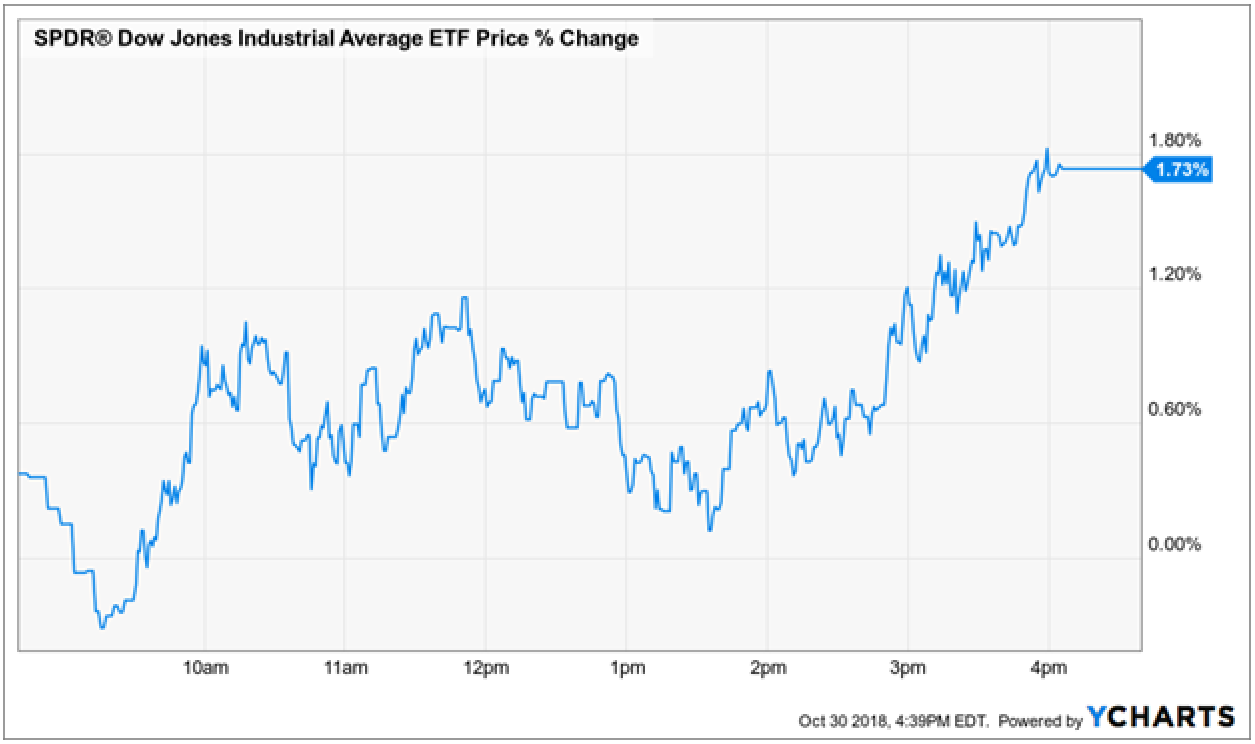
__The Outlook: Oct. 30, 2018__

Main Street calls the tune in the end, not Wall Street.

Let's glance at how the market behaved today, minute by minute.



The Dow eventually clawed its way to a 1.7% gain—but it wasn't easy, was it? That picture is the story of a 6-hour argument between 2 armies of speculators: those who were sure the "sky is falling" fright, and bet—which has worked so well all through October—still had most of the massive speculating crowd behind it; and those who, perhaps, have glanced at enough 3rd Quarter Earnings Reports to begin suspecting that this skeleton won't have enough factual meat on its bones to stay frightening.

As Outlook has mentioned a few times, that's the nature of the market. There is an enormous crowd of speculators whose daily business is making quick bets on the fleeting impressions created by the news. Being a bunch of almost normal people, most days the speculating crowd comes up with differing opinions about those impressions: some lean positive, some lean negative, so the market meanders up and down accordingly. But now and then the giant crowd senses that well over half the mob is leaning the same way. When that happens, the whole crowd stops arguing about which impression is right, positive or negative, and bets the way everyone else seems to be betting. Hence the long list of colorful advice given by speculators to other speculators: "Don't stand in front of a train," "Don't try to catch a falling knife," and all the others. And if we investors were speculators rather than investors, we'd best follow that advice too—because we wouldn't last long if we didn't.

But we are investors, which means we must always remember something more, about the nature of the market. Rather than perpetually meandering up and down while going nowhere, <u>it goes up</u>. From 75% of all the single years, to 95% of all the ten-years, to 100% of all the 20-years, it goes up . . . a lot. That happens because real-world facts about business, consumers and the general economy lean overwhelmingly positive over time (because free markets, capitalism, and personal freedom and accountability actually *work*.) So all attempts by the speculating crowd to keep acting as if those general impressions created by the daily news ought to <u>stay</u> mostly negative, indefinitely, keep colliding with stronger brick walls of favorable facts.

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Outlook suspects the speculating crowd stopped marching in lockstep and fell into bickering about those "impressions," today, because <u>the facts from Earnings Season are not cooperating with the "sky is falling" impression which ruled October</u>. Among Outlook's companies alone, the following firms have reported so far, with all falling into the "rock-solid" category for the performance of their operating businesses (as Theresa's "Inside" reports have shown): Caterpillar, Cummins, Conoco, Freeport, Lockheed, Transocean. Texas Instruments was "rock solid" as well, but alone among Outlook companies reported that mild softening in sales growth. Most of the market crowd was leaning in the same direction, then, so of course "mildly softening growth" became "the wheels fell off!" as far as the market was concerned.

But in fact the wheels did not fall off, for Texas Instruments or anyone else. We have no idea what will happen tomorrow . . . but today the market couldn't ignore that fact. In the long run, those real-world facts will be as strongly positive as ever, and as always, the market will have to follow those facts, rather than its fleeting impressions.

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