

The Outlook: June 23, 2022

Facts versus impressions: collision on the way.

Here's the picture of a market trying very hard to persuade us the sky is falling, the world is doomed, recession is clamping down today (and Depression just might be around the corner, who knows?) . . . and, as always, "Get out of stocks right now, because we won't be responsible for the misery that'll rule your life if you don't!"

OCM Core Stock List SECURITY					Updated 16:00 EDT	Options ▼
Overview	Data	Events	Alerts	News		
Symbol ▲	Name	Price	Change	% Chg	As of (ET)	
CAT	Caterpillar Inc	178.70	-9.13	-4.86%	06/23 15:59	⊗
CLF	Cleveland-Cliffs Inc	15.70	-0.57	-3.53%	06/23 15:59	⊗
CME	CME Group Inc	208.69	+0.23	+0.11%	06/23 15:59	⊗
CMI	Cummins Inc	185.80	-8.07	-4.16%	06/23 15:59	⊗
COP	ConocoPhillips	87.86	-5.20	-5.58%	06/23 15:59	⊗
FCX	Freeport-McMoRan Inc	29.56	-1.76	-5.62%	06/23 15:59	⊗
LMT	Lockheed Martin Corp	410.68	-4.77	-1.15%	06/23 15:59	⊗
MSFT	Microsoft Corp	259.03	+5.90	+2.33%	06/23 15:59	⊗
MU	Micron Technology Inc	56.25	-0.09	-0.16%	06/23 15:59	⊗
TXN	Texas Instruments Inc	151.21	-1.39	-0.91%	06/23 15:59	⊗
XOM	Exxon Mobil Corp	85.16	-2.71	-3.08%	06/23 15:59	⊗

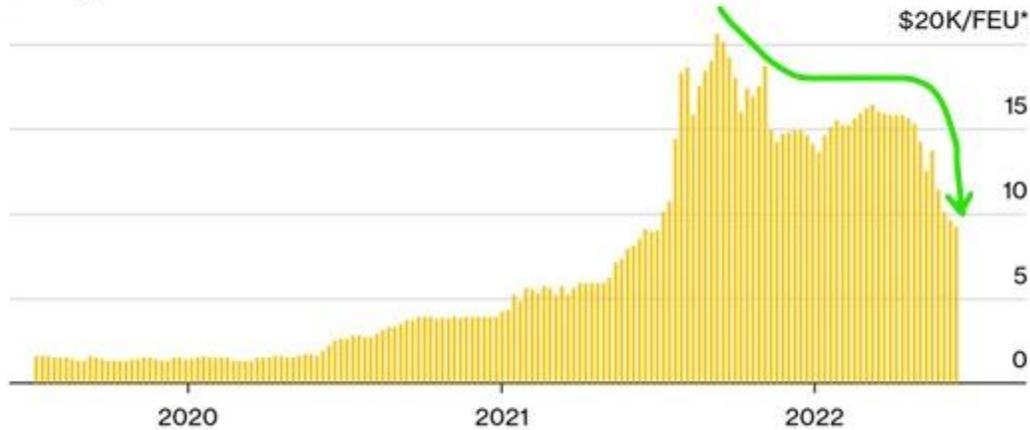
Yes . . . the market's behaving normally, isn't it? This is its nature. The daily betting crowd regularly tries to frighten us by seizing upon the headlines, hammering down stock prices, and hoping we'll all feel the dark impressions created by those screaming headlines are looking straight at reality.

They look straight at nothing, of course . . . and they never look at the "whole picture" and all the actual facts which paint the "whole picture." The market crowd is in the "bet on today's impressions" business; not the "take time to think" business. Let's look at just one of those actual facts, sitting right there in the middle of the whole picture, and think it over.

Cooling Off

Shipping costs on transpacific routes ease but are above pre-pandemic levels

■ Freightos Baltic index - China to US West Coast



Source: Freightos

Note: FEU = forty-foot equivalent unit; gauge includes premium fees

Bloomberg

It's a picture of ocean shipping costs since mid-2019. They made frightening headlines in mid-2021, rocketing up to all-time records. (\$20,000 per 40-foot container, above.) The market crowd, back then, was in one of its regular breaks from trying to wallow in "sky is falling" terror—because it can't keep up that kind of mood forever. It needs breaks, and it takes them when the facts in the whole picture generally look too strong to be scary. But \$20,000 per 40-foot container was a dark fact for sure, and it left the strong impression that Inflation was coming 'round the bend pretty soon.

It certainly was, as we all know today. But today's "9% Inflation!" nightmare isn't being helped anymore by ocean shipping costs, is it? They've plunged from \$20,000 to \$8,000 or so. That's still high, but the point—when we're in the thinking business—is that sharply falling year-over-year shipping costs will be one of a large bunch of factors tamping inflation down, in the months ahead . . . not pouring more gas on the inflation fire.

The headlines, of course, haven't the slightest interest in giving us such food for thought. The media, like the market crowd, is in the impressions business: the darker the better, mostly. That's the nature of the media as well as the market. But while they can (and usually do) ignore most facts, they can't make them go away. Facts stay around, and they paint the real picture no matter how tempted we may be, sometimes, to look in the other direction at the crowd running in circles, screaming and shouting.

FedEx, this afternoon, answered a question: "How was business last quarter?" (FedEx is on an "off" quarterly reporting cycle, ending May 31.) The answer was: "Very good," and "It looks even stronger next year, at the moment." Up until FedEx's quarter ended, three weeks ago, the company's customers (and that is one gigantic crowd, all over the world) were taking actions as if Main Street World is booming, not as if the sky is falling down on it. Now, in the market's current mood, FedEx's contribution to the real picture won't matter a bit. The betting crowd is pretty likely to say, "Hah! That was 3 weeks ago! Everything has fallen apart since then."

But it will have to keep saying that every day, once the normal Quarterly Earnings Season begins around mid-July. There will be plenty of companies like FedEx, saying “Ah, business is actually pretty strong.” There will be a good many who say, “Well, we do see some caution in our customers, some easing-off on spending compared to a few months ago . . . but nothing dramatic.” And there will be a small handful who say, “Our businesses stubbed their toes last quarter, things slowed down.” Most of that last group will also say, “But we’re not too concerned. We’re strong. Our customers will be back.”

Those straight looks at Main Street’s reality, in three weeks, will not see anything remotely close to the sky falling down. But the market, today, is doing its level best to persuade us that it *is* falling down. So there is going to be a collision between “impressions” and “facts” beginning in 3 weeks. At Outlook we’re betting on the facts, as always, and we are still buying.

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