

The Outlook: April 4, 2020

“Crisis” always does mean “Opportunity” . . . because of the best in people.

As the old saying goes, “Crisis also means Opportunity.” When a young analyst began his career in the investment world, exactly 43 years ago today, those were just words on paper to him. Profound truths are always just words on paper, until we’ve all actually lived through enough things—mostly bad things, unfortunately—to know they’re true.

This “Virus Shutdown Crisis” is not an exception. It is an opportunity, cloaked in grim black robes so that it’s harder to believe (as always, with frightening crises.) The Shutdown is hastening—and eventually will accelerate—some powerful trends which were already happening. It’s harder to believe this when the market has been pulverized and the prices of great companies’ stocks have been vaporized (just to use a different verb) . . . but that is also how it always works, when “crises create opportunities.”

Here are a couple of examples:

- The idea of packing a lot of employees into corporate headquarters buildings, sitting in cubicles or open-space “sharing” work environments, has forever lost its appeal. (It was already fading of course, but not all that fast.) We should be careful about using words like “forever,” but that word probably works, when it comes to the “new model” of remote work for just about everyone who can do it. **Microsoft’s** lineup of cloud-based services aims straight at this certain future trend, as does **Micron’s** memory-product lineup.
- We’ve been waiting patiently (more or less) for “The cure for low prices is low prices” to show us it still qualifies as one of those profound truths, when it comes to commodities like oil and copper, and the heavy industrial companies which do a lot of work in those industries. (**Shell, Exxon, Conoco, Freeport, Caterpillar and Cummins**—among Outlook’s premier names.) Among the tidal wave of grim headlines and news items, last week, came many stories which all amounted to “long-lasting and deep damage to the global supply of copper and oil” among quite a few others. Copper’s story already told of an emphatic long-term shortage of world supply, before the Virus Shutdown was in sight. It will come sooner and deeper, now. And oil, as we’ve observed lately, was telling the same story . . . though its picture was still cloaked in fog, compared to copper. Oil’s global supply shortage will also come sooner and deeper now—the more so, the longer the Virus Shutdown lasts.

Both stories depend on the gradual but ultimately emphatic return of global demand to relatively “normal” pre-Shutdown levels. Those whose view of the future is “Global Depression!” will not believe it. At Outlook we looked, a couple of weeks ago, at exactly what it takes to create “Global Depression.” It won’t happen . . . though of course those who are inclined to believe it won’t be persuaded otherwise for a good while.

Crisis does mean Opportunity. Outlook’s clients are hearing—gradually—about the actions we’ve taken to seize those opportunities. Beyond specific actions, though, comes understanding “why” crises always create opportunities. Here’s how we put it:

This Virus Shutdown crisis and market collapse are “the times which try men’s souls” for us investors. They are part of the investment world, unfortunately. But though the nature of each

particular crisis is always new—which is what makes them frightening—the cure for every crisis is old indeed, and always the same. It’s the amazing determination, inventiveness and adaptability of strong companies in a free-market economy, combined with the market’s own unchanging nature: always falling more than the problem deserves, then always correcting itself as the “good news” created by that free-market system eventually comes along. Together, those principles mean that “crisis” does equal “opportunity” . . . hence this kind of action on our part.

When people hear talk about such “vague, pie-in-the-sky” things as “determination, inventiveness and adaptability” they often tend to sneer, or at least shrug and look the other way . . . especially when in the very midst of the terrifying crisis of the moment. They want “dramatic solutions right now,” not remarks about the best traits of human beings. They’re mistaken in that. It’s always those “best traits” which build everything good about the future. Let’s close, today, with some proof of that.

The email and link attached below are from the “Visual Capitalist,” whose business is creating pictures which convey useful information about the economic and investment worlds. The title is: “Every Treatment and Vaccine in Development for Covid-19, So Far.”

It’s OK for us to enjoy it, following a week of bad-news tidal waves. It’s headline: “41 Diagnostics, 23 Treatments, 5 Vaccines” in development around the world (heavily in the U.S.) is already out of date, with several more in each category announced over the last 3 days. We don’t closely follow the global drug industry at Outlook . . . but we’d bet there has never been anything remotely like the speed and scale of this response in modern history, by any industry. Those who doubt anything good will come of that, any time soon, are betting in the wrong direction. Enjoy!

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