

## The Outlook: Sept. 20, 2021

### *What to do in a Sea of Red? Swim.*

We've smiled at "Seas of Green" at the end of a trading day, often enough. So it's only fair to let today's "Sea of Red" have a turn.

| OCM Core Stock List SECURITY |                       | Updated 16:01 EDT |        |        | Options ▾       |
|------------------------------|-----------------------|-------------------|--------|--------|-----------------|
| Symbol ▲                     | Name                  | Price             | Change | % Chg  | As of (EST)     |
| CAT                          | Caterpillar Inc       | 190.84            | -8.91  | -4.46% | 09/20 16:00 (x) |
| CME                          | CME Group Inc         | 188.06            | -0.59  | -0.31% | 09/20 16:00 (x) |
| CMI                          | Cummins Inc           | 221.37            | -6.32  | -2.78% | 09/20 16:00 (x) |
| COP                          | ConocoPhillips        | 57.08             | -1.84  | -3.12% | 09/20 16:00 (x) |
| FCX                          | Freeport-McMoRan Inc  | 31.18             | -1.87  | -5.66% | 09/20 16:00 (x) |
| LMT                          | Lockheed Martin Corp  | 338.45            | -2.53  | -0.74% | 09/20 16:00 (x) |
| MSFT                         | Microsoft Corp        | 295.42            | -4.45  | -1.48% | 09/20 16:00 (x) |
| MU                           | Micron Technology Inc | 72.38             | -1.92  | -2.58% | 09/20 16:00 (x) |
| TXN                          | Texas Instruments Inc | 192.62            | -3.63  | -1.85% | 09/20 16:00 (x) |
| XOM                          | Exxon Mobil Corp      | 53.70             | -1.46  | -2.65% | 09/20 16:00 (x) |

Frightening, isn't it? Especially on top of today's "sea of screaming headlines" along the lines of: "China's \$52 Trillion Property Bubble Begins to Burst!" and "Another Lehman Brothers Moment for the World!" and many more.

For the last century or two, in the investment world, "fear" and "greed" must be the two most popular words used to explain the market. They do explain a lot, but in truth one of them is much more powerful than the other. We all feel the pull of "greed" on our minds; but it varies a lot from one person to the next—and it very often weakens its grip on us as the years pass and we live and learn. But "fear" is something else. "Fear" never loses its power, and never stops trying to guide our minds as we try to think clearly. That's a good thing to remember as we glance at "seas of red" like this one . . . and as we glance at the "Lehman Brothers Again! Watch Out Below!" headlines next to it.

Truth is the best cure for fear. Here are a few truths about today's fear.

- The 2008 collapse of Lehman Brothers triggered a worldwide run on banks (and the debt markets in general) because "Government" had made the shocking blunder of letting Lehman collapse, and default on its debts. "Government" made the blunder because it didn't want to be called a name. "Bailing out the fat cats on Wall Street" was the name it dreaded, so "Government" (including central banks, Treasuries and a host of bystanding politicians) stepped back and refused to do the one thing that *only* Government can do, in market economies: stop a bank run. About 6 months and unmeasurable devastation later, it tiptoed back and did that job—and the 11-year recovery and Bull Market began.
- The very worst thing about that truth, up there, is the fact that "Government" really does have the power to wreck or save the whole economy in a moment, when that odd but very human

thing we call “Bank Run” shows up. No bank on earth, not even “Rock of Gibraltar Bank,” can stand up to a run—because the very function of banks (lending out our deposits) *means* that “Runs” can wreck them. And every human being, even while exercising her clearest thinking, must join in a Run no matter how silly she may know it to be, because unless “Government” stops the Run she knows her savings will be lost if she doesn’t try to rescue them.

- We might think that sophisticated authorities in “Government” would always grasp this and do their run-stopping job without hesitation, when needed once in a blue moon. Many do; maybe most do—but when they’ll be called names for doing it, they tend to back away. Yup, they are human.
- China’s “Evergrande Crisis” has plenty of scary-sounding details (\$300 Billion in Debt!) which do have the power to hurt the Chinese economy. They do not have anything like the power to “devastate” that economy . . . unless China’s central bank and political leaders act like the Western world’s “Governments” did, in 2008. And since Evergrande is a housing builder, not a bank; and since for all intents China’s banking system is part of the Government anyway, it would take a galactic degree of ignorance and, well, “sustained, hard-working stupidity” for China’s bigwigs to let Evergrande’s bankrupt condition roll into a national bank run and economic collapse along the lines of Lehman.
- An Outlook Golden Rule is “Never Assume Governments Won’t Blunder in a Crisis!” They do blunder, again and again, as history makes perfectly clear. So we must end by admitting to ourselves that Galactic Blunders will always be with us, and quoting the odds on a repeat, today.

We’ll call those odds 95-to-5, against. They might well be 98-to-2, or 99-to-1. And the odds against such a Chinese Blunder—unlikely as it may be—triggering a Lehman-like global problem look to us more like 999-to-1, or smaller. The western world’s banking system has grown much too strong, these past 12 years; and Evergrande’s fear-transmitting links to the worldwide system are much too weak.

But they are frightening headlines, and they did give us a Sea of Red. At Outlook we’ll be buying in that Sea . . . because that’s exactly the right thing to do.

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