

The Outlook: July 23, 2024

Micron and the meaning of life . . . or the market crowd, anyway.

Here's Micron, the Memory King, one of the most "core" of Outlook's "core" positions.



In only four months from February to June this year, Micron rose like a rocket, almost doubling from \$80 to \$153 per share. It was fun, wasn't it? We've marked the fun with that red arrow pointing to the sky, seemingly. But it didn't, of course. In the last short month, the market's betting crowd has fired SAM missiles at Micron, so to speak, and it's plunged 25% or so, all the way to today's \$114.

When that happens, the \$64,000 Questions are simple: "Does this mean the wheels fell off Micron's bus? If so, should we sell? If not, should we buy more?" Let's take 'em in order.

- Have the wheels fallen off?

Now, when a rocket-rising stock plunges like this, sometimes it's because the wheels really are falling off. Look at that peak in early 2022, and the awful, ratcheting plunge that followed . . . all the way to early 2023. Every Tech company including Micron had been overwhelmed with booming business during and after the Covid Lockdowns, when the whole world decided to stock up on stay-at-home computing gear. Naturally the world overdid it, so there had to be a bust, with Micron and its peers stuffed with unwanted inventory, and stuck with falling memory prices.

So those early-2022 plunges really did signal hard times ahead . . . but they did not signal “the wheels falling off.” The betting crowd acted like it did, as it jumped up and down on Micron . . . but the crowd was not connected to reality. (It often isn’t.) Micron was simply far too strong for its wheels to ever fall off. It simply had to endure the cyclical downturn and get ready for the next upturn.

We’re still wondering if market plunges mean “the wheels are falling off.” Let’s look inside the green circle. There are a whole bunch of plunges in there, aren’t there? It’s hard to tell because of the scale, but they were 10% to 20% plunges, over and over again. But they signaled nothing in the real world, only the betting crowd’s quivering nerves in its short-term casino world. During the 15 months in the circle, Micron kept posting miserable quarterly results, because memory prices were so low. But the market crowd couldn’t take that misery and make anything permanent of it . . . because Micron’s strength was too obvious, and because as time slogged on, the crowd knew perfectly well that the time for memory prices to climb was drawing closer and closer.

Then Micron’s quarterly results began to reflect that cyclical upturn . . . and the betting crowd went bonkers—as it always does—and doubled the stock price. Now we arrive at today. Down went the Micron rocket, seemingly in flames. Have the wheels fallen off? Or at least, are there more hard times ahead?

Let’s put it this way. The wheels haven’t fallen off, and will not, because Micron is a financial Rock of Gibraltar. And there is not the tiniest sign of “harder times ahead.” It’s the opposite. Micron’s business is booming, and Cassandra of Troy would find it hard to see anything but strength in the future, at least as far as the forecaster’s all-seeing eye can make out.

- So we shouldn’t sell.
- Shall we buy more?

Certainly . . . unless we have so much Micron already—because it’s up 235% in 4 years and 1,100% in 8 years—that even us wild-eyed gunslingers at Outlook Capital Management may feel that enough is enough, and be happy to simply collect the rewards from the next rocket ride, which is certainly on the way over the next few years.

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