

The Outlook: Oct. 17, 2025

High market. Shall we fear a crash?

“The market has gone so high—and there is so much trouble everywhere—will there be a crash?”

That is always worth asking. There are indeed a world of troubles around us, and the market has gone mighty high: returning 16% or so, this year so far. (Outlook’s median client return falls in the 40% to 45% range so far, but we won’t brag.) But some stocks are on their way to the moon, seemingly, which adds to our natural anxiety about the market. Here’s Outlook’s answer.

While the market is perfectly capable of "crashing" every day of every year—because its daily movements are driven by a giant global crowd of short-term gamblers who are always ready to react to alarming impressions created by scare headlines—the question that really matters is: "The market can go down . . . ***but can it stay down?***" And the only things that can make the market stay down for an abnormal length of time are:

1. Serious problems on Main Street itself: that is, in the U.S. economy and to a lesser extent, the global economy; and
2. Extreme over-valuation of most stocks, rather than just a few.

With respect to # 1, although the media and some “experts” are jumping up and down and shouting that Main Street indeed has “serious” problems . . . they are wrong. Household and business financial strength is pretty much “off the charts” for periods going back forty or fifty years. Over the past 25 years there have been enough “serious problems” (or “serious frights” at least) that people have behaved perfectly normally, on the whole: making themselves financially strong enough to guard against severe damage from such frights in the future. We have all kinds of issues grabbing the headlines—tariffs, politics, interest rates and inflation, shut-down, wars, and a hostile China, among others—but neither singly nor together are those issues powerful enough to torpedo the strength of the U.S. economy . . . and especially its remarkable tailwind, from now through the next 10 years or more: Artificial Intelligence. If there is one thing “AI” will certainly achieve, it is productivity, which means higher and higher profit margins in the business sector.

Profit margins are “cash” . . . and that betting crowd cannot long ignore the cash Main Street is producing and using to reward its shareholders. And thank goodness for that, because if such cold facts were *never* able to call the betting crowd to its senses, we’d have a right to stay away.

Now a glance at # 2, using Micron as an example, since it’s been a hero for us this year, up 230% since April, which might seem partway to the moon. It’s a good perspective on how some stocks (both now and at all times) are absolutely “valued for perfection” or “frothy,” while others are at the other end of that scale. (Palantir, below, is one of today’s celebrity stocks: a company which sells AI solutions to the government. Each year gives the two companies’ actual and future estimated earnings per share, and also their price/earnings ratios—still the most basic measure of valuation or overvaluation.)

	<u>2025</u>	<u>2026</u>	<u>2027</u>
Palantir EPS	\$0.64	\$0.85	\$1.17
Palantir P/E	275x	207x	150x

Micron EPS	\$8.29	\$16.68	\$21.00
Micron P/E	24x	12x	9x

Hmm. Palantir (and plenty of others) are “frothy” by any definition of the word! Micron is not. That will not protect Micron from a cliff-dive, because nothing can protect any stock from a plunge, any time. But it will be easy for the market crowd to hammer Palantir down, one day, and keep it down. It will be easy to hammer down Micron, one day . . . but very difficult to keep it down. Even when Micron’s earnings and estimates get dented, someday (not likely before 2027, in our opinion), the cautious valuation we’re seeing today will make it tough for the crowd to keep it down.

And Micron’s extraordinary financial strength—plus the very solid long-term path for its operating business—are even more powerful factors behind our judgment that it can go down, but not stay down. Under Mr. Mehrotra, Micron’s operating business has gone from “good” to “exceptional,” especially in chip technology leadership and factory operations.

It’s not that Micron (or any stock) is a “never sell.” But as the numbers above indicate, a \$300 share price would still not be frothy . . . still nowhere near that Palantir scale of “frothy!”

What’s the ancient saying? “Cut your losses and let your winners run!” It’s a speculators’ saying, and we’re not speculators . . . but we intend to let MU run for a good while. We might see it jump off that cliff tomorrow, but this stock is more likely to climb back up, faster, than many other “Artificial Intelligence Boom” leaders.

At Outlook we think the most-important takeaway, from this glance, is: “The market—and any stock in it—can “crash” any time at all. That’s their nature. Avoiding those downturns would be very nice. A big chunk of people in the investment world would like us to believe that they’re smart enough to do just that. But nobody is, and they are not. (Some of them get lucky, once.) What really matters, for the long-term welfare of our money, is never “Can it go down?” but “Can it stay down?” Our answer to that last question is “No!”: the strongest possible “No!”

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