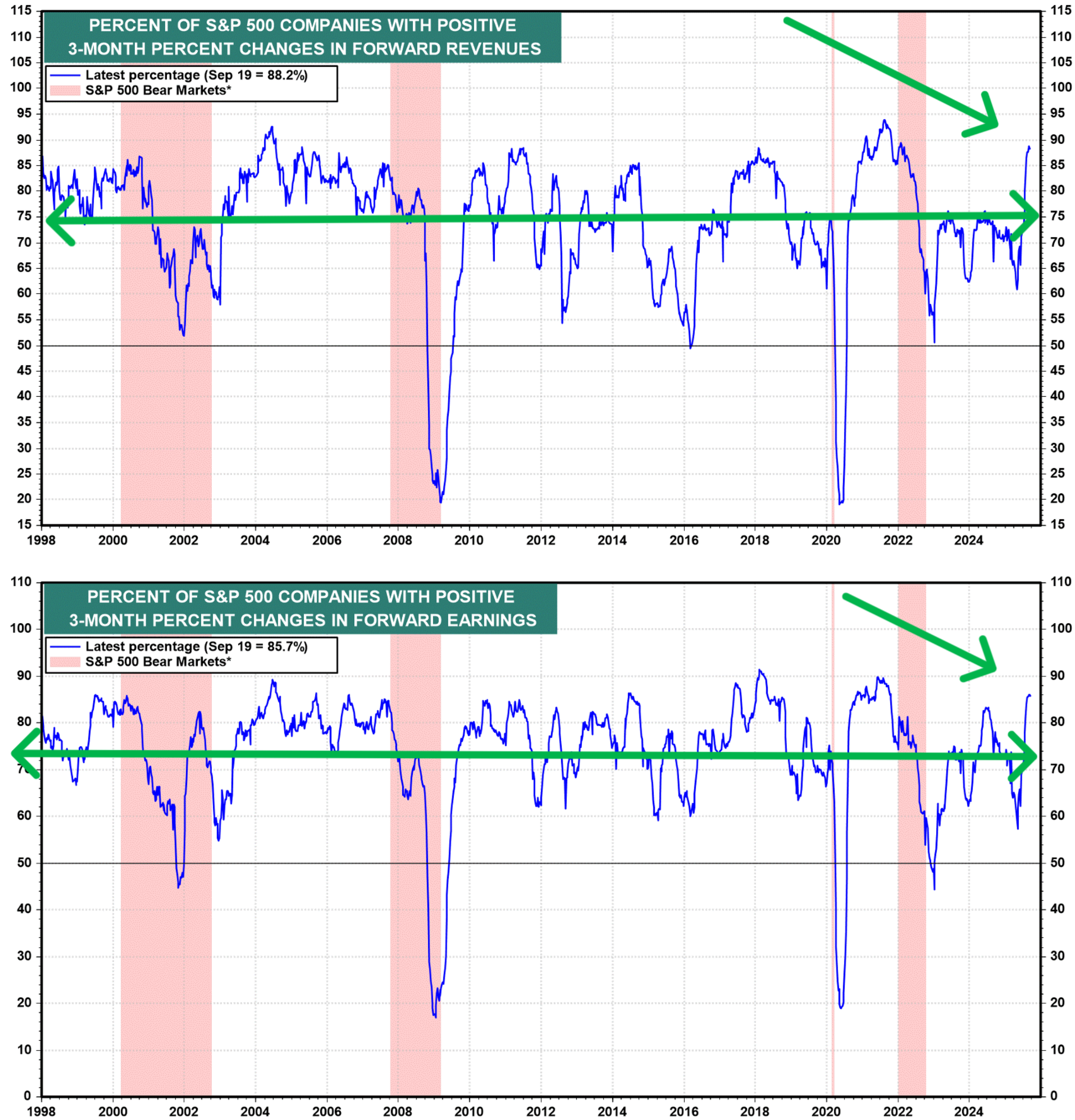
The Outlook: Oct. 14, 2025

Bubble! And the nature of Main Street.

We're going to keep hearing about "Bubble of the Century!" and "Market at Edge of Cliff!" for a while . . . either until the cliff-dive actually happens, or (more likely) until that headline loses its fright value from overuse. The thing about this particular "Nightmare Headline" (and all the others, pretty much) is that behind them is an assertion about Main Street which is always unspoken. The unspoken assertion is that Main Street is fragile; that if Wall Street can fall off a cliff any time, it must mean Main Street is vulnerable to the same kind of shocking collapse.

That assertion is pure nonsense, of course . . . which is why it's always unspoken. Nonsense is more believable when it's only hinted at. So let's glance, today, at "the nature of Main Street," as revealed in two pictures.

Year after year, decade after decade, Main Street mostly just keeps growing.

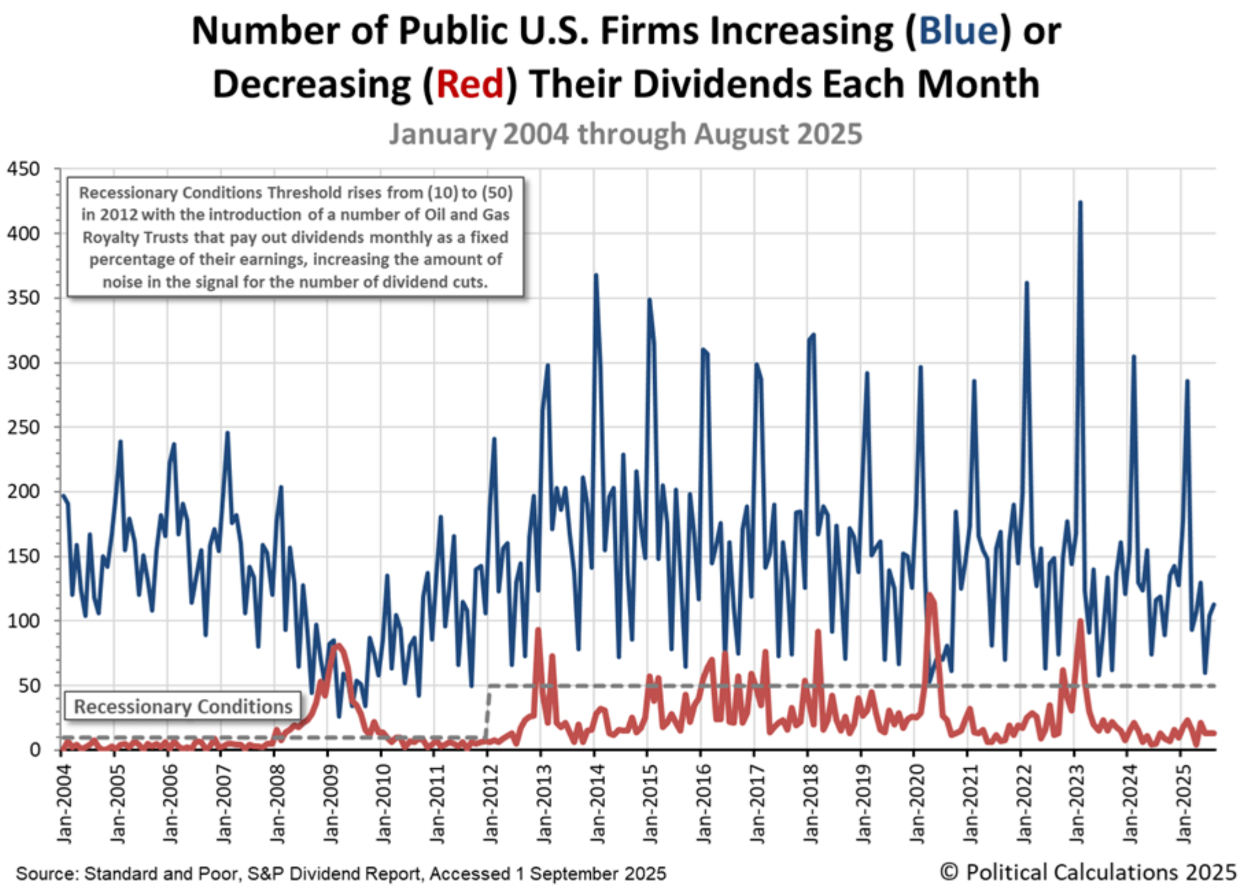


Source: LSEG Datastream and © Yardeni Research.
* Shaded red areas are S&P 500 bear market declines of 20% or more.

These two pictures are too busy, unfortunately, but they're still worth a look. The top box is the percent of "Big Main Street" which grows its sales each quarter for the past 30 years or so. The bottom box is the percent growing their profits. The blue growth lines are jagged, bouncing up and down, but the green arrows are the median trends. Hmm. Quarter after quarter, year after year and decade after decade, about 75% of the Big 500 companies keep growing sale and profits. When times are tougher, the percent occasionally dips to "only" 60% of them growing. When "disaster" arrives, the percent touches only 20% . . . and lasts about ten minutes before rocketing up again.

It seems to be very tough to stop progress on Main Street, doesn't it?

One more picture. The jagged blue line is the number of companies increasing dividends each month. The red line is the number cutting them. It's a wild line, but the trend is unmistakable. The ratio is generally 150 companies increasing dividends to 25 cutting them, though once per year its 300 - 400 hikes for every 25 - 50 cuts. This has been going on approximately forever.



Kind of hard to square these pictures with that "Main Street fragile!" impression from the headlines, isn't it? The best thing about the bottom picture, of course, is that it is all about ***cash***. Nightmare headlines happily foster mistaken impressions about all kinds of things. But "cash" is the kind of cold, hard fact they can't hide, or distort or ignore for too long. No matter how today's "Bubble! Watch Out Below!" scare turns out, our companies are mostly going to keep growing sales and earnings, generating cash, and rewarding us shareholders with it. We're sticking with them, naturally.

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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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