

The Outlook: August 26, 2021

Jangled Nerves, Indeed.

“Jangled Nerves” is the mood of the country, the world and the market right now—and with good reason. The nightmare in Afghanistan is showing more of its ghastly nature with every passing hour. Its message of human catastrophe is shocking enough, but it bears a subtler message as well: “If we expect normalcy because we live 10,000 miles away . . . don’t be too sure.”

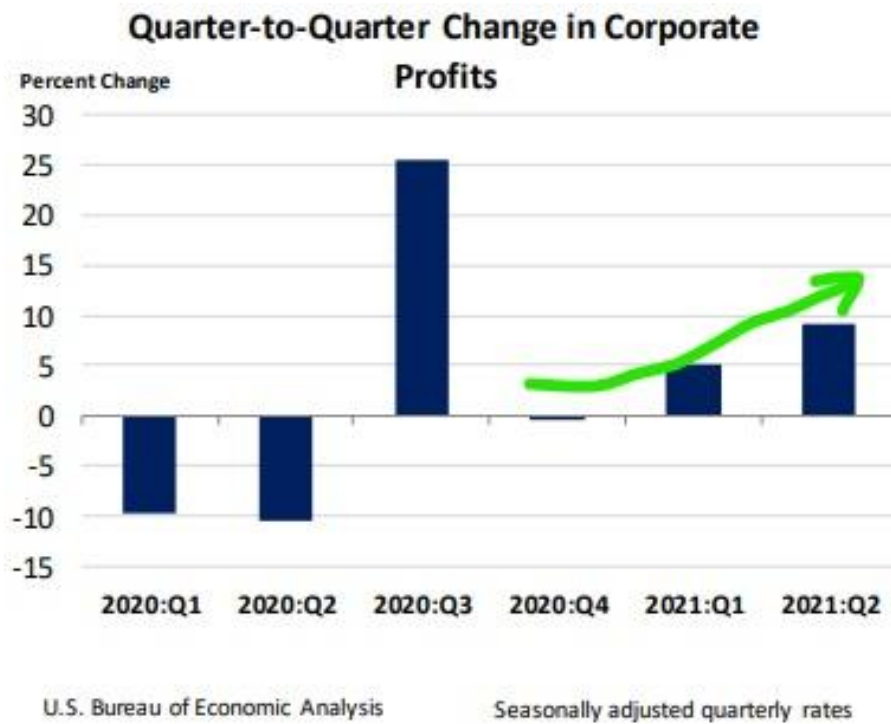
On Main Street, “normalcy” has been mighty scarce for a long time now: since at least 2008, we’d say. We were reminded of that, this morning, when the revised Second Quarter GDP came out—that is, the report card on the U.S. economy as a whole. It was a good number—6.6% growth—but the title on this story is still “Jangled Nerves” rather than “Clear Sailing.”



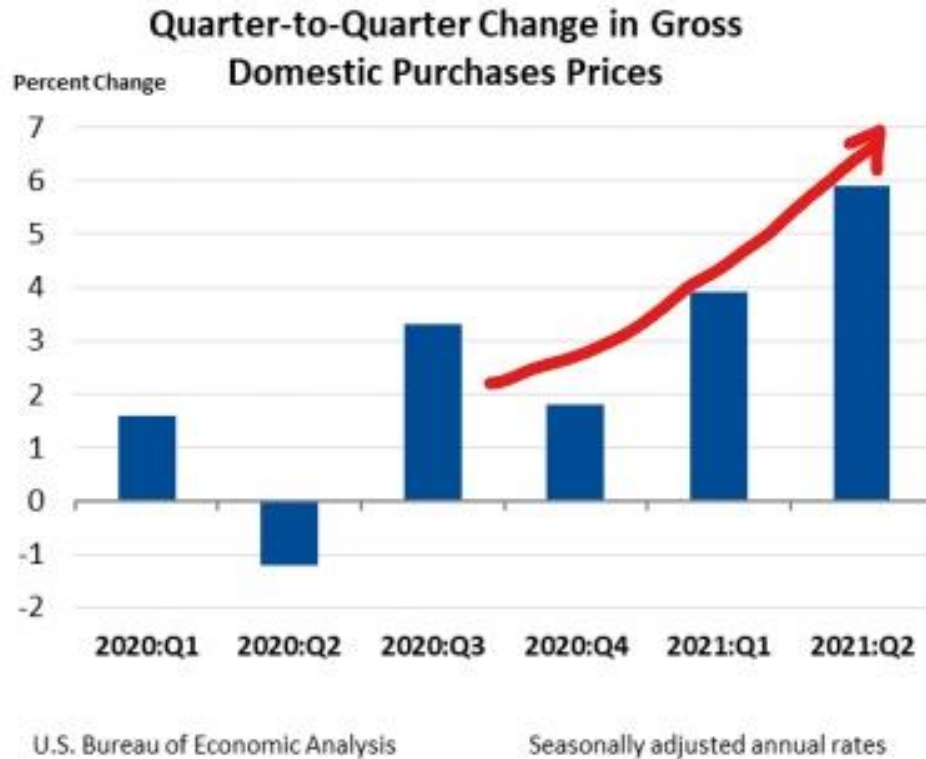
As usual, economist Brian Wesbury gave us perspective by putting today’s numbers into an 8-year picture. Nobody’s calm nerves survived the red-bar “Lockdown!” plunge last year; and the immediate “Rocket Despite the Lockdown” which followed did not restore anyone’s sense that “all’s back in order, the world’s as it should be.” But as Outlook has noted a few times, Main Street is extraordinarily good at picking itself up and getting back to work—and these last 3 quarters of very solid growth prove it again.

But we’ll be living in a mood of “back to work, with jangled nerves from dawn to dusk” for a long time. A really outstanding piece of journalism from the Wall Street Journal today—yes, “outstanding journalism” still shows up, sometimes—told the story of a Utah hot-tub factory’s mind-boggling struggles with the “supply line crisis” since last year. A thousand parts coming from all over the world have added up to

“jangled nerves around the clock” for the company, and no sign whatsoever of “normalcy” on the horizon. It would surely be hard to find a big company in America which hasn’t been sharing the Utah tub-maker’s story. But even so, here’s what today’s GDP report said about corporate profits:



Profits were up 10% . . . and accelerating. That might have helped “jangled nerves” a bit, but here was this morning’s report on inflation:



Also accelerating, isn't it? It might be wise for us to get used to "jangled nerves." They're probably here to stay.

But let's finish by looking at how we've been living with them. This picture is the market, anxiously trudging ahead—tip-toeing ahead, sometimes—during the first 6 years of the long, nerve-jangled Bull Market which followed the 2008 – 2009 Financial Calamity.

The Market: 6 Years of Raw Nerves after the 2009 Calamity



The 4 red circles highlight “jangled nerves” indeed: plunges of 12% to 15% again and again, as the “normalcy” which speculators and investors wished for just refused to show up and stick around. Main Street surely would have liked “normalcy,” too. But it didn’t need it. It rebuilt anyway. At Outlook we’re certain Main Street is doing exactly the same thing this time; and we strongly suspect we investors will have to live with another long string of jangled nerves, just as we did from 2009 – 2015. It’s a roller coaster . . . and that’s what the ticket costs, unfortunately. But when we look inside the companies we own, and marvel at the strength of their rebuilding so far, it looks very much as if it will be worth it . . . as usual.

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