

## The Outlook: July 13, 2022

### *Farmers vs. Psychoanalysts*

There is always a gulf between Main Street and Wall Street. If they were people, Main Street would be an Iowa corn and hog farmer, and Wall Street would be a third-generation psychiatrist in New York City, specializing in schizophrenic lunatics. Yes, pretty different in many ways: most emphatically in the kinds of things which occupy their minds every day. And if a visitor from outer space asked to talk with someone who could tell him how things work, here on Earth . . . most of us would direct his spaceship toward Grundy County.

That gulf between the two Streets gets even wider when fear is in the air. It always is, somewhat; but now and then it comes in like a tidal wave instead of merely a surfing wave. That's where we stand just now, with "Recession!" fear giving Wall Street's betting crowd something to chew on for the last 6 weeks. As usual, that crowd has chewed values from "pretty attractive" in May right down to "screaming buys" in July. Fear does that . . . for a while. It always makes worst-case scenarios look like they are certainties, instead of what they really are: things which almost never happen.

Cummins, the Diesel Engine King, raised its dividend 8.3% yesterday. (Circled in orange at the far right, below.) Cummins dividend is up 214% in 10 years. The stock is only up 140% at this moment, having plunged 28% since mid-2021.



One more look at this picture. The green circle shows Cummins' 2021 peak near \$280. At that point the dividend was "only" up 170% in the 10 years. A year later, Wall Street's psychoanalysts have driven the stock down to \$200; but the company itself, operating on Main Street rather than Wall Street, has driven its dividend up to that 214% decade's gain.

What's wrong with this picture? Wall Street's betting crowd, psychology textbooks in hand, would have us believe Cummins' corner of Main Street must be falling apart. The people running Cummins, on the other hand, are speaking with cash. Yesterday's dividend hike came 3 weeks before Cummins is due to tell the world how the business did, from April through June of 2022. Further, when any company at all—but Cummins especially—announce a dividend hike, the last thing in the world they mean to do is to reverse that hike, either sooner or much later. If they're not sure the business is strong enough to sustain the hike . . . there will be no hike.

So Cummins' people have been watching the company's business results, every day; they've been reading the same headlines we're all reading, every day, about "Recession!", "Inflation!" "China!" and so on; and they've come to a curious decision, if you're a psychoanalyst in Manhattan or a betting man on Wall Street. They hiked their dividend: not more cautiously than usual, but more strongly than the 7% annual "norm" of the last 5 years.

At Outlook we'd say Cummins is telling us something about Main Street: namely, that it looks quite strong, financially; and it looks certain to rebound from whatever "Recession!", "Inflation!" and "China!" issues actually turn out to exist, at this moment. If we asked the market psychologists what they think of that, it would be fun to hear the answers. But it would be a mistake to act upon those answers. We'd rather act upon Main Street's answers, like Cummins.

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