

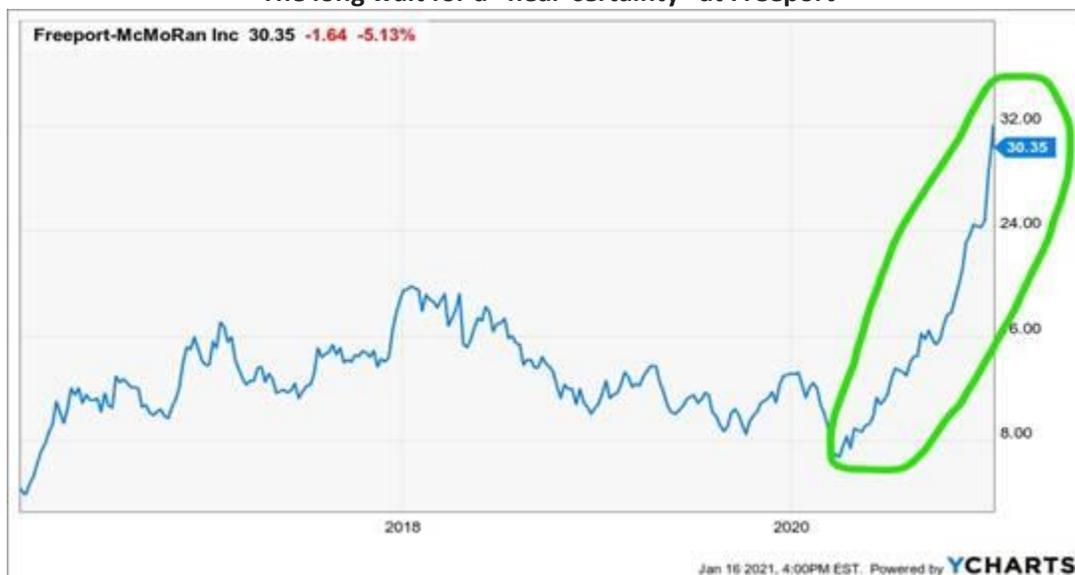
## The Outlook: Jan. 16, 2021

### ***“Near-certainties” worth betting on.***

We almost never use the word “certainty” in the investment business, because a lifetime in the economic and investment worlds tell us we almost never have the right to use it. (Also, so many in our world either use that “C” word, or imply it, that we lean overboard to avoid falling into their camp.)

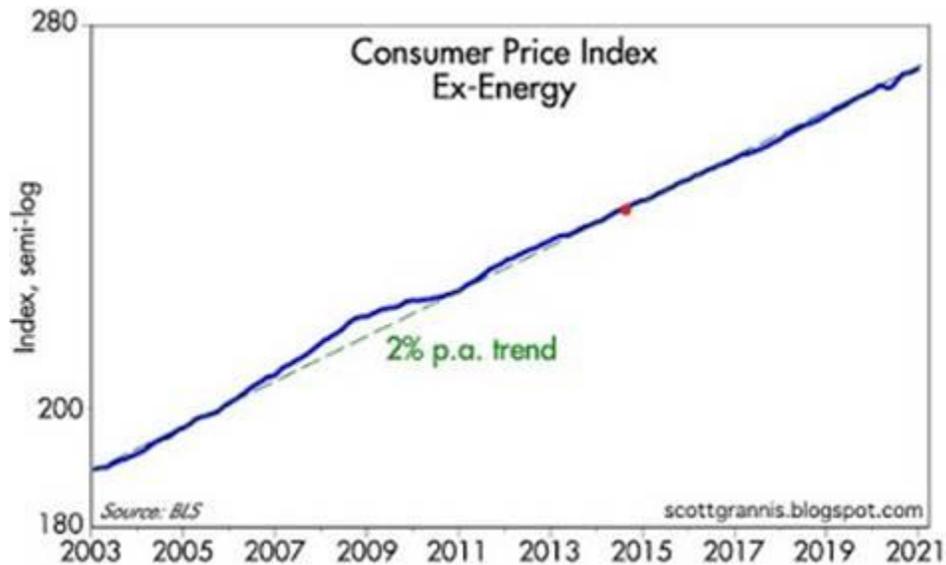
But there are “near-certainties.” They’re not common at all . . . but they do exist, and at Outlook *we will bet our money on them*, when we’re sure of them. One near-certainty, over the past 5 years at least, was the behavior inside the green circle below: the rocket take-off of Freeport-McMoRan, eventually, because of the company’s outstanding business actions and the “near-certainty” that global copper demand and supply would eventually force that price up, a lot.

### **The long wait for a “near-certainty” at Freeport**



But near-certainties are still rare, and wise investors ought to be twice as careful after winning a bet on one of them, before betting on the next. At Outlook we try to be careful; but here’s another “near-certainty:” a significant rise in inflation within the next 1 to 3 years. Thanks to economist Scott Grannis, here are just 2 pictures which get to the heart of “why.”

## **17 Years of Tame Inflation**



### 10 Years of Reckless Money Printing . . . Then the Explosion



The first picture is just for perspective. The second picture is the explosion. That blue line is the supply of money as a percent of America's annual production of goods and services. Yes . . . the amount of money chasing the amount of goods. Inflation is "too much money chasing too few goods," not by some economists' or politicians' opinions, but by definition.

Further, the \$2 trillion "stimulus plan" now on top of Washington's "to do" list will only make that red rocket go up more sharply than ever—as startling as that looks. It will go up because of the first chart: because after 17 years of cries of "Wolf" about inflation, and no Wolf in sight, the political world and plenty of celebrity economists (led by the Fed's Chairman Powell) will never believe the wolf exists . . . until it shows up at the door.

The only way in the world for most of us to believe so many eminent people will be so unbelievably wrong about something so important is to ask one question: “Does History tell us such “unbelievable” mistakes happen?” The answer to that question isn’t a near-certainty. It’s a total certainty: “Yes.”

For us investors, that means trouble’s coming . . . eventually. But “eventually” always means the same thing, whether we’re waiting for good news or bad: “longer than expected.” It will take longer than it seemingly “ought” to take, for the inflation wolf to arrive at the economy’s door. Interestingly enough, though, today’s stock market is in one of clear-sighted phases, about that wolf. That (plus good companies and good valuations) is why industrial and commodity-influenced stocks like Freeport, Cummins, Caterpillar and Conoco are acting so well; and why a growing tide of Wall Street’s eminent analysts has been forecasting this “sea change” in the performance of such companies and their stocks. We’ll keep benefiting from quite a payoff for our patient wait for “eventually” to happen. And “eventually” there will be enough inflation clouds to darken the Big Picture . . . but it will take a good while, as always.

© 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.*