

## The Outlook: March 29, 2023

### *The market and its compressed springs . . . pointing both ways.*

The market never stops trying to tell us about itself: confessing to its own nature, to anyone willing to listen. One of the jaw-dropping conclusions from a 46-year career is how few people do listen. Sometimes it seems the more educated, famous and “sophisticated” they are, the less they listen to the market, as it tries to say, again and again: “Would you please toss away that textbook and give us 5 minutes to tell you how things actually work?”

Here are a couple of pictures we might label: “In the market, compressed springs point both up and down.”



We mentioned Beyond Meat—whose motto was “Nobody will eat hamburgers after tasting our soyburgers!”—a couple of years ago, when it was trading around \$150 - \$250 per share as a reward for its nonexistent earnings. There’s a sad history: going public around \$65, spiking toward \$250, plunging to \$50 during “Lockdown!”, but rocketing back into the \$130 - \$180 range for 15 astonishing months, roughly . . . until it began sinking into its own Valley of Death, up there, which it’ll have trouble climbing out of, if history is any guide.

We might offer up some more numbers here. Earnings might have touched something more than zero. Beyond’s cash burn might have slowed down. There “might” have been, and probably were a collection of news items about this company which gave the betting crowd all those reasons to stampede back into Beyond . . . for a few days, or weeks, or even a couple of months. But no matter what those

supposed rays of sunshine were . . . they don't matter at all. They are not worth looking at and pondering, because the truth is so simple and obvious.

That's an upside-down coiled spring up there in the red circle. It wasn't a dime-store spring; it was more like an industrial-grade freight-elevator spring: a foot in diameter of tempered steel worked into a coil, storing a shocking amount of energy when compressed. That red-circled spring was aiming one way: way down. It took 15 months for something to finally release the spring . . . or even 3 years, if we ignore the temporary Lockdown panic. But it was just sitting there, facing the bottom of the cliff, waiting to unleash its fury . . . and of course it finally did. "94% Gone!" is the result.

There are always upside-down coiled springs out there, in the market. That is its nature. The trouble is, we investors are always more and more strongly inclined to wonder if they really exist when they just sit there, staying peacefully compressed, for so long we begin to doubt our common sense. But we must never doubt our common sense.

Here's another coiled spring, but it's facing up, not down.

**Micron: 15 months, down 35% . . . but not "gone" at all.**



Micron talked about last quarter's earnings today. They were awful. The stock rocketed up 7%.

That may or may not be Micron's "coiled spring" unleashing itself. (The safest way to predict the near future, in our business, is not to predict it.) But it will. As Outlook's clients will hear soon, from Theresa writing her "Inside" report, absolutely nothing surprising came out of Micron's report. CEO Mehrotra said, roughly, "This is the worst cyclical memory plunge in 13 years . . . but we might be seeing signs of a bottom. We like our business very much. We'll wait for it."

Micron's rocket rise happened today—and will go on in the future, whether this is a false start or not—because this extraordinarily strong company runs a memory chip business which itself is a coiled spring; and Micron's stock will explode before the business itself does. That's the nature of the market. That 35% plunge since early 2022 was the betting crowd squeezing Micron's massive spring down flat. They can't keep it there, and they know it. During memory's next cyclical upswing, Micron is so likely to pass its old records for earnings and cash flows that the \$97/share peak seen only 15 months ago will look easy—like a 16-foot pole vaulter rocketing up beyond a 12-foot crossbar. Like Mr. Mehrotra, "we'll wait for it."

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

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