

## The Outlook: July 25, 2020

### *The Big Picture.*

Here's the Big Picture, just now. Main Street America is working as hard and as ingeniously as it possibly can to climb out of the shocking economic crater exploded by the "Virus Shutdown." We'd have to look pretty hard to find anything remotely like the Virus Shutdown in history, with governments all over the world ordering their economies into deep freeze. But the essence of Main Street America is hard work, inventiveness and self-reliance—and we see countless examples of those qualities at work today, figuring out how to rebuild.

That's half the Big Picture. The other half is a vast dark cloud of fear and uncertainty, hanging over Main Street every day, sapping some of the energy it would otherwise bring to bear on its job. The label on the dark cloud is "Virus Shutdown, Part 2?" Inside the cloud is an ice storm which, if too many political leaders pull the trigger on "Virus Shutdown, Part 2", will freeze the economy all over again. That would undo much or all of Main Street's hard work since May.

Finally, in one corner of our Picture we see Wall Street, glancing occasionally at the rebuilding happening on Main Street, but mostly gazing up in horror at the dark cloud. The result for the market, so far, has been the bumpiest roller-coaster upswing a thrill-seeker could ever wish for: up, all right; but so nervous and jerky about it that nobody is calling it "fun."

How long will this go on? And, will it end badly?

Those are the Big Questions. Let's glance at two pictures for help with the answers.

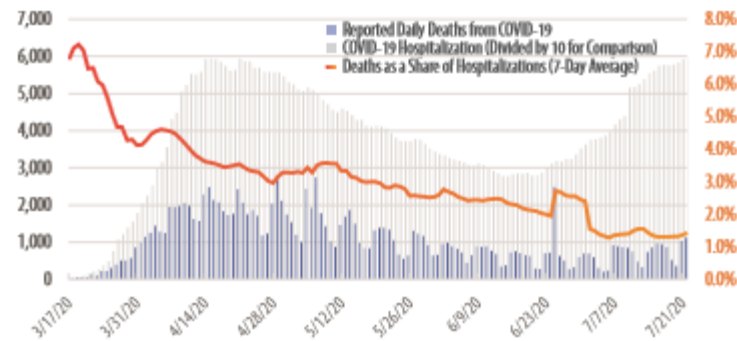


That's just one of the pictures of Main Street, rebuilding. We usually look at what businesses are doing, in the rebuilding process; but what we consumers are doing is just as important. This picture helps. The green circle highlights a very small bump in the road, in the U.S. housing sector, which was the Virus Shutdown. That picture tells a remarkable story, which might be summed up as: "Home Builders and Home Buyers Acting Remarkably Unafraid." As "green shoots" of rebuilding go, of course, this picture shows one of the best of them: a beanstalk heading for the sky, sort of. Plenty of others are green and growing, but range from "not bad" to "pretty sickly."

Another way to ask the Big Question is: "Are any facts going to support that renewed ice storm via Shutdown Part 2?" Politicians, of course, don't need facts to back up their actions . . . but like the market, they tend to have a hard time ignoring facts indefinitely. Here's one, courtesy of economist Brian Wesbury.

## Deaths as a Share of Hospitalizations in the U.S.

March 17, 2020 – July 22, 2020



The light-brown bars, rising rapidly at the right, are “Virus Cases Surge Again,” as the media has been informing us every few minutes for the last month. The orange line, though, is a little more scarce when we scrutinize the daily headlines. It shows the fairly amazing plunge in Virus deaths among those hospitalized, since the whole nightmare began. Why?

There is no vaccine, yet; and nothing even approaching a spectacular “cure,” yet. But while cases rocket up again, deaths stay at or near their all-time lows of around 1% of hospitalized cases. The reason, from all Outlook can gather, is a lot like the reason for all those green rebuilding shoots on Main Street. Doctors and hospitals have gotten much better at treating Virus patients, because they’re much more experienced now, and because they have their fair share of Main Street’s ingenuity and willingness to work hard. That fact is obvious even when we know that the “second wave” of cases carries many more younger people, who are far less at serious risk from the Virus—because the striking improvement in mortality has been dramatic among every age category right through the 90’s.

There will be political leaders, and whole national governments, which ignore this. But there will also be many who do not, having had time since the “first wave” to think and learn about a lot of things, from how economies work to the nature of the disease. The market does “get that,” which is probably why it’s been so stubborn about rising through all sorts of seemingly bad news. Of course, “get it” or not, the market’s anxious gaze will stay fixed on that dark cloud for a good while, meaning more bruises from the bumpy roller-coaster upswing we’ve been enduring since March 23<sup>rd</sup>. But at Outlook we’ll keep investing on a foundation of facts which won’t go away, rather than guessing about when the market might become less nervous about dark clouds.

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