

The Outlook: Dec. 4, 2020

Celebrities and Anti-Celebrities . . . and the Nature of the Market.

“Historic Capital Allocation Rotation!” is the kind of headline showing up pretty often, these days, in the investment world. There are 13 syllables there, in only 4 words—which supports the observation, yet again, that the more educated and sophisticated people think they are, the less they try to say things which make sense to the rest of us. Outlook’s 13-syllable version of this headline would be: “Market Begins to Doubt Some Wildly Popular Stocks.” And we’d add “Finally!” just to complete the story.

Here are two pictures behind the headline, taken from halfway through the day.

The Celebrity Crowd: Beginnings of Doubt?

| Of Interest SECURITY | | Updated 13:18 EST | | | Options ▾ |
|----------------------|----------------|-------------------|--------|--------|---------------|
| Symbol ▲ | Name | Price | Change | % Chg | As of (EST) |
| AAPL | Apple Inc | 121.97 | -0.97 | -0.79% | 12/04 13:18 ⊗ |
| AMZN | Amazon.com Inc | 3168.90 | -17.83 | -0.56% | 12/04 13:18 ⊗ |
| FB | Facebook Inc | 280.77 | -1.08 | -0.38% | 12/04 13:18 ⊗ |
| GOOGL | Alphabet Inc | 1828.10 | +6.26 | +0.34% | 12/04 13:18 ⊗ |
| NFLX | Netflix Inc | 499.20 | +1.68 | +0.34% | 12/04 13:18 ⊗ |
| NVDA | NVIDIA Corp | 539.81 | +3.97 | +0.74% | 12/04 13:18 ⊗ |
| TSLA | Tesla Inc | 594.18 | +0.80 | +0.13% | 12/04 13:18 ⊗ |
| TWTR | Twitter Inc | 48.11 | +0.32 | +0.67% | 12/04 13:18 ⊗ |

The Anti-Celebrity Crowd, Courtesy of Outlook Capital Management: Beginnings of Doubt?

| OCM Core Stock List SECURITY | | Updated 13:18 EST | | | Options ▾ |
|------------------------------|-----------------------|-------------------|--------|--------|---------------|
| Symbol ▲ | Name | Price | Change | % Chg | As of (EST) |
| CAT | Caterpillar Inc | 181.44 | +6.81 | +3.90% | 12/04 13:18 ⊗ |
| CME | CME Group Inc | 184.20 | +2.49 | +1.37% | 12/04 13:18 ⊗ |
| CMI | Cummins Inc | 220.11 | -0.23 | -0.10% | 12/04 13:18 ⊗ |
| COP | ConocoPhillips | 43.94 | +2.74 | +6.65% | 12/04 13:18 ⊗ |
| FCX | Freeport-McMoRan Inc | 25.30 | +0.91 | +3.73% | 12/04 13:18 ⊗ |
| LMT | Lockheed Martin Corp | 365.50 | +3.47 | +0.96% | 12/04 13:18 ⊗ |
| MSFT | Microsoft Corp | 214.00 | -0.24 | -0.11% | 12/04 13:18 ⊗ |
| MU | Micron Technology Inc | 74.10 | +4.20 | +6.01% | 12/04 13:18 ⊗ |
| TXN | Texas Instruments Inc | 165.56 | +3.58 | +2.21% | 12/04 13:18 ⊗ |
| XOM | Exxon Mobil Corp | 41.28 | +1.07 | +2.66% | 12/04 13:18 ⊗ |

The two pictures can only be understood in the context of “the nature of the market.” Each day’s market behavior is driven by that vast crowd of speculators—under many labels—who try to make their livings by guessing what the rest of their crowd will bet on, and doing the same . . . until the arrival of enough facts alarms them into changing their bets. The lion’s share of the crowd’s bets are prompted by the

vague impressions created by the daily headlines. Vague impressions outnumber cold facts, in the daily headlines, by 10-to-1 or so. But the vague impressions mostly vanish like a puff of smoke when the market closes, each day, and the crowd makes tomorrow's bets on its expectation that the new day will bring more vague impressions, of the same kind.

But cold facts don't vanish like smoke. They sit where they landed, like rocks—visible to everyone who glances back at recent history, and bright and clear to everyone when they see the arrival of more cold facts, of the same kind.

The rockpile of cold facts has been growing and growing for a long time, for the “Unpopular Crowd” above: from 1 to 5 years, for most of them. They have been mostly the same kind of facts: showing solid gains in company cash flows, debt reduction, product and factory improvement, and (especially these days) returning global demand for those products. The larger the rockpile, the more troubled the speculating crowd, each day, as it renews its long-standing bets on the Wildly Popular names. Yes . . . the crowd begins to doubt itself in both directions: betting on stocks it has loved to death, and betting against stocks it has despised.

That's what we've been seeing, in the investment world, these past few weeks and months. But the “nature of the market,” remember, is that it's a crowd of people intensely anxious about what the rest of the crowd is thinking and doing, today. When “the rest of the crowd” suddenly seems to doubt what it's been doing for a while, that doubt spreads like wildfire through everyone.

Hence the really remarkable “rockets” we've been seeing in so many “previously unpopular” stocks, especially some of Outlook's core companies: the Anti-Celebrity Crowd, indeed. The rockets won't accelerate at these stunning speeds forever. They'll pause . . . but stay up there in orbit, a long way off their launching pads on the ground. Every now and then, they'll fire up their boosters and move into higher orbits, fueled by more of those cold facts showing up. We're holding on, as usual, with seatbelts locked.

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