

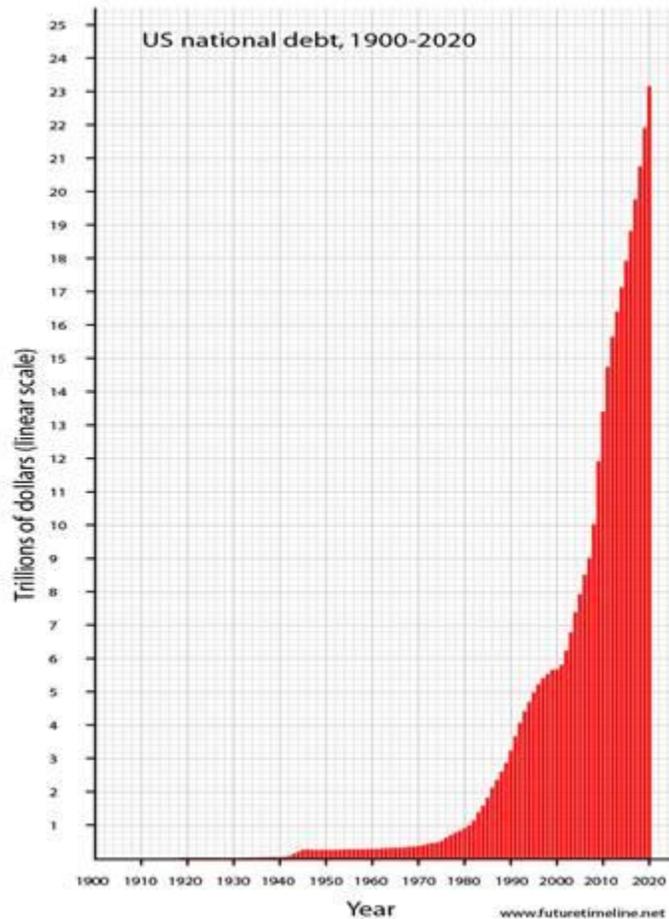
**The Outlook: Jan. 6, 2020**

***2020: the market will have to search for its next Nightmare.***

The market is probably going to need a new Nightmare this year. Last year’s main Nightmare—“China Trade War”—was good for 18 months of general anxiety and a handful of market melt-down attempts . . . but even before the “Phase One Deal” came out toward year-end, it was losing its punch, like a boxer getting tired by Round Ten. At the moment, of course, “War with Iran!” is trying to climb into the ring to take “Trade War’s” place on top of the Nightmare rankings—but there’s such a thing as being too much of a stretch for anyone to believe, and at Outlook we suspect “War with Iran!” fits that label.

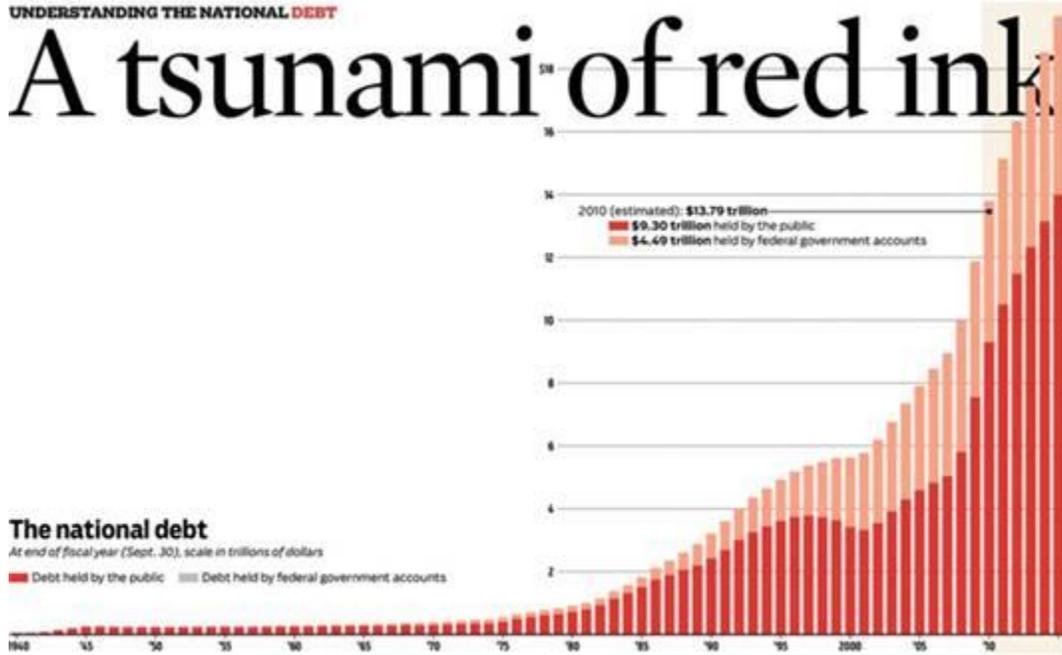
The oldest and most historically successful Nightmare is “Debt Bomb Set to Explode!” It may or may not take its turn in 2020, but for the sake of a little light-hearted fun, let’s glance at a few charts and statistics, keeping in mind the old saying about “Lies, Damned Lies and Statistics.” First we have the Nightmare Champion, below. It does take up a lot of screen space, doesn’t it?

**2020 Federal Debt Hits \$23 Trillion**

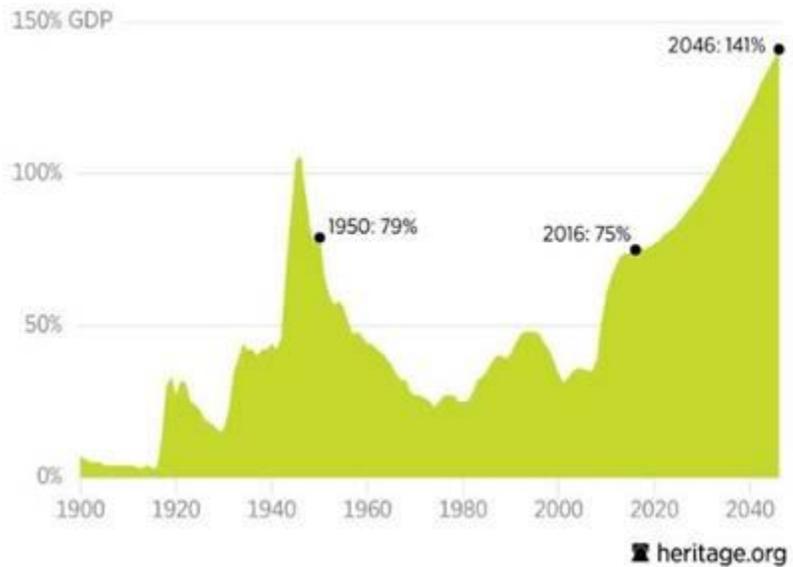


Of course the people making the chart made it look like the End of the World simply by making the up-and-down scale tall, and the side-to-side scale narrow. They also forgot to mention that the \$23 trillion is a meaningless number, because \$6 trillion is debt the government owes to itself. (“Loans” from the Social

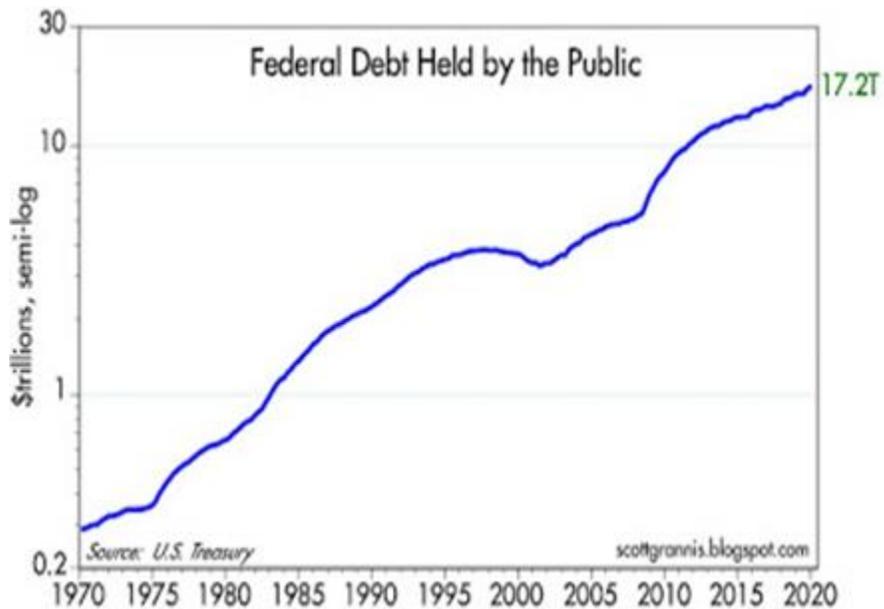
Security ledger to the “Everything Else” ledger.) Still, even \$17 trillion sounds deadly enough, as the next two charts suggest.



## Public Debt at 66-Year High



Thankfully, economist Scott Grannis is always around to throw some cold water on such overheated, hyper-ventilating charts. His first glassful of water, below, merely points out that the federal debt has been growing at the same speed, mostly, for the last 50 years. (About 4.5% per year.)

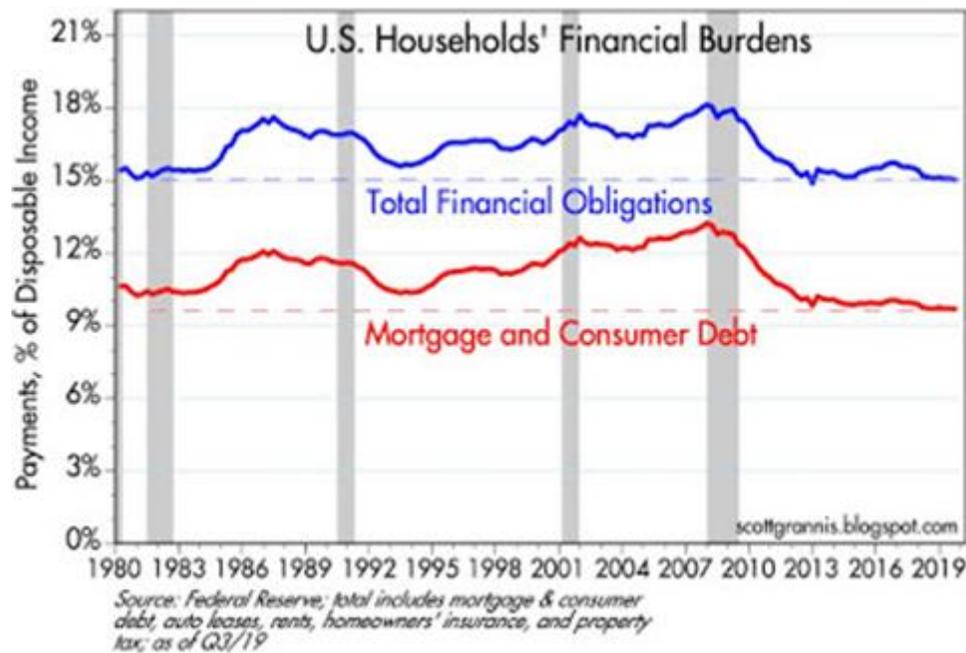


Then Mr. Grannis comes back with a bucket instead of a cup: debt has grown, certainly; but so has the entire economy and the national income which pays the debt:



Less than 3% of total U.S. annual income is needed to pay interest today—basically the same as 60 years ago, and far lower than the cost of interest from 1980 to 2000. Finally, dropping the bucket and picking up a firehose, Mr. Grannis showed us one of his favorite charts (and Outlook's.) It shows the strain on American households of servicing their current levels of debt: payments as a percent of disposable

income. Yes, households are breathing easier than at any time in the past 40 years, when it comes to debt payments.



It does kind of look as if the market will have to keep searching for its next Nightmare, doesn't it? It will certainly find one. It always does. Then we'll see how quickly buckets of cold-water facts, like Mr. Grannis', will be enough to bring a fearful market back to its senses, coughing and spluttering. The market's nature is to thrash through its own regular Nightmares, then wake up spluttering and grudgingly accept that it's daytime and the sun is actually shining. The cold cash earned and paid out by U.S. companies is always the bucket that does the job, when other facts sometimes fall short. In 2020 we are rather certain our companies will be gushing out regular streams of that kind of cash so, as usual, we're not worrying too much about the Nightmares.

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