<u>The Outlook: July 3, 2024</u>

"Bubbles" . . . and making a living by twitching.

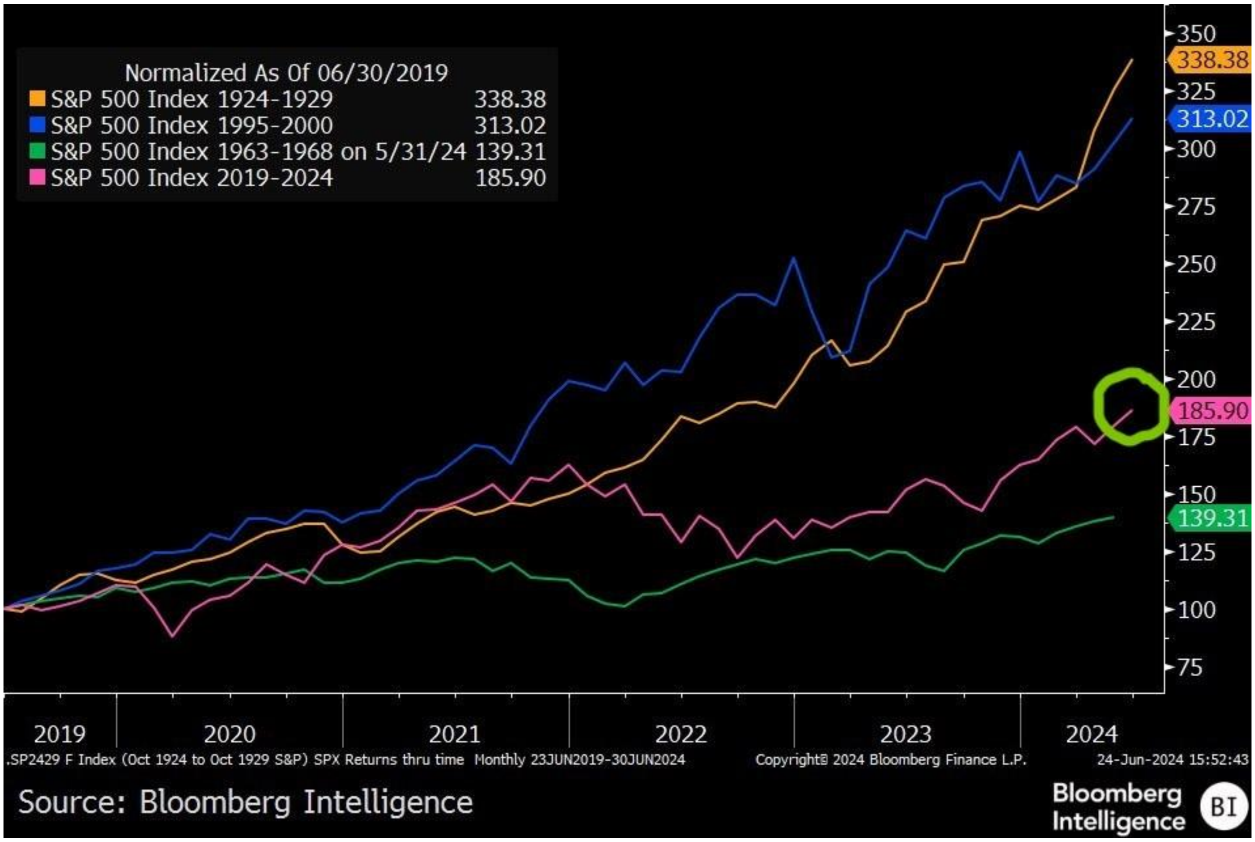
It's the nature of the market betting crowd to spend its days with its nerves stretched tight, on a hair trigger: kind of like the three gunfighters in the last scene of the spaghetti western, hands poised over six-guns, squinting at each other, watching for the first twitch. The market crowd has to live like that because it's chosen to (try to) make a living that way: betting on what might make everyone else in the market crowd twitch, and in what direction. And we investors can't avoid some constant tension ourselves, since paying attention to the market means considering all those twitchy bettors every day.

It's pretty tough to watch nervous people all day, every day, without wondering—at least sometimes—if they know something important. Here are a couple of great examples: first, the market crowd's anxiety over "this bubble market;" and second, the market crowd's recent treatment of Micron Technology.

First, the "bubble stock market." Great pictures always do one great thing: give us perspective. In the picture below, the green circle is what we might call the "current bull market," starting with the <u>peak</u> of the last bull market in 2019 or so. Hmm: up 86%. Seems nice enough . . . but not all that much, given the 4.5 years since then. Now, though, our picture tells us something about "bubble markets." There's the Roaring Twenties Bull Market, up 238%. There's the Dotcom Bubble Bull Market, up 213%. Finally there's the "Nifty Fifty Bull Market of the Sixties, up 39% . . . all from their prior <u>peaks</u>, not bottoms. The useful thing about looking at it that way is that it tells us what's happened since the last time we were happy, rather than the last time we were plunged into the depths of despair . . . as we do tend to be, at Bear Market bottoms.

The point is pretty simple, isn't it? At 86%, it's kind of hard to call today a "bubble" of any kind at all. We aren't in the same galaxy as the real things: the no-doubt-about-it bubbles of the Twenties and Nineties.

Previous bubbles. "We seem to have forgotten what a true equity market bubble looks like."



Now for Micron. We'll begin with the picture.

Micron: 5 Years . . . and Many, Many Plunges

Pardon the busy chart. Let's look at the far right, at the red arrow. That's Micron in the last week or two, plunging from $153 to $131. A good chunk of the plunge came after our company talked about its latest quarterly earnings. Theresa looked at that recently in her "Inside Micron" report. Here is the summing up. The company hit a grand slam home run . . . and made it perfectly clear that more home runs were on the way, quite possibly for the next few years. This company has simply handled a cyclical downturn very well, while at the same time gaining or increasing its product superiority in key areas, and setting itself up for much lower operating costs when the memory chip cycle comes roaring back. It's roaring back right now.

So why did the betting crowd use that grand slam homer as a reason to twitch?

The answer speaks to us straight from that picture. The market "twitched downward" (all those green arrows) because that's its nature; because bettors who survive do <u>not</u> make long-term bets and go on vacation—no matter what kind of near-miracles any particular operating business might be pulling off. Bettors who survive know they are betting on when and how much all their betting pals might twitch, more than on what a strong company is actually building. (It's a living . . . except when it kills them.) At heart, all those green-arrowed plunges meant nothing. The red-arrowed plunges were steeper and lasted a little longer . . . but they still didn't mean anything, compared to the meaning of what Micron has been accomplishing each month and year as it keeps building its road to the future.

The betting crowd spends its career thinking mostly about what might be going on in the other bettors' heads. We investors spend our careers thinking about what is actually going on in some very good businesses. That's a sure payoff, if we only have a little patience.

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