

## The Outlook: April 16, 2024

### ***The “Almost War!” and the nature of the market.***

Last weekend it almost looked like war was breaking out in the Middle East. The market’s reaction to “Almost War!” was worth a second look—simply because it’s always good to think about “the nature of the market.”

The market’s reaction boiled down to: a quick glance, then a shrug. The glance came Friday, one day ahead of Iran’s missile launch against Israel. Down went the market . . . but it wasn’t really “Down!” It was more like making an obligatory show of “Down!” Then Monday arrived, and with a shrug the market turned away, wondering what else it might get excited about. Making that great show of “Down!” turned out to be a pretty exact parallel to what Iran did: making a great show of “War!” while letting everyone from Israel to Zanzibar know that they didn’t really mean it, please don’t take us too seriously.

We’ll leave the political analysis of this to the millions of words already written. For us investors, the interesting thing about it was the behavior of the market—meaning, as always, the vast crowd which tries to make a living betting on the rest of the crowd’s reaction to headlines . . . for a minute, an hour or a day, usually. The funny thing, when we are trying to understand the nature of this crowd, is that those bets are very often as silly as they can possibly be; and they can stay silly for astounding lengths of time. But that very same crowd also makes shrewd, “on the money” bets often enough that we mustn’t ever label the crowd “foolish.” Nope. The crowd can be very foolish indeed, sometimes . . . but can also see things sharp and clear, sometimes, right through the fog of war, and all the other fogs which mislead us about the underlying truth of things.

In other words, the market crowd’s made up of somewhat normal people, when we get right down to it. Mr. Lincoln understood:

***“You can fool some of the people all the time; and all of the people some of the time; but you can’t fool all the people all the time.”***

The last two parts of Mr. Lincoln’s line always seem the heart of the matter, to us. When it comes to the market’s betting crowd, all the people certainly do get fooled sometimes. That crowd is quite capable of supporting valuations which are almost too silly for words . . . on the upside and the downside. But facts are stubborn things. They keep showing up, making us hesitate about our past opinions, and eventually they change our minds . . . not for all of us, but enough of us. Then the crowd’s idea of the right valuation changes: if it’s been silly pessimistic, up it goes. If silly optimistic, down it goes. This market has stubbornly kept taking two steps forward and one step back since it bottomed in September of 2022, purely because those stubborn facts kept showing up, little by little, and changing more minds each time. At Outlook we think that’s exactly what it’ll keep doing.

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