

**The Outlook: January 12, 2022**

***“Copper Boom Could Last Decades!”***

After we’ve done anything long enough—so long that we think we know it up, down and sideways—it’s easy to gaze upon each day’s river of news about our expertise, and think, “Of course. No surprises today, it all fits right into our “view of the world.”” And, if we’ve been at it long enough, hard on the heels of that thought comes, “Careful. That’s how we get our heads handed to us, when we’re complacent and overconfident.” So those two thoughts together leave us pleased, but too cautious to enjoy it much—which is the best frame of mind for an investment manager.

Behind that bit of philosophy were these two items, today. First a headline:

***“BlackRock Says Copper Boom Could Last Decades, as Price Tops \$10,000!”***

Then a chart:



BlackRock is one of the world’s biggest and most prestigious investment firms. That tells investors (who’ve been around the block a few thousand times) nothing at all, when it comes to believing what they might be saying today. Every single idea must be judged on its merits, not on who is pitching it. But BlackRock’s theme will sound familiar to Outlook’s clients and friends. “Green energy and

decarbonization, plus continuing global urbanization and industrialization, mean copper will be needed as far as the eye can see. It's unique, without substitutes for most of the engines driving the world's economic growth today. But copper supply is terribly difficult, terribly costly and very scarce, for the last decade and more. Endless demand (BlackRock's term!) plus slow supply = "A Copper Boom for Decades!"

That was the "pleasing" part, fitting right into what Outlook Capital Management and (much more importantly) Freeport CEO Rick Adkerson have been saying for the past 8 years or so.

The second item is the picture above. That long green arrow covers copper's last "long boom," from the late Nineties until 2012 or so. Then came the 4-year downcycle: a cliff dive at Acapulco. Then the green circles, where Outlook began buying Freeport, and kept buying as its price plunged, came up gasping for air, and plunged again. Today Freeport hit \$45, getting pretty close to a 10-year high . . . and prompting BlackRock's grand headline.

We don't know where BlackRock was during the previous 6 – 8 years, when the stock plunged to \$4/share, recovered to \$8 or \$10, then plunged again. It may be unfair to doubt the firm . . . but Outlook suspects it wasn't in there buying with both hands, down at the bottom of the cliff where the green circles hung out. No . . . apparently the "Decades-Long Boom!" became obvious only after the stock rose 1000% or so.

Why so late? Why so slow? That "Endless demand, tight supply" judgment has been no mystery at all, in the world of copper. In fact it's been so stark and clear it got almost no argument (from the investment world's deep thinkers) when copper and Freeport were spending their years lying shattered at cliff-bottom. Freeport had already shown remarkable speed and determination in fixing its problems and getting rid of debt, down there at the bottom. At \$4/share, the market was handing away money for nothing.

Why? Because that is the nature of the market. It bets, today, on passing impressions—not on careful judgments. The market's betting crowd—which does run the show each day—is in the business of making money fast and cutting losses fast. It is not in the "waiting" business, nor in the "patience and long-term judgment about facts" business. Through the (quite a few) decades of Outlook's career, the nature of the market has "handed away money for nothing" over and over again. The main problem for investors who are not in the "make money fast" business has always been that along with "money for nothing", the market also hands out a stiff dose of fear. (Terror, really.) Taking the free money always means gritting our teeth and insisting upon thinking for ourselves, rather than letting the market think for us. Easy to say, but never too easy to do even when we've been around the block those thousand times.

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