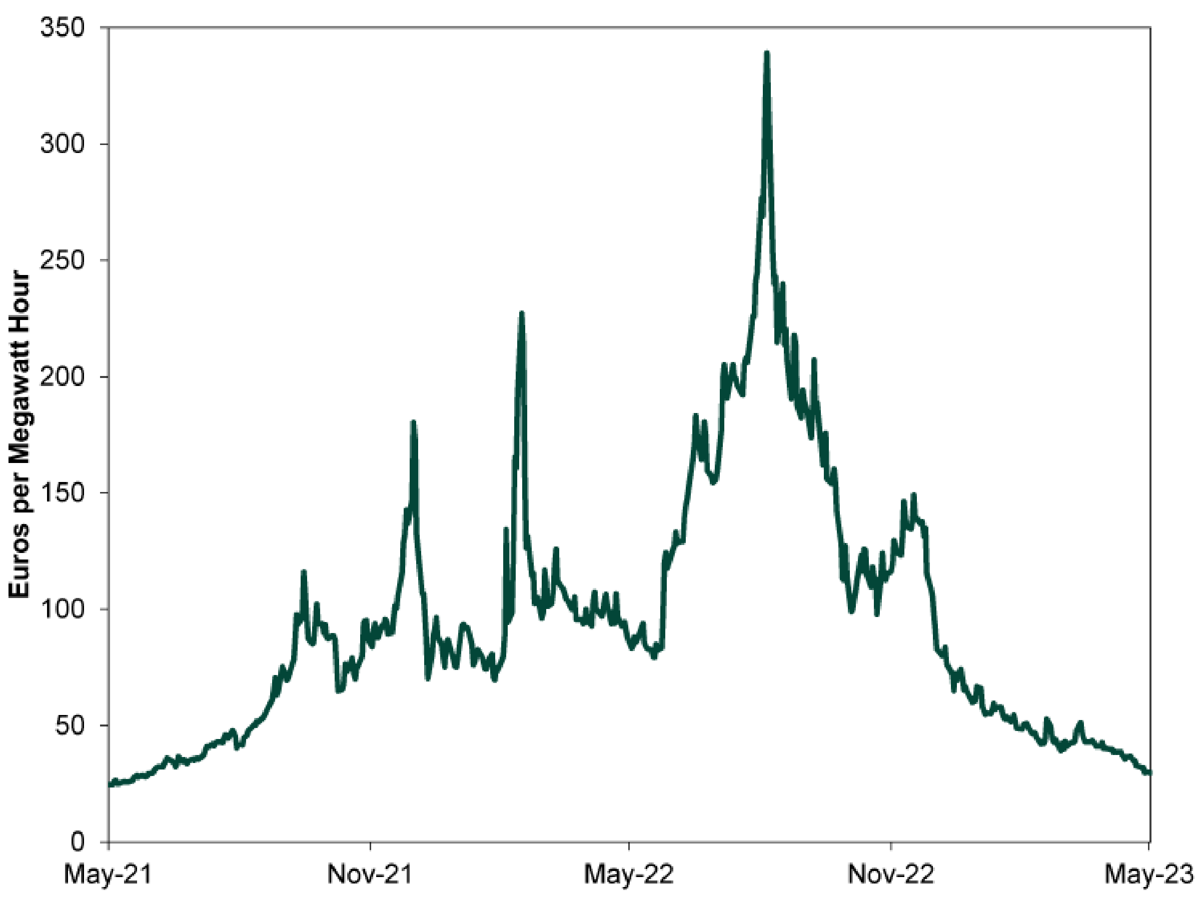
<u>The Outlook: May 25, 2023</u>

Expecting the unexpected.

"Always expect the unexpected" is one of those old sayings which sound wise—and actually *are* wise—but doing it is a whole lot harder than saying it. The "unexpected" by definition seems unlikely, and forecasters of the unexpected are always thin on the ground. But it takes very little reading of history for us to <u>know</u> we'd best follow that old advice anyway, as well as we can, because if we don't we're quite likely to get our clocks cleaned by that unexpected future when it comes 'round the bend.

Here's a startling picture of just that kind of "unexpected future."

Exhibit 2: European Natural Gas Prices Are Back to 2021 Levels



Source: FactSet, as of 5/22/2023. Dutch TTF natural gas price in euros, 5/21/2021 – 5/22/2023.

Free markets do some pretty crazy things sometimes . . . and the European natural gas market is Exhibit One. Energy prices had already skyrocketed when the Ukraine War began in early 2022, but what came next made the past look trivial: a 1,400% explosion in natural gas prices from the May 2021 "norm."

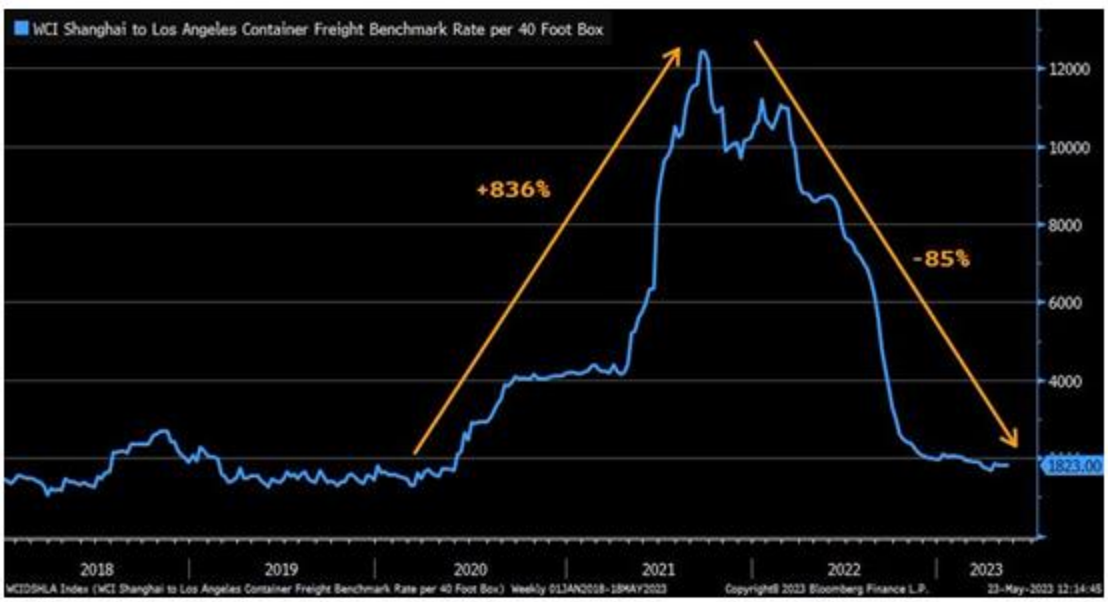
It was hard to grasp the enormity of that change, and it scared the daylights out of Europe's people and politicians . . . and most economic forecasters. Natural gas fuels a giant chunk of Europe's "Main Street" factories, and powers most people's homes. A 1,400% hike in gas costs looked like a Main Street killer . . . and to most experts there was no easy or fast solution.

But "expect the unexpected", especially when free markets and the chance to make money are involved. Europe began importing LNG (liquified natural gas) from Texas, among other places—and nobody will ever accuse Texas shale cowboys (whether wildcatters or ExxonMobil) of passing up a chance to make money. Europe also moved a lot faster than expected to build LNG import terminals. (A 1,400% cost hike clears red tape and clarifies political thinking rather amazingly.) So the rocket-rise gave way to a cliff-dive . . . and here we are back where it all began, two years ago.

Was it so very unexpected?

Nope. Not if we just appreciate how Main Street works, all over the world, when it's allowed to fix problems without government interference. Here's Exhibit Two.

Shipping Rates: Shanghai to Los Angeles



Quite a ride, wasn't it? That was "Supply Chain Chaos" caused by the Lockdown Calamity at its worst. Once again, when we were up on top of that 836% mountain, experts who thought the problem might be fixed anytime soon were thin on the ground indeed. But it was fixed, by free markets doing their simple thing: calling forth more goods-shipping supply and throttling demand until prices began falling. Outlook's clients know what's coming: yes, "the cure for high prices is high prices."

So in the end it wasn't all that "unexpected", was it, in either the shipping or the gas markets. Markets are always driven by the betting crowd, in the short term; but they are always driven by Main Street's actions and achievements, in the longer term. The betting crowd <u>always</u> overdoes the rocket-rise and the cliff-dive. That's its nature. Main Street solves the problem anyway. It's not very "unexpected" after all.

Outlook Capital Management, LLC
125 S. Wilke Road, Suite 200E
Arlington Heights, IL 60005
847-797-0600