

The Outlook: January 4, 2023

Micron: the meaning of one day.

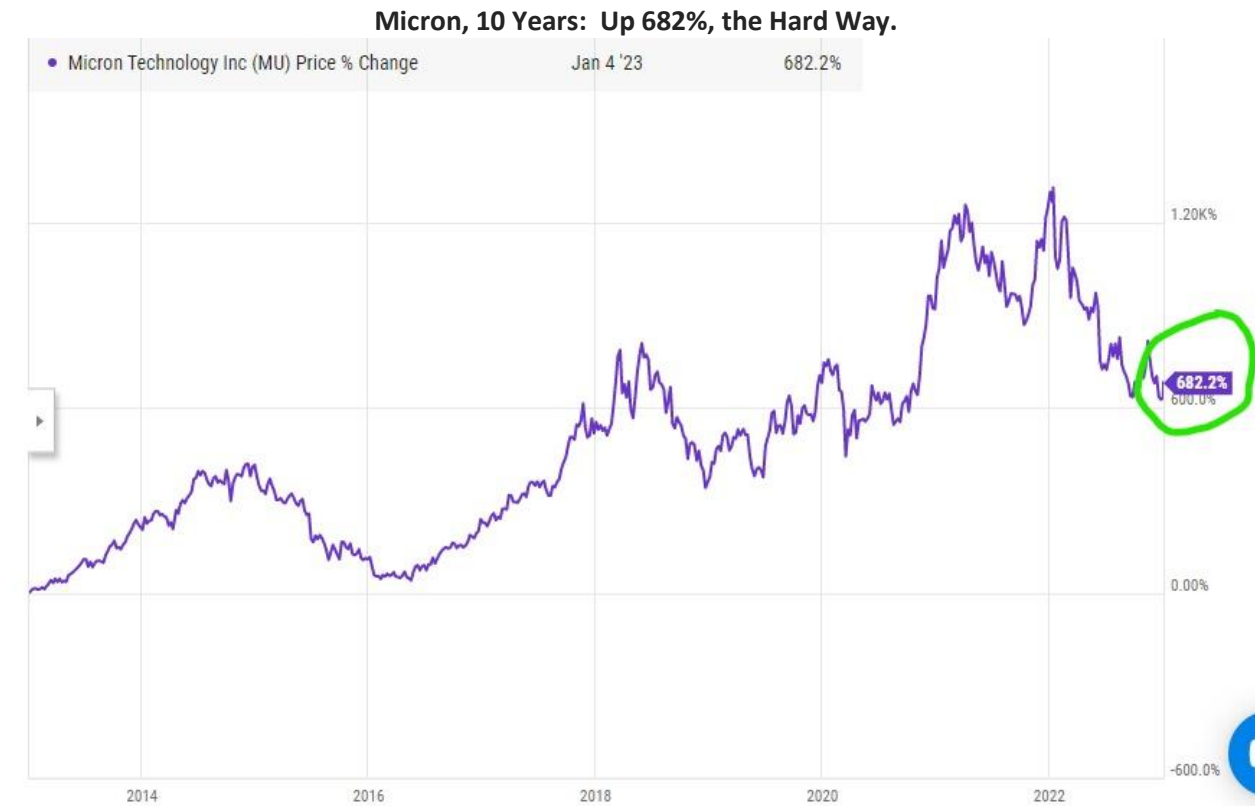
Micron has ridden a rocket today, up 7% at the moment. In one way that means nothing whatsoever, just as its cliff-diving 7% down days mean nothing at all. But in another way it means a lot . . . for us genuine investors. What it really means will *never* interest the market's giant betting crowd, nor the big crowd of people who'd like to be "genuine investors" . . . but who find it hard to think clearly when the betting crowd is "running in circles, screaming and shouting." Let's glance at two pictures.



Hmm. With only one year's background, today's 7% "rocket" looks more like a wet firecracker, doesn't it? Still, why did it happen? Probably because a couple of Wall Street analysts said, "The memory cycle might be bottoming soon. Maybe it already has. And Micron is priced so cheaply when we think about the future that the stock has probably bottomed, too."

If there were a gold medal for stating the obvious, those analysts would win it. Not the "obvious" fact that "the memory cycle is bottoming;" because that's not all that obvious. Maybe it is, maybe it isn't. No: the "obvious" thing for us investors has been clear since Micron began its spectacular cliff-dive in January, from \$97 or so: like almost every other cycle in the world, memory cycles are inevitable; they usually show up as a surprise; and they always fix themselves, usually within a year or so. And finally, the market's betting crowd always treats cyclical stocks as if "This time it'll be different. This time there might be no tomorrow. This time it might be curtains."

The treat the cyclical stocks that way—but they actually know it's nonsense, so they stand ready to punch their "Buy!" buttons at a second's notice. That's what they did today. Here's the second picture.



Hmm. There are 10 years of memory chip cycles, traced out by 10 years of Micron's stock making its cliff dives and taking its rocket rides. As the one-year close-up in Picture # 1 shows, there've been an infinite number of 7% rockets and cliffs in that decade. Hence "there is no meaning whatsoever" in them. But the sum of all those rides means a lot. It means almost 700% in 10 years, to start with. It also means Micron's people have been running its operating business with great determination and professionalism, through the memory cycle's brutal rides. Without that truth, there would be no 700% gain or anything like it. And it means, finally, something the betting mob, the analysts and us investors might agree upon: Micron's cyclical comeback is not an "if" at all. It's a "when". So the speculating crowd will be keeping its thumb poised over its "Buy!" button around the clock, even if it uses the other thumb to jab "Sell!" every other day, week or month. That's how it makes a living, and heaven help it. We investors can give our thumbs a break, though, and patiently wait for more of precisely the same 10-year picture we see above.

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