**The Outlook: April 9, 2019**

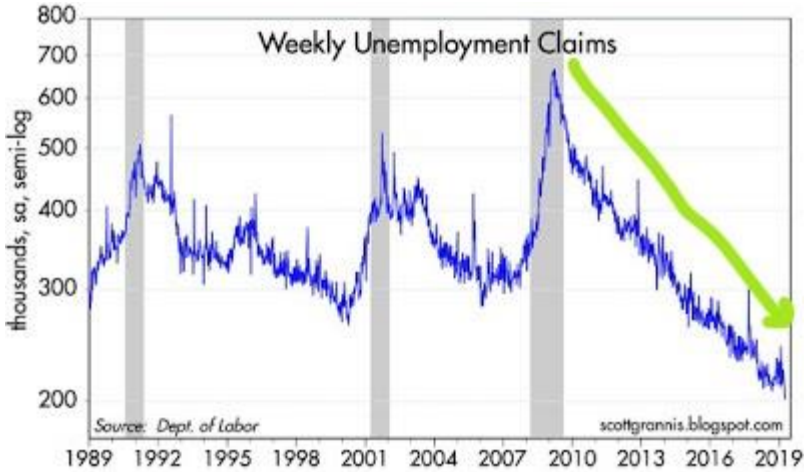
***Jobs or Tariff Wars: Cold Facts or Vague Fears***

Let's only glance at two events. The first happened last Friday: nonfarm payrolls rose 196,000 . . . and the market rose about 50 points. The second happened today: President Trump threatened Europe with more tariffs . . . and the market fell about 200 points.

Friday handed the market a cold fact. U.S. jobs grew with emphatic strength in March, reversing February's shockingly weak figure. February's 20,000 jobs number triggered a new nightmare for the market (which, remember, feeds on nightmares as a way of life) along the lines of "The end has finally arrived, for the U.S. economy! After 10 years of growth, it should have happened a long time ago." A few economists, like Brian Wesbury, calmly said, "I doubt it; just wait for March," but that's not what the market does with its latest nightmares. It doesn't wait and doubt; it puts the nightmare on a throne and worships it for a while . . . until a fresher one comes along, or until a cold fact comes along which makes it look silly. That's what happened Friday. We won't be hearing about "imminent U.S. economic stagnation" for a while, now.

Today handed the market the kind of nightmare it can really worship for a while. We've seen how frightening—and long-lived--the "China Trade War" nightmare has been. Unlike a "bad jobs report" nightmare, a trade war threat is wonderfully vague. Nobody knows how much damage it might do, or how fast it might do it. But the China nightmare has been losing its power lately: both because the negotiators *seem* to be inching toward a deal; and because the real-world economic slowdowns supposedly triggered by global fear of "China Trade War" have been seeing a trickle of contradictory facts—that is, a little less economic fragility and a little more strength, in China and Europe particularly. So Mr. Trump's tariff threat toward Europe looked to today's market crowd like it might take the nightmare baton from "China Trade War" and run a nice, long relay leg of its own.

Those are the two events. Now let's back up a bit for some real-world perspective, with thanks as usual to economist Scott Grannis.




There are a hundred economic statistics we might use to get across the remarkable performance of the U.S. economy since the end of the Calamity of 2008 – 2009 . . . but this is as good as any. As we've remarked a few times, nobody in the world, back in 2009, thought that green arrow was in the realm of

human possibilities. But things like jobs in the stratosphere and unemployment at rock-bottom are as cold, hard, real-world facts as ever show up in front of our noses, saying, "No matter how determined you are to be gloomy, here we are!" The market can rivet its gaze on the foggy risks of "China Trade War," "European Trade War," or "Global Trade War" for a good while . . . but high jobs and low unemployment are "cash events" rather than "foggy events." The market can and regularly does do a lot of silly things—but it can't ignore "cash" indefinitely. Jobs and unemployment statistics are about cash in consumers' pockets; just as corporate sales, earnings and cash flow statistics are about cash in business pockets, of which a fat share always gets handed to investors.


Our last chart from Mr. Grannis only covers 4 years rather than 10 . . . but it would make the point even more emphatically if it did. This extraordinary, superb Bull Market has lasted so long, and been so strong, because those "cash facts" have continued streaming in, shoving the nightmares aside; <u>and because the market has continually indulged itself in nightmare-wallowing—for 10 solid years.</u>

As Outlook has noted a few times, the really dangerous markets are the cheerful, optimistic markets—with "great things will happen" valuations all over the place. The "safe" markets (as safe as it's possible for markets to ever be) are the worried, doubtful, and often-frightened markets—with cautious and skeptical valuations all over the place. Safest yet are the worried markets which accompany emphatic financial strength among businesses and consumers both.

We can't be sure how "China Trade War" or "European Trade War" will turn out. They're not silly things to worry about. But it is silly to worry about them while covering our eyes to avoid seeing those "cash facts" right in front of us. That's what the market's vast speculating crowd tends to do, most of the time. It isn't what good investors do. We'll hold our strong, cautiously-valued companies and keep looking for chances to buy more.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