

The Outlook: May 7, 2024

Microsoft's Mr. Nadella. What's happening on Main Street.

Here's where we've come from, lately, and where we stand, at the moment, in the investment world.

Bull Market. Bear Market. Bull Market. Now?



Now, whenever we say “the investment world” we do not mean “Main Street.” Main Street is where people and companies work for a living: inventing things and selling them; making factories work better; strengthening themselves after Big Problems (like the “Lockdown Calamity” back there in 2020, where our first green arrow begins.) On Main Street most people put their heads down and work, most of the time, so they make steady progress in many good things.

The “investment world,” on the other hand, is where a great crowd of people make guesses about how much money Main Street is worth . . . this afternoon, usually, or next week for the longer-term investors. Most of the people in this crowd are in the business of making money fast . . . trying to, anyway. The guesses on which they bet—for a day, week or month—are usually guesses about what the rest of their gambling crowd might be thinking or feeling at the moment, not about what Main Street is inventing or building. That is nonsense, of course, and it would be terrible for us genuine long-term investors . . . except that Main Street regularly grabs the betting crowd by the collar, so to speak, waves a stack of dollar bills in its face, and asks whether the crowd’s noticed all the cold cash Main Street is handing back to its owners, lately. Then the crowd bets on the cold cash—hence those long green rockets up there—before happily returning to nonsense until Main Street waves the next stack of bills in its face.

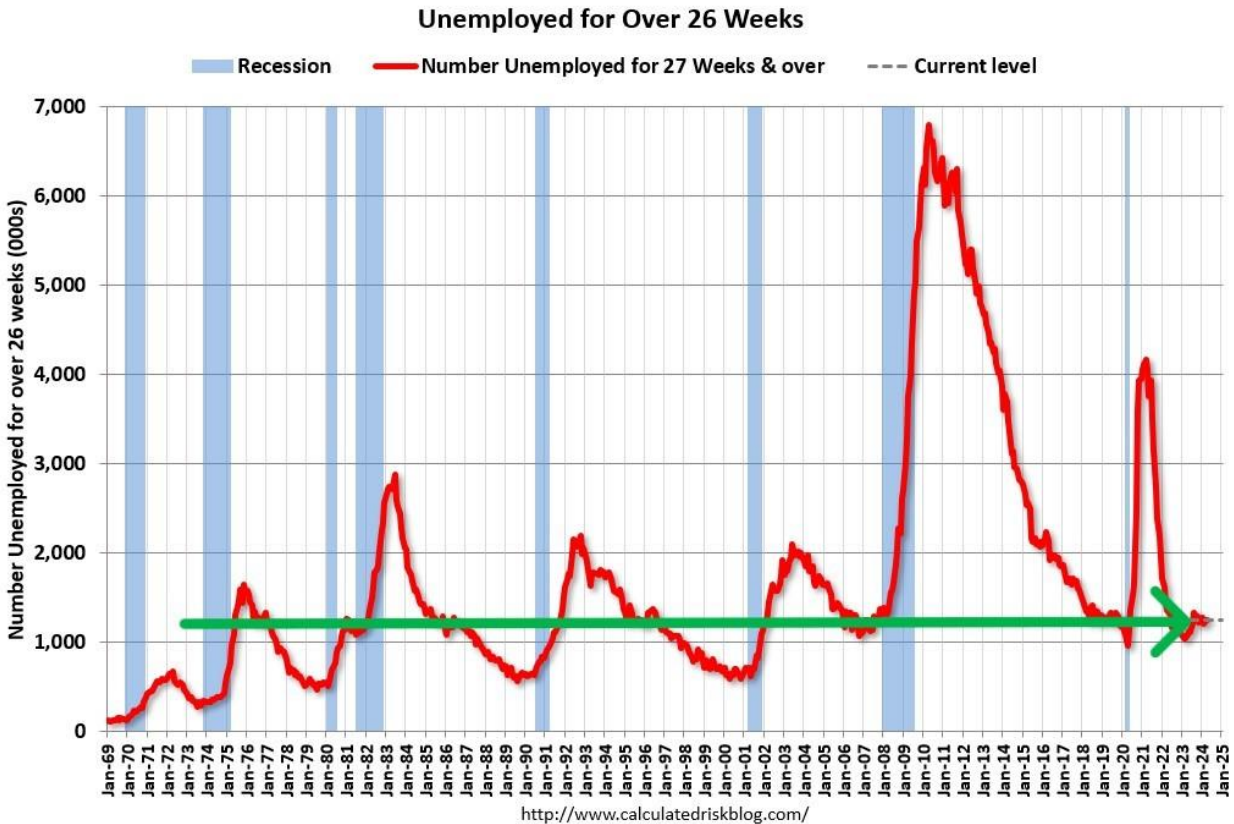
The nonsense lately has been a half-hearted version of the market’s favorite betting game: “The Fed! The Fed! What will the Federal Reserve do?” The idea behind this game is a silly one, contradicted by countless facts, but it persists: that everything Main Street does is ruled by how high or low the Fed sets interest rates. Hence the little downward dip at the far right, up there, and the green question mark.

The nonsense is that we could dot that chart with thick clusters of green arrows from 2020 right through to this moment. The betting crowd has been playing its game—“The Fed! What will it do?”—constantly since then. But Main Street hasn’t paid any attention to the crowd or its nonsense. Here are a couple of pieces of proof.

Through April 2024, the employment report indicated positive job growth for 40 consecutive months, putting the current streak in 5th place of the longest job streaks in US history (since 1939).

Headline Jobs, Top 10 Streaks		
	Year Ended	Streak, Months
1	2019	100
2	1990	48
3	2007	46
4	1979	45
5	2024 ¹	40
6 tie	1943	33
6 tie	1986	33
6 tie	2000	33
9	1967	29
10	1995	25

¹Current Streak



40 straight months of higher employment. Long term unemployment near the bottom of its 60-year range. It's a little hard to imagine Main Street doing such things if it were spending its time wondering about "The Fed! What will it do?" And it's a little hard to imagine Microsoft hiking its already-gargantuan capital spending 50% (as it's doing right now per Theresa's Inside report) if CEO Nadella took "The Fed!" nonsense seriously. He does not, thank goodness.

What Mr. Nadella does take seriously is the Artificial Intelligence race. His company came out of the blocks like Usain Bolt, in that race, and his willingness to spend Microsoft cash to stay ahead of the rest of the world is what risk-taking, free-market capitalism is all about. He is very far from the only boss on Main Street who acts that way. Most of the men and women running our companies do . . . which is why we also pay little attention to "The Fed!" nonsense, and a great deal of attention to what people like Mr. Nadella are actually doing, on Main Street.

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