

The Outlook: Nov. 7, 2025

The Big Picture Is “Build It and They Will Come” . . . and that’s OK.

Pardon the endless “Big Pictures,” but there is really nothing as important, for us long-suffering investors, as truly understanding what’s going on in the “real world” (Main Street) and the “investment world” (Wall Street) these days.

- At bottom, Main Street sized up “Artificial Intelligence,” and decided to bet on it, big time. Main Street has embraced a gutsy and frightening philosophy: “Build it, and they will come.”
- Wall Street is a different story entirely. Both the betting crowd and the host of “expert commentators” in the investment world are mainly wringing their hands and biting their nails, these days. Their reaction to those astounding “AI spending” spikes on Main Street were first wildly excited; then scared to death . . . at the moment, overwhelmingly tilted toward “must be a bubble!” Their actions have been a perfect reflection of the nature of short-term gamblers: “Let’s get on for the ride—it’s a rocket to the moon!” “Let’s get off the ride—before it blows up!”

Let’s glance at some pictures which seem to back up both the “wildly excited” bets; and the “scared to death” bets. The Cliff Notes for the first two, below, are: “Actual spending—meaning real sales coming to Main Street—might very well “go nuts” over the next 7 years. If they do, Main Street’s “Build it and they will come” actions, today, will look downright brilliant.

Figure 1: AI Growth Projections

\$1.8 Trillion

AI-driven sales by 2032
from about \$93 billion in
2023

30%

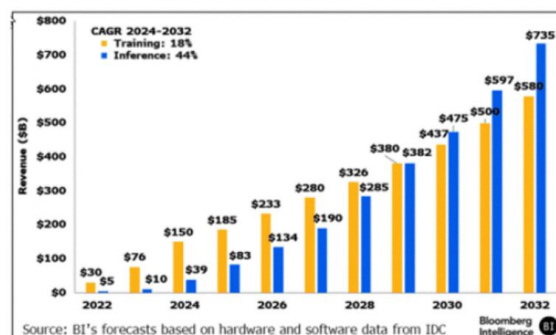
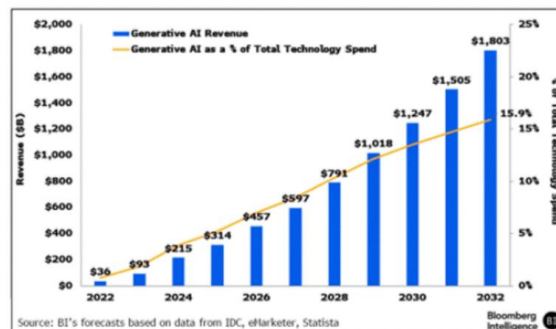
Projected CAGR
through 2032

\$735 Billion

AI inferencing market

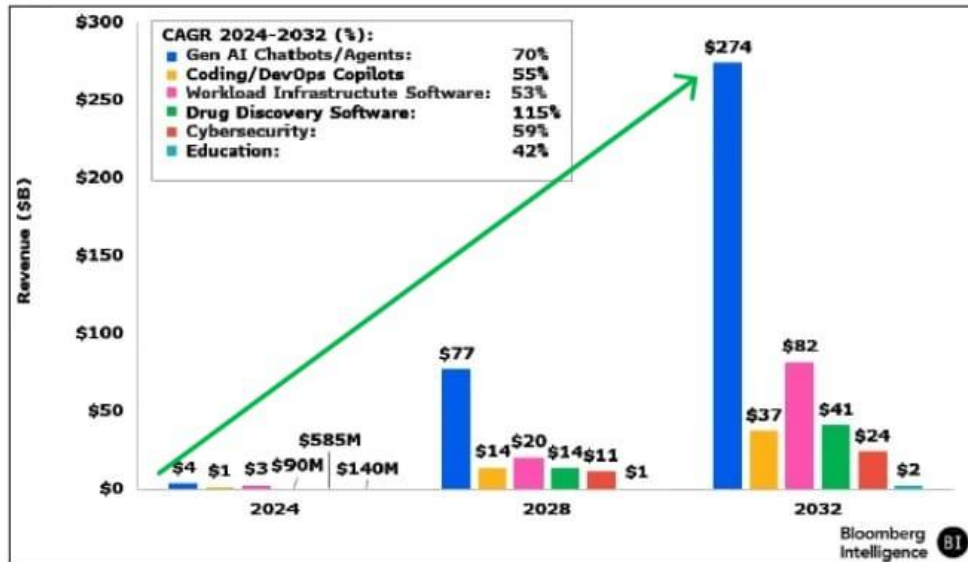
Source: Bloomberg Intelligence

Figure 2: Forecast AI Inference vs Training Revenue



Source: Bloomberg Intelligence, BI Consensus Estimates

Figure 3: Forecast Generative AI Software Spending

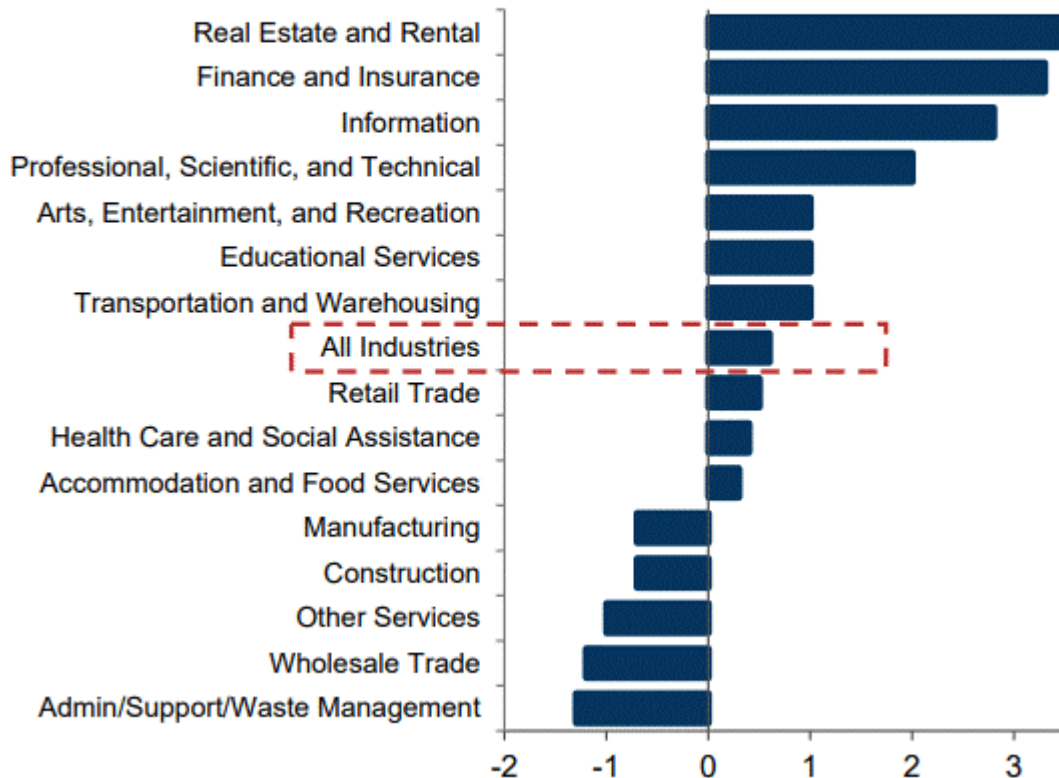


Source: Bloomberg Intelligence, BI Consensus Estimates

Here's one of the many "scared to death" pictures. Only 9.9% of Main Street has adopted AI so far . . . a measly number, and measly growth since last quarter. Bubble, anyone?

...with 9.9% of companies across all industries having adopted AI, up only slightly from 9.3% in Q2...

Change in share of US firms using AI since quarter ago, pp



Source: Census Bureau, Goldman Sachs GIR.

And finally we'll swing back the other way with a recent headline:

IBM Announces \$4.2 Billion in AI-Enabled Cost Cuts, So Far

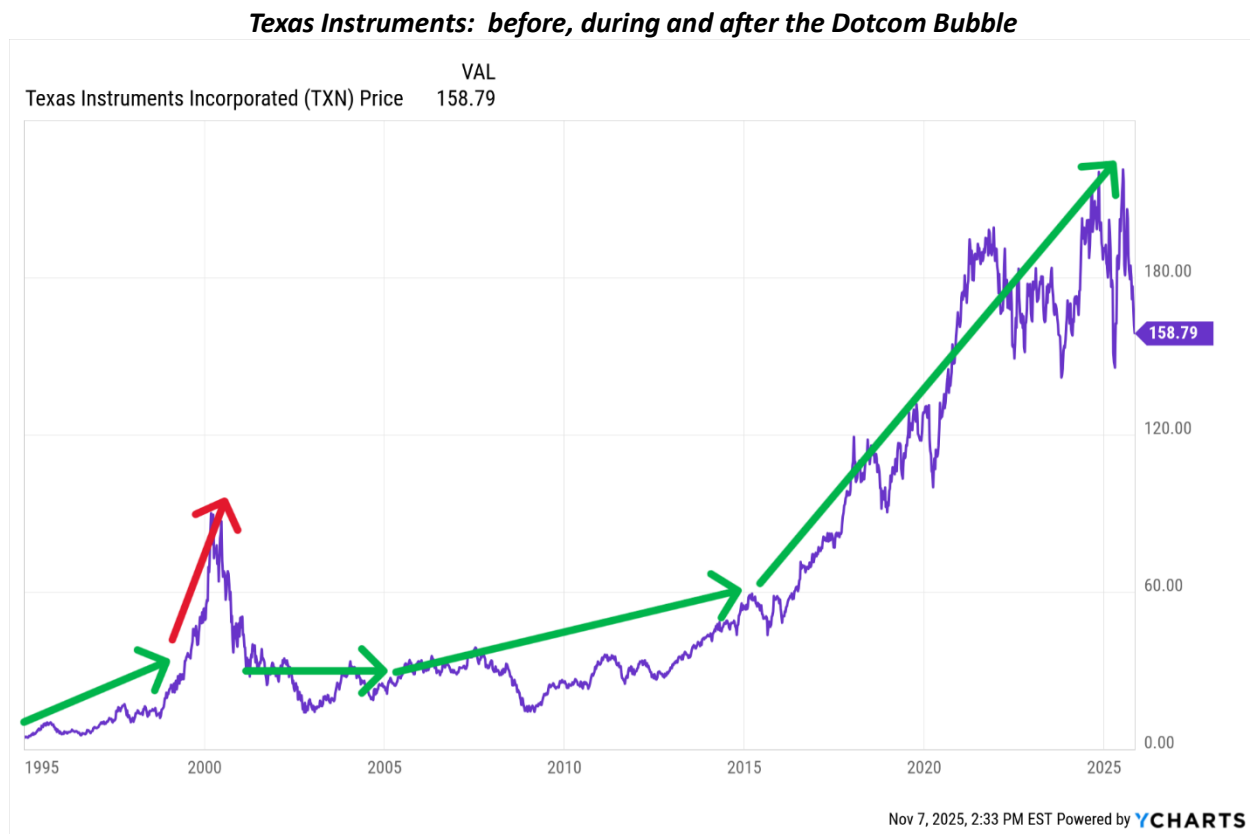
The essence of that story was that IBM decided to experiment on itself, first, by reworking the whole company on a foundation of AI . . . and the CEO says it hit a home run.

Here's the truth about this Big Picture. "Build it and they will come" is going to leave us investors wondering for a long time just how many of them will come . . . and just how much they'll pay for tickets. So we have a fundamental choice to make. We can vote our money with Main Street, down there "in the arena." Or we can vote our money with Wall Street, up there in the press box, second-guessing every move down on the field.

If we choose Wall Street . . . good luck to us. Every day we'll wonder whether we should "get out while the getting's good" or "stay in for a little more ride." If we make that choice . . . we're going to spend a lot of time wondering what tomorrow's headline will be . . . and thinking it matters.

If we choose Main Street, on the other hand, we'll have to shrug and ignore the noise every single day. When the noise is "Bubble! Get out before you go bust!" it's not that easy to ignore. Fear never

is. As always, it helps to think carefully about the splashy headlines, whatever they are, and make our own decisions about whether they should be ignored (almost always) or not (once in blue moon.) Here's the last picture.



First green arrow, 1995—1998:	TXN up 400%.
First red arrow, 1999—2001:	TXN up 800%.
Second green arrow, 2002—2005:	TXN flat at \$25.
Third green arrow, 2005—2015:	TXN up 140%.
Last green arrow, 2015—2024:	TXN up 270%.

Here's the point. In fact, the terrifying Dotcom Bubble was a pretty short event: a couple of years from 1999 to 2000 or so. From 1995 to 1999, the market crowd was, amazingly enough, pretty fairly evaluating Texas Instruments (and many others) as big, long-term beneficiaries of the "Internet Revolution" . . . which was real. Then the crowd became very foolish, then it paid the price . . . ***but Texas Instruments did not return to its 1995 value of \$5 per share.*** It returned to \$25: 400% higher. And from that value it grew and grew, over the next two decades.

In other words, even before the infamous "Dotcom Bubble" there were many years in which the market recognized that something Big had happened, and it would be good for Main Street for a very long time. And after the Bubble burst, the crowd did not act as if it was all make-believe. Instead it grasped that things had changed, and Texas Instruments was going to be worth more, forever, than that old \$5 per share.

In Outlook's opinion, the great bulk of what we've been seeing these days falls into the 1995—1998 category: biting its nails or not, the market crowd grasps that with AI, "things have changed permanently . . . and for the better." Except for the usual double-handful of stocks which are in "silly" territory (and there are always such stocks), Main Street as a whole is not valued as if its trees are surely growing to the sky.

That might change. If we find ourselves up there where the air is thin, at Outlook we will no longer be saying, "Just buckle our seatbelts and take the rollercoaster ride." But we are not in that territory now . . . and there is no rule at all which says, "we're sure to get up there." So (no surprise, and pardon how long it took to get here) Outlook's message is still: "We'll hold on for the ride. We own great companies with tremendous financial strength, and "non-silly" values. We'll come out OK."

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