

The Outlook: August 30, 2022

The meaning of a Sea of Red.

1000 points . . . 300 points . . . 500 points . . . all Down with a capital “D.” Sea of Red after Sea of Red, lately. Let’s glance at a picture of today’s Sea of Red, and try to actually think about its meaning.

OCM Core Stock List SECURITY		Updated 16:01 EDT		Options	
Overview	Data	Events	Alerts	News	
Symbol	Name	Price	Change	% Chg	As of (ET)
CAT	Caterpillar Inc	186.93	-4.85	-2.53%	08/30 16:00
CME	CME Group Inc	195.23	-0.17	-0.09%	08/30 16:00
CMI	Cummins Inc	218.19	-3.10	-1.40%	08/30 16:00
COP	ConocoPhillips	110.57	-2.85	-2.51%	08/30 16:00
FCX	Freeport-McMoRan Inc	29.76	-1.74	-5.52%	08/30 16:00
LMT	Lockheed Martin Corp	425.10	-4.58	-1.07%	08/30 16:00
MSFT	Microsoft Corp	262.99	-2.24	-0.84%	08/30 16:00
MU	Micron Technology Inc	56.40	-0.61	-1.07%	08/30 16:00
TXN	Texas Instruments Inc	166.80	-1.14	-0.68%	08/30 16:00
XOM	Exxon Mobil Corp	96.29	-3.83	-3.83%	08/30 16:00

The meaning of today—and every other Sea of Red—is as stark and simple as anything can be. It means exactly one of two things: either “Sell” or “Buy.”

It doesn’t mean anything in between. It doesn’t mean something so nuanced and sophisticated that we investors can’t grasp it unless we’re pretty clever. It doesn’t get more meaningful and profound when the Sea gets to an even bloodier shade of Red, with 1000-point cliff-dives and 5% plunges instead of 200 points and 1%. Being human, we feel as if the more the pain, the wiser the message . . . but when we are feeling we are not thinking. *Feeling* is letting the market do our thinking for us—and letting that happen is a ticket to disaster that we never have to buy.

It means one thing or the other: “Buy” or “Sell.”

Late in the day, after the market finished swimming in that Sea of Red, along came a news item. Here it is.

Caterpillar signs deal with BHP to replace Escondida truck fleet

05:33 PM | Caterpillar Inc. (CAT) | By: Rob Williams SA, SA News Editor

Caterpillar (NYSE:[CAT](#)), BHP Group ([BHP](#)) and Finning International ([FTT:CA](#)) reached a deal to replace BHP's haul truck fleet at the Escondida copper mine in Chile, [the companies announced](#).

Terms of the agreement weren't disclosed.

Caterpillar will deliver the first of its 798 AC electric trucks by the second half of next year. The company will continue to deliver trucks for the next 10 years as BHP replaces its current fleet of more than 160 haul trucks.

There was an uncommon amount of food for thought in that short item. Let's list a few:

- BHP is the world's biggest mining company. It uses 160 big trucks at that Chilean copper mine. They're wearing out. BHP will replace them with CAT's electric trucks over 10 years . . . many of which are also autonomous, and loaded with the kind of Artificial Intelligence which makes them far more productive than the trucks they'll replace, while bringing down BHP's cost of production.
- Escondida is a copper mine in Chile . . . whose politicians have been making threatening noises, for a couple of years, about attacking the foreign mining companies (like BHP and our Freeport) which have brought a lot of income and wealth to Chile over many years. Like Freeport, BHP is an old hand at working with politicians who threaten to kill their own golden geese. BHP's and Freeport's strategy is always "Speak softly. Don't carry a big stick. Talk logic and common sense . . . and eventually what is best for all parties will be obvious, even to strident politicians." This news item tells us that BHP is pretty sure it will work again.
- Copper is the king of the long-term future for industrial metals. It is rare, absolutely vital, and there's not enough of it. So the long-term direction of copper's price is just "Up," regardless of the roller coaster ride along the way.

That Sea of Red, up there, would like us to feel that the sky is falling: inflation out of control, interest rates heading for the moon, Europe in recession and America sure to follow, China collapsing toward bankruptcy led by its property companies . . . and so on. But that news item, up there, is telling us to forget how we feel—just look at facts and think. Caterpillar, BHP, copper mines . . . they live on the world's Main Street. They have cash bursting out their front doors. They know they can't be badly hurt even by the worst Nightmares floating along in those Seas of Red. They know that every single time Main Street hits a bump or stubs its toe, and must slow down to recover, it speeds up again—usually much sooner and faster than anyone in the market's betting crowd thought possible. They behave as if they know all those things, and are perfectly sure of them.

That's why this Sea of Red means "Buy," as they almost always do. That's what Outlook is doing.

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