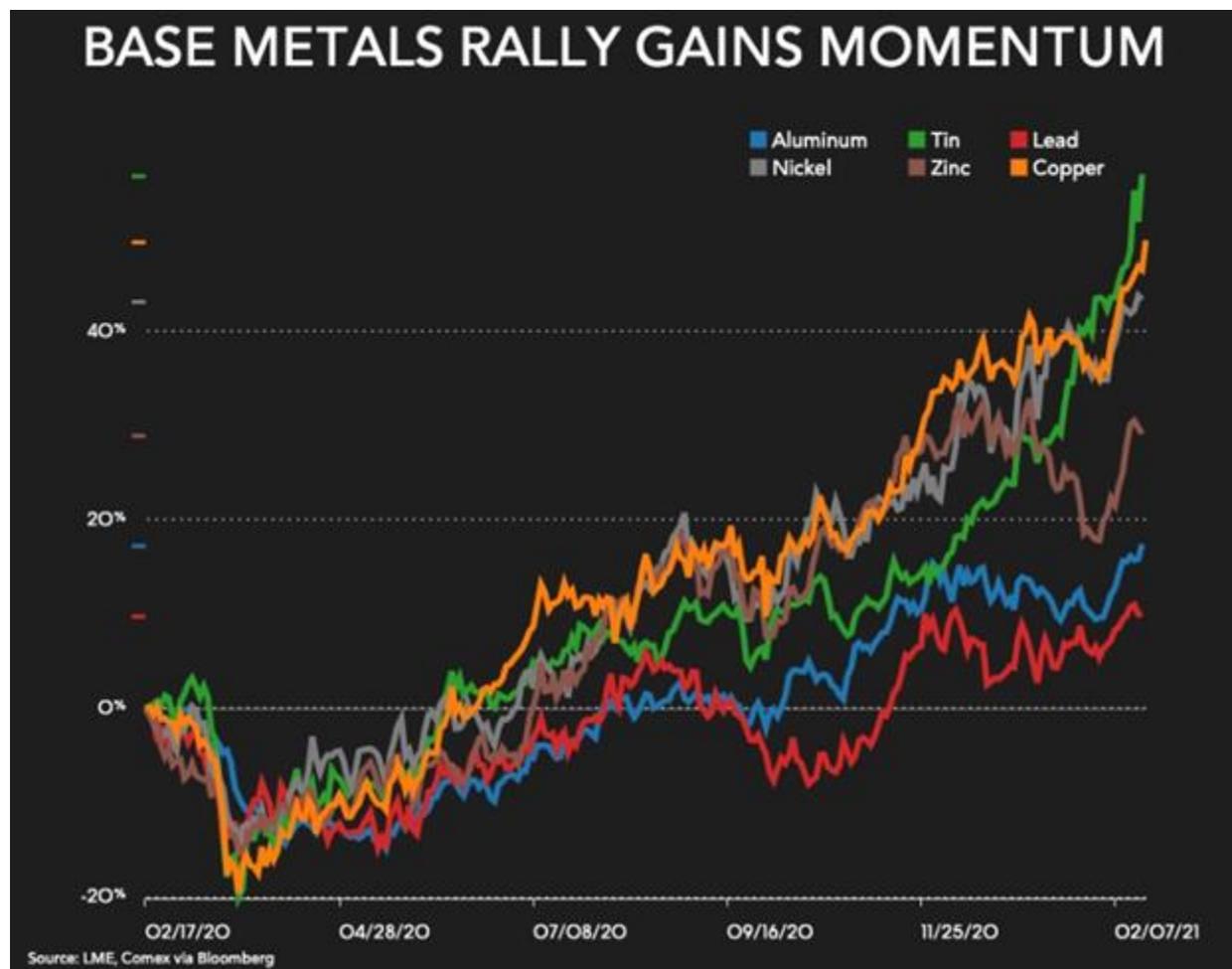
Either problem is possible, but right now at Outlook we're betting inflation will be the first bear to show up around the corner, snarling enough to be frightening. Washington DC and the Federal Reserve Bank have printed 25% more dollars over the past year, a truly amazing number; and even a "surging" economy means growth in goods and services of only 3 or 4%. That is "too much money chasing too few goods," which means inflation, with the usual surprising delay in showing up, hence the usual disbelief in the investment world that it ever will show up.

So we're all in the position, at the moment, of having justifiable confidence in the strength of business sales and earnings in 2021 and beyond (as this Quarterly Earnings Season is showing so clearly), while wondering when we might stumble over those 2 tripwires, and when the market's rising (even rocketing) valuations of our companies might get, well, "alarming." We aim to keep wondering and watching, at Outlook . . . and owning outstanding companies at still-reasonable values as we wait.

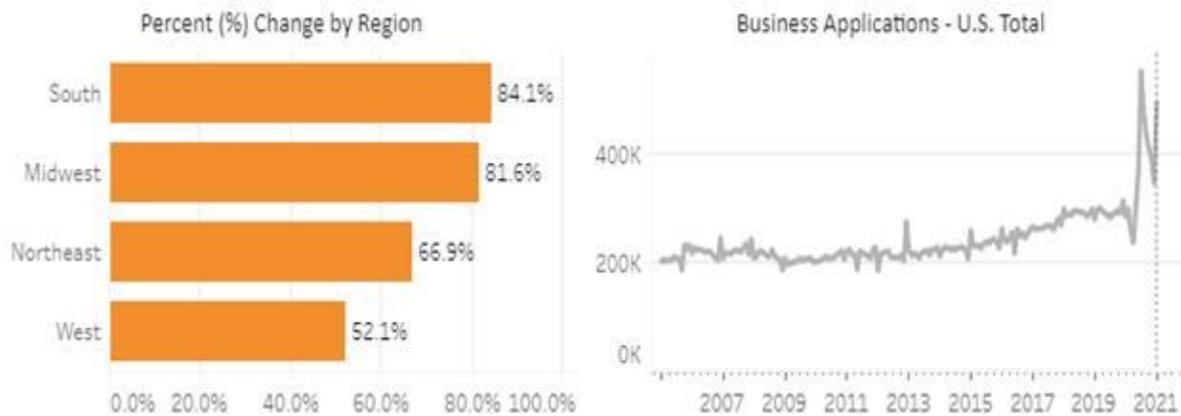
Let's close with a few pictures from the "absolutely surging" part of the whole picture.



Those first two charts are January's industrial production and retail sales figures. They are confirming a truly remarkable, V-shaped recovery in big parts of the U.S. economy. This looked plain impossible 10 months ago, in the abyss of the Virus and Lockdown Calamity. It happened because Wall Street, the media and most experts never grasp the speed and determination which lives on Main Street.



The picture above also looked impossible last spring. There are the industrial metals, plunging 20% or so in a few weeks, back then. Now they're up 20% to 50%, led by copper and tin. And Outlook's Freeport-McMoRan sees no day go by, at the moment, without some celebrity firm on the Street hiking its price target for Freeport. But Freeport has earned these days in the sun . . . unlike GameStop and a double handful of other silly stocks.



This last picture is the most surprising thing we've seen, at Outlook, in a good while. It shows a fairly incredible spike in new-business applications and formations within the past few months—in fact, beginning while the “Virus and Lockdown Calamity” was still near its worst, last summer. As Outlook's clients and friends know, we believe in Main Street . . . but this explosion in risk-taking, entrepreneurial activity is beyond anything we thought possible.

As Outlook has remarked a couple of times (possibly a couple of thousand times), the media, the market (in the short run) and most “experts” are driven by *impressions* more than *facts* . . . but we are saved because Main Street is driven by its never-ending determination to fix things and better itself, no matter which impressions are giving Wall Street its nightmares and the media its headlines. Today's “Big Picture” is not about silly stocks, nor is it about a 1999-style “bubble.” It is all about this Main Street Miracle, which is still in its early innings.

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