

The Outlook: Dec. 23, 2020

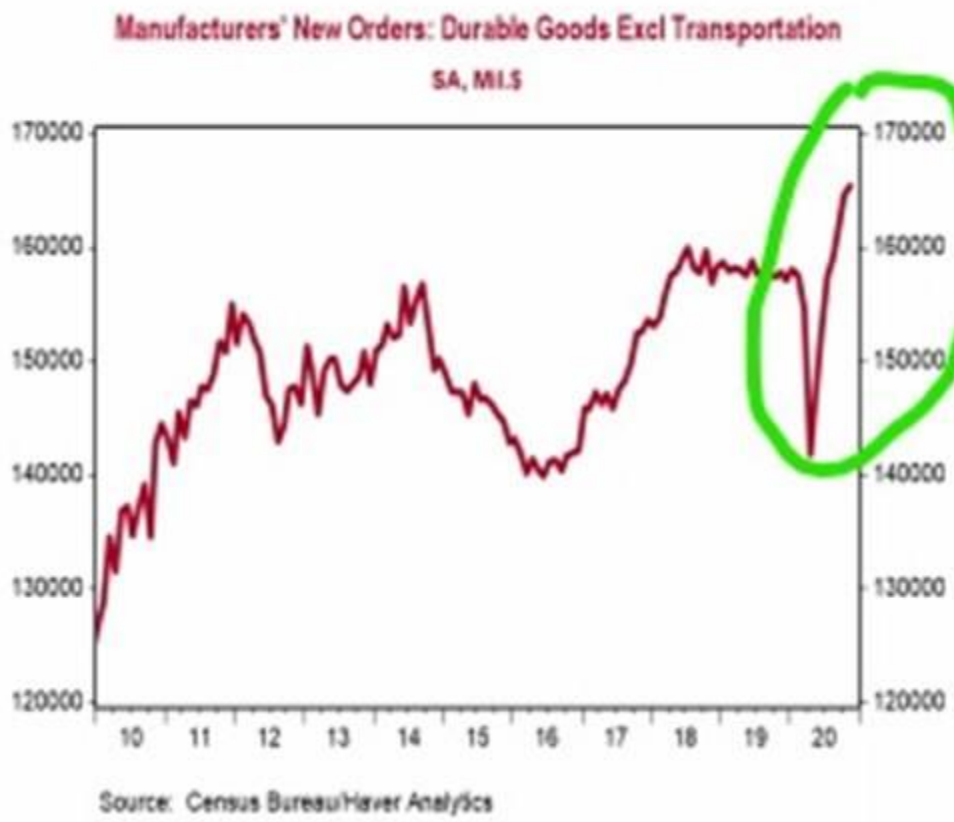
The Meaning of 2020.

2020 has been a year Hollywood couldn't have dreamed up, reminding us that the old saying, "Truth is stranger than fiction" belongs on the short list of Old Sayings which we might carry around in our pockets. Here's the most important truth for investors to draw from this year's fantastic events, beginning with two charts: one long-term, one just now.



This is a startling chart, courtesy of economist Scott Grannis. Over the last 12 years, the value of the U.S. stock market has been closing the gap: that is, catching up to the value of the markets in the whole rest of the world combined. Why and how? Because despite endless problems and a fair number of anti-growth political burdens, in the U.S. the combination of engineering inventiveness and ruthless management drive toward fixing problems and pushing for faster growth of earnings and dividends has simply left global competition trailing behind—generally speaking.

Here's Chart Two, courtesy of economist Brian Wesbury.



Durable goods orders for November were released today, adding one more boost to the rocket recovery pictured in the green circle. There has been nothing in history like the downward plunging part of that picture, when “Lockdowns Round One” first hit the economy. (There had been nothing in history like “Lockdowns Round One,” period.) And there has been nothing in history like the Saturn rocket ride pictured in the upward-spiking part of the picture—added to just now. Durable goods orders, we can see, are at new all-time highs. Did the plunge into the abyss actually happen?

It did, of course, and while it was happening panic ruled everywhere except on Main Street. Main Street, where Americans work and are led by the toughest group of leaders on earth, was appalled by early 2020 . . . but never paid attention to another old saying: “When in panic and in doubt, run in circles, scream and shout.” Main Street sized up the problem and looked for fixes. It has succeeded beyond the forecasting imagination of countless experts.

It has succeeded for exactly the same reasons that “gap” is being closed in Chart One. Ingenuity and drive are all that matter in the end, as long as the people willing to exercise them aren’t asked to carry too heavy a burden of growth-dragging government policies and actions. The media does not grasp this truth at all. The market’s speculating crowd doesn’t either, for the most part. But the spec crowd does notice the cold facts which always come along, as a result of all that ingenuity and drive. That durable goods spike is just one of many. There will be many more in 2021, despite “Lockdowns Round Two,” and the chance of more political burdens.

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