

## The Outlook: July 6, 2022

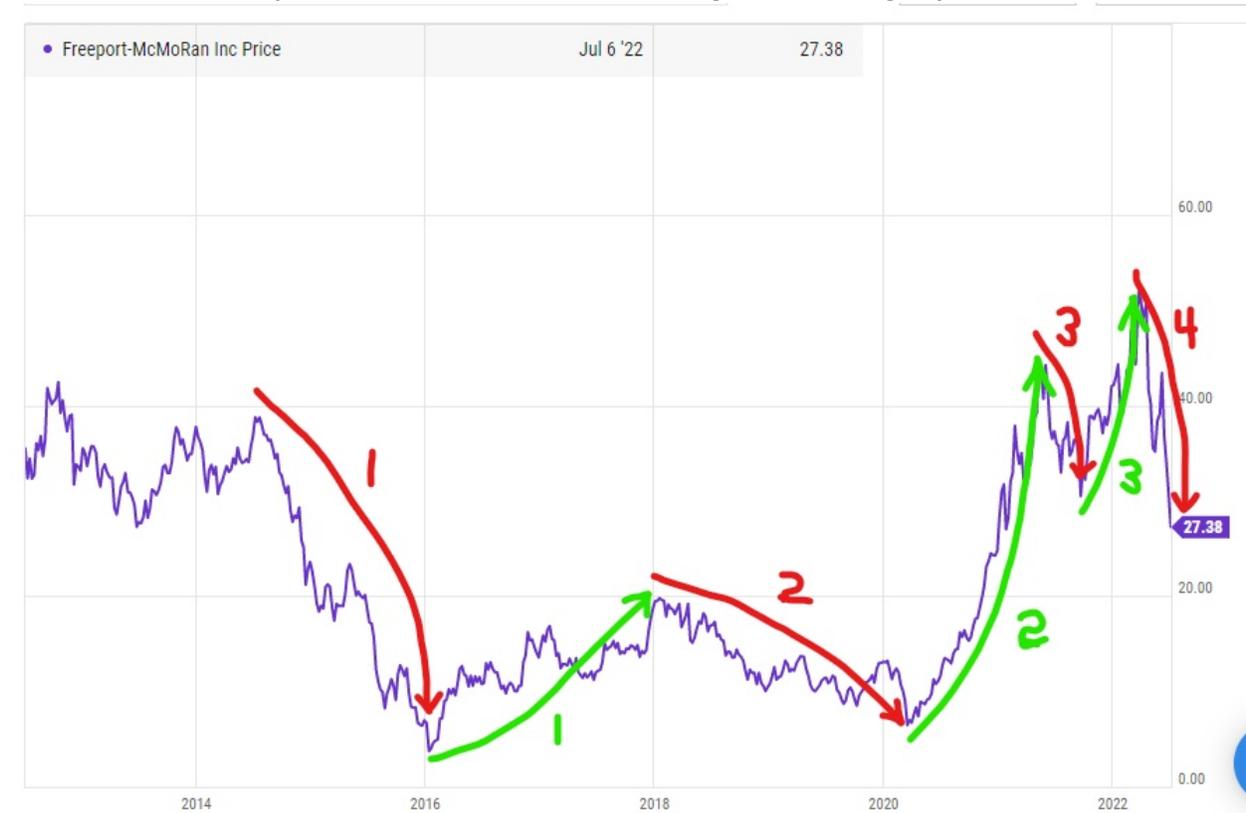
### *Moments of Truth*

If there is anything good at all about a rip-roaring bear market (and the 2022 animal is “rip-roaring” all right . . . which tells us nothing about whether it’ll last until 2024 or end tomorrow) it’s that it forces us investors to look ourselves in the mirror and ask, “What exactly do I believe?” That sounds like a “moment of truth” question. It is.

When we’re faced with a moment of truth—about investing or anything else—what matters is what is already in us. We can’t make it up on the spot. When it comes to “rip-roaring bear markets”, we’re not too likely to conjure up the understanding and nerve required to do the right thing, unless we’ve built those things up ahead of time . . . especially “understanding.”

Here’s a question which always tries to dominate our minds during bear markets: “Is the market’s behavior telling us something important; something we’d better respect if we want our sacred fortunes to last us through retirement, or even through next week?” Let’s glance at a picture. It’s about Freeport, the Copper King; but it might just as well be about any other Outlook “core” company, and many others.

### **Freeport: 10 Years of the Market “Telling Us Something Important”**



Those 4 Red Arrows are the most sickening plunges in Freeport (the Copper King) over the decade. Number 4 isn’t over yet, maybe. And those 3 Green Arrows are the opposite of the plunges. They’re “what happened next.” Let’s list them:

Red Plunge # 1	Down 90%
Green Rocket # 1	Up 400%
Red Plunge # 2	Down 74%
Green Rocket #2	Up 730%
Red Plunge # 3	Down 32%
Green Rocket # 3	Up 75%
Red Plunge # 4	Down 48%
Green Rocket # 4	???

Let's remember our Question: "Does the market's behavior tell us something important?" Now, that would be an invitation to any professor—and countless eminent market gurus as well—to write a book or at least make a long speech. But do we need the books or the speeches? Outlook's clients and friends know, of course. Nope . . . all we need is the picture, and a little memory of the last 10 years.

The market tried its hardest to tell us Freeport was in Big Trouble, during every single Red Arrow Plunge. It was not. By the bottom of Red Arrow # 1, Freeport had already taken decisive actions to fix problems . . . actions which looked very likely to succeed. By the bottom of Red Arrow # 2, the idea that Freeport was in Big Trouble was simply detached from reality. Same with Red Arrow # 3, and Red Arrow # 4. But reality didn't stop the market from trying to persuade us otherwise; from, yes, "trying to frighten us out of a good position."

Reality never will stop the market from trying to do that. That's the nature of the betting crowd which dominates the market's daily behavior. But it's also the nature of that crowd to be helpless, eventually, to deny reality; in fact, to stampede in the "up" direction when hard facts about a company's strength, operating performance and (especially) production of cash make themselves too obvious to ignore. That's the meaning of those three Green Arrows . . . and it will be the meaning of Green Arrow # 4, whenever it chooses to show up. As always, Outlook isn't waiting. We're buying: Freeport and our others, which have exactly the same story to tell.

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