The Outlook: April 7, 2021

Strange times indeed . . . but not enough to derail Main Street for a while.

We are living through strange times, these days.

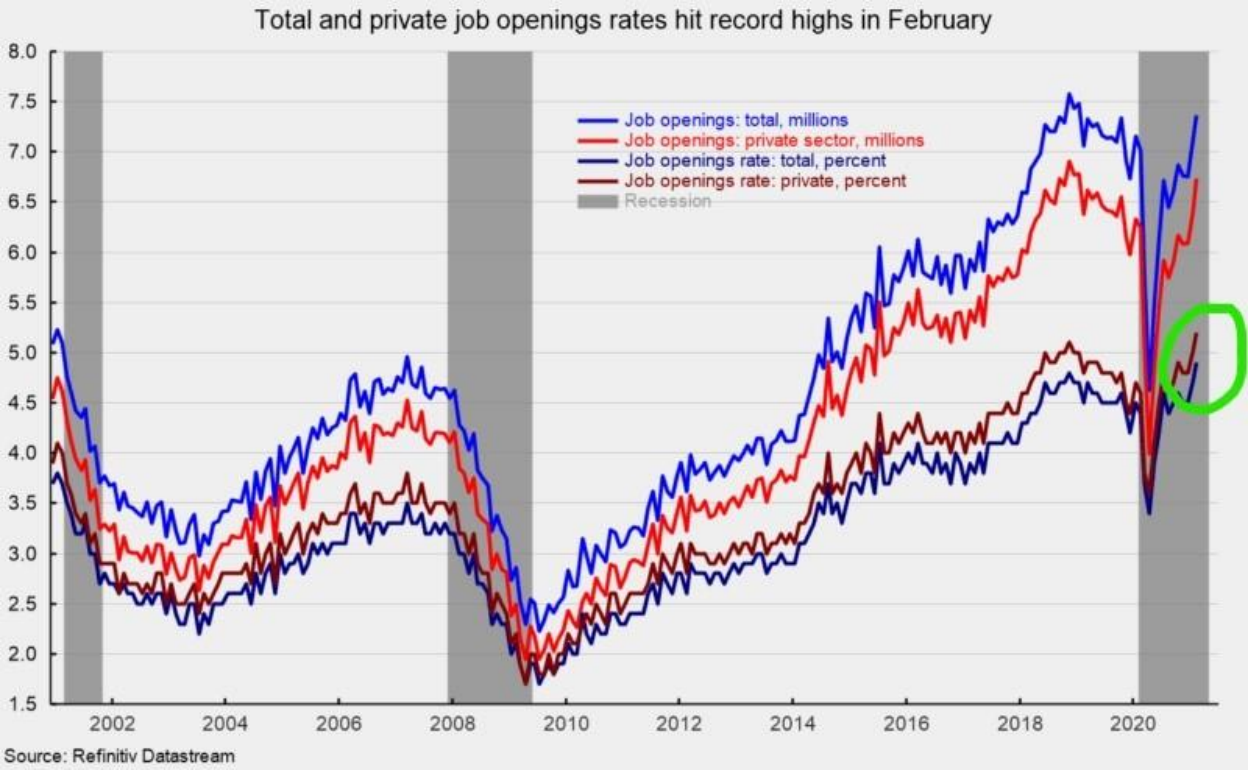
At Outlook we've been hearing that kind of remark—and making it ourselves, fairly often—for exactly 44 years now. In the investment world, and the world in general, the "strange" is always with us, coloring everything from small corners of the picture to major swathes of it, sometimes. But it's no exaggeration at all to say that today's version of "strange" might just take the gold medal in competition with all those historical versions of "strange."

- We have government spending and money-printing which is just breathtaking—no other word describes it.

- We're just emerging (probably) from a year of government shutdown of the global economy which has no parallel in the history of the world.

- We have a U.S. government which is proposing—on the heels of this unprecedented destruction of jobs and businesses—a massive hike in taxes.

If just those three elements of the big picture don't deserve the word "strange," nothing does. And yet, here's what Main Street is doing today, in the teeth of all this strangeness:



The chart shows us 20 years of "job openings" in the U.S. economy, measured various ways. We can see them plunging, just as we'd expect, in the shaded recessions: 2001, 2008, 2020. And we can see the 2020 plunge made the others look gentle and gradual by comparison. And yet, there in the green circle we see something "strange" indeed—as long as we're belaboring that word. Job openings as a percent of total available jobs just set an all-time record.

In a nutshell, that's a sign that Main Street may think things are strange, and is probably concerned about it . . . but it's flooring the gas pedal anyway. If it were Admiral Farragut 150 years ago, it would be saying "Damn the torpedoes. Full speed ahead!"

Why?

At bottom, for exactly the same reason it floored the pedal 11 years ago, coming out of the Calamity and Panic of 2008 – 2009. Most U.S. companies—from old-line factory firms to "new tech"—reacted to the almighty fright of the 2008 – 2009 Calamity just as we'd expect: they cut their debts and costs down in a very ruthless way, because above all else they wanted to be so strong they couldn't be torpedoed by the Calamity's return (confidently predicted by any number of experts.) They used the savings to keep investing aggressively in the products and technology they'd need as the world recovered. And those actions did indeed make them almost invulnerable to the Calamity's return . . . which meant they shrugged off countless frights and problems in the next 10 years, and kept growing.

Main Street is just as strong now—no, stronger. The host of American companies doing business on our Street, every day, sees customers coming back, hears their confidence, and knows it has the cash to grow: which is exactly why last week's jobs report was spectacular, hugely exceeding every expert's forecast.

That kind of strength can shrug off a flowing Mississippi River of "strangeness" . . . for a good while. That's what it is doing; and that's why the market finds it so hard to sustain the countless nightmares it dreams up as a matter of routine. There will be trouble ahead, because the "strange" things we're seeing are not good things, by and large, when it comes to lasting economic growth. But for a good while the "trouble" will be no match for Main Street's strength. We're holding our outstanding companies, as usual.

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