

The Outlook: May 6, 2022

What Texas Instruments and Cummins are sure about.

Cummins and Texas Instruments are about as different as two companies can be: diesel engines for trucks, and sensing chips for the “Internet of Things.” But as their leaders talked to Wall Street about first-quarter earnings, this week, they gave the same answer to the same question. The question, basically, was: “Given all the problems out there—Ukraine War, China Lockdown, Supply Chain Chaos, Big Inflation—how can you be sure your earnings will come in as planned, the rest of this year?”

To which both leaders replied, basically, “Of course we can’t be sure! We’re not sure of any forecast, much less forecasts on problems like those. In the end we just keep doing things to strengthen the company. We’re perfectly sure about how to do that. If we do that, our company will end up doing pretty well no matter how today’s problems turn out.”

And it’s possible the two men added, under their breaths, “And you all can put that in your pipes and smoke it!” to the Street’s betting mob. That mob, of course, is desperately concerned with “this year’s forecast,” so that it knows how to place its daily, weekly or monthly bets . . . or when to cancel those already placed. “If we keep strengthening our company, we’ll come out OK” doesn’t give them much to bet on, this afternoon.

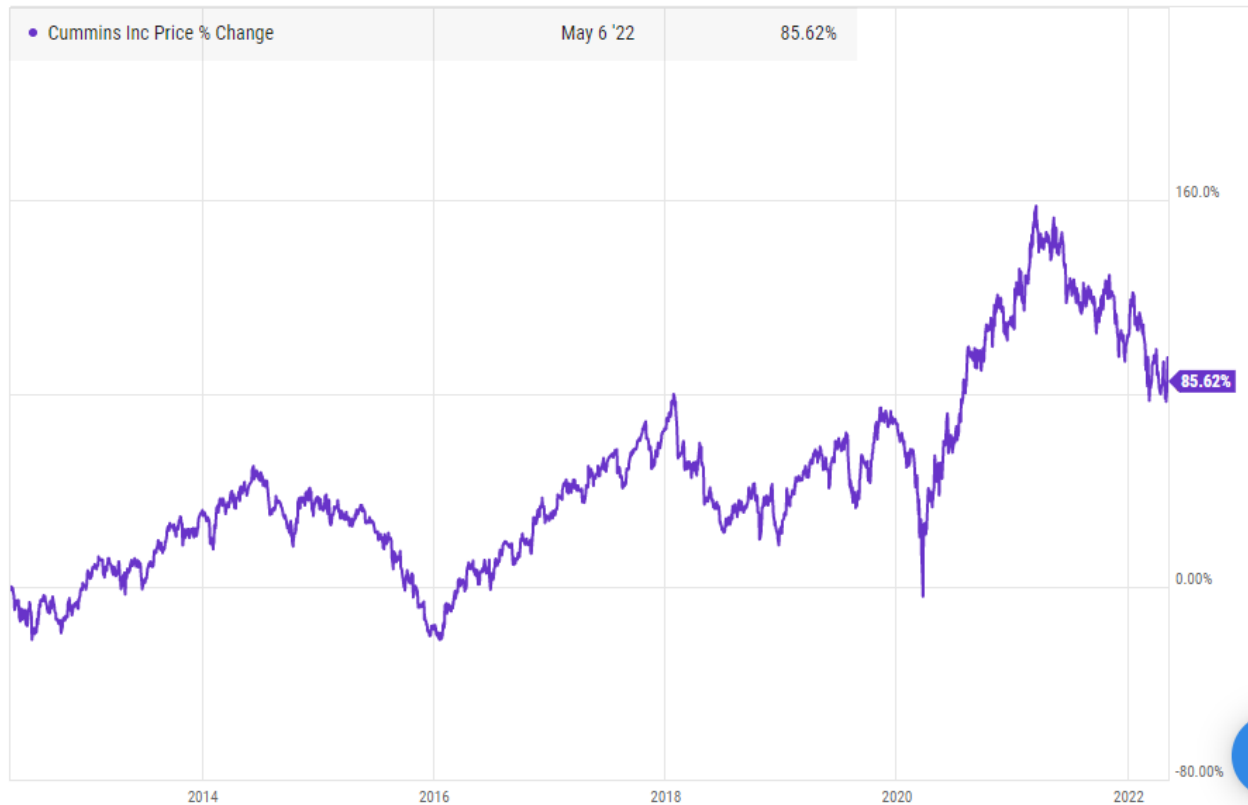
But it is, of course, all that really matters for a company, and for its genuine long-term investors. Here are a couple of pictures.

Texas Instruments, 445% in 10 Years



445% in 10 years happened because TXN's Rich Templeton has been mainly focused on "strengthening my company" all that time. We can see the bumps in the road, with the latest one dropping TXN's return from 555% to 445%. Should we be concerned? Outlook's response: "Should we have been concerned when all the other bumps came along?" Mr. Templeton couldn't have been too worried; he just kept strengthening his company.

Cummins: 85% in 10 Years



85%. Not as eye-catching as 445%, is it? But it was 160% a few months ago . . . and Cummins' recent Earnings Report should make us doubt it'll stay down in today's neighborhood for long. The Diesel King is doing very well everywhere except China; and there is no competitor in its neighborhood when it comes to "green power" for big vehicles in the future.

When the Street's betting crowd stampedes 1000 points down, then up, then down again it's very tempting to think the crowd grasps some important thing about the future which is lost to the rest of us. And every once in a while, that crowd indeed grasps something about next week's future, or next month's, a bit quicker than most. But it never grasps what matters: what Cummins' and Texas Instrument's people know. So that betting crowd, as vast as it is, contains nobody who, for example, has earned all 445 percentage points of Texas Instruments' 10-year ride. The crowd isn't in that business. We might wonder why . . . but we'll get no good answer. We investors are in that business, though, and TXN and Cummins reminded us why.

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