

The Outlook: Nov. 14, 2025

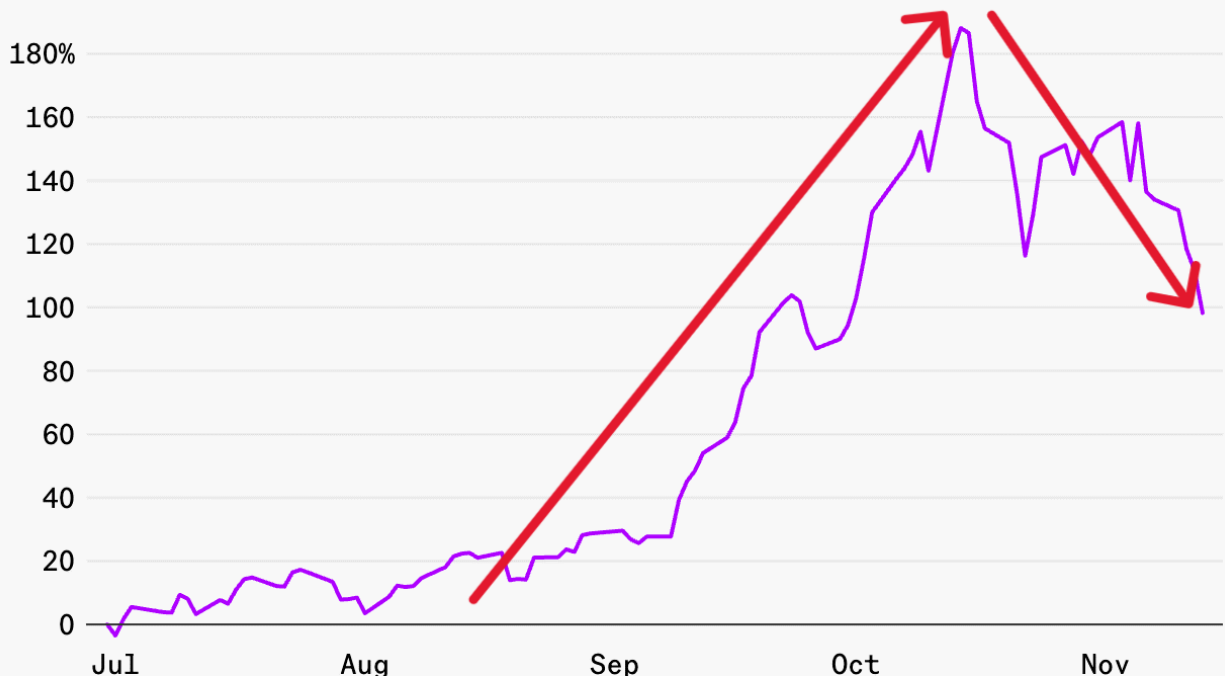
Media and market crowd fighting the last (Dotcom) war.

There's an old saying that "Generals are always ready to fight the last war," meaning they don't look ahead, they never change, they base all their planning on what happened ten, twenty or thirty years ago, etc. Yes, this particular saying is mainly an insult: clever-sounding, but an insult . . . and mostly wrong. At Outlook we've been reminded of that saying, lately, by the perfect flood of media headlines and "expert opinion" telling us that we're in another Dotcom Bubble and we'd best get out of the market unless we'd like to sell pencils on the street, in retirement. We seem to have a great many people, in the investment world, ready to "fight the last war" from 25 years ago, when the market crowd indeed plunged headfirst into complete silliness, valuing everything like trees growing to the sky even when lots of the trees were clearly rotten inside.

Let's end this Friday with a couple of pictures.

The future isn't now

Percent change in average AI/quantum/energy speculative stock since 6/30

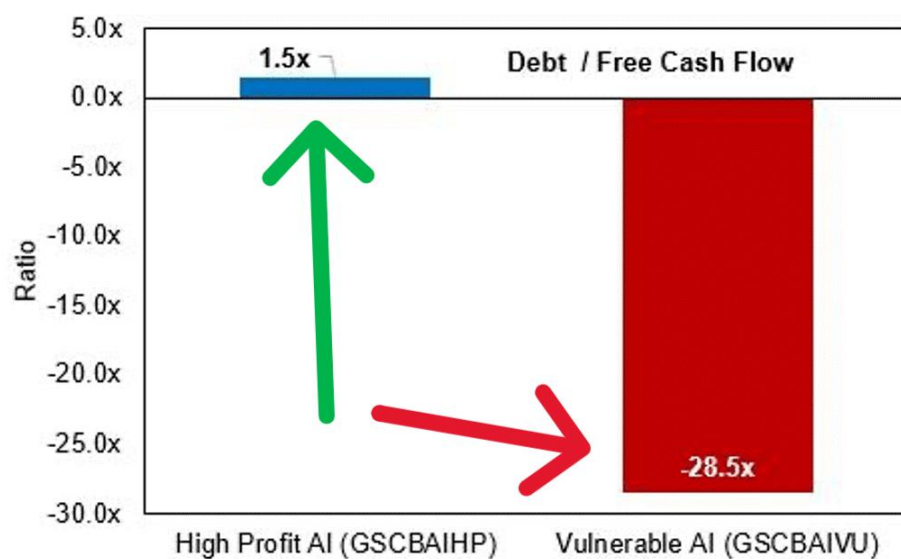
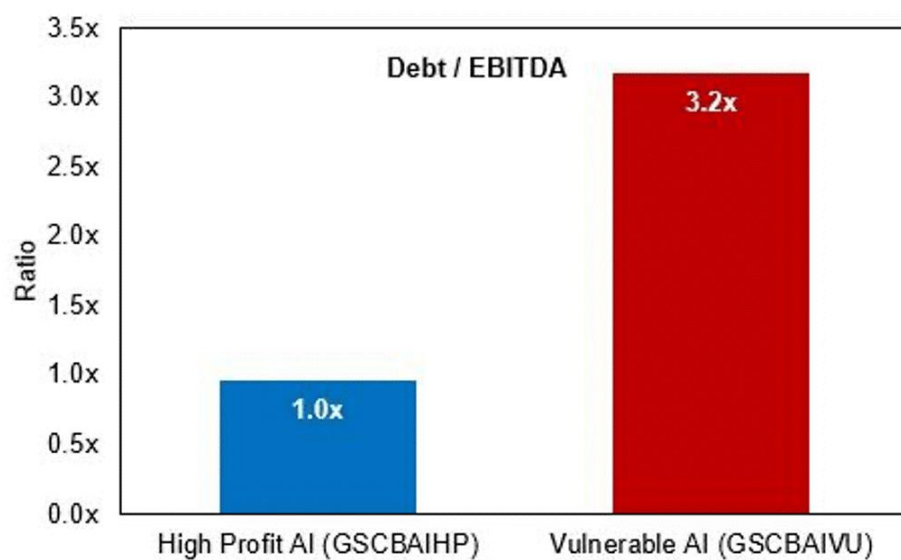
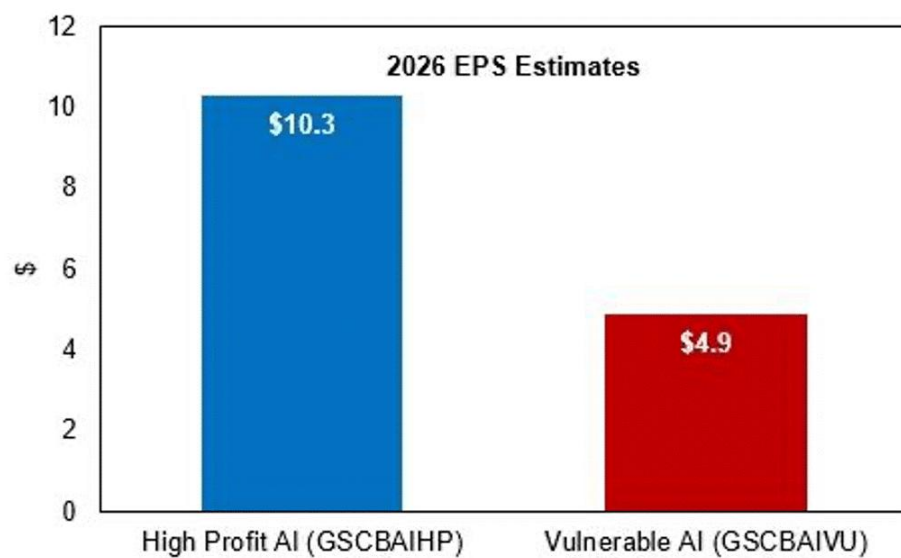


Note: constituents include QBTS, IONQ, RGTI, POET, SOUN, TEM, NBIS, CRWV, IREN, CIFR, OKLO, BE, PLUG

Source: Bloomberg

Sherwood

This analyst looked at a basket of today's "rotten trees:" that is, companies trying to share in the Artificial Intelligence Boom, but so weak in important ways that their long-term survival is a fair question. Up 180% from June to early November; down 30% since then. One more picture, and we'll come to the point.0



That's Goldman Sachs, comparing the tree-trunk strengths of those types of "rotten trees," at the top, with their polar opposites: the massive giants of Big Tech. From the top to the bottom, Goldman notes that:

- The giants are earning a lot more;
- The giants' debt levels are trivial, but the rottens' debt levels are somewhere in the "alarming" neighborhood;
- The giants' free cash flow covers all their debt . . . and the rottens' free cash flow is near 30 times their debt. Yes, 30 times. "Alarming" might be a mild word for that.

Here's the point. The market's short-term betting crowd is willing to be silly around the clock, 365 days a year. It's fair about it: willing to be silly on the downside (pricing companies stronger than Fort Knox as if they're about to collapse), and on the upside (pricing companies weaker than Venezuela as if they're not just riding rockets to the moon, but they already own it.) The Dotcom Reckoning arrived because the crowd had gotten very silly about almost everything, from Cisco (100 times earnings) to Pets.com (no earnings, ever.) But it is just not doing that now . . . not yet, anyway, and pretty far from it when it comes to the "giants" up there versus the "rottens." But that doesn't stop the media and the "experts" from hollering on and on about "Bubble! Run for it!" because most investors remember the horror of the Dotcom Bubble, and fear sells.

Here's one more point. Today's Big Tech CEO's lived through the Dotcom Bubble . . . almost all of them, anyway. Every single one of them is acutely aware, today, of the countless comparisons, of the clamor of voices shouting "They're doing it again! Run for it!" They are all perfectly human . . . which means they ask themselves every day if their massive "Build it and they will come" spending actually makes sense, or will it backfire and ruin them. They've decided to spend. They've decided their companies' payoff, in the "AI World" of the future, will be worth it.

Of course they might be wrong. Tough decisions are tough because we have to wait for the future to unfold itself before we can be absolutely sure they were the right decisions. But like us investors, good business leaders make tough decisions when they're pretty darned sure they'll be the right ones. That's how they make so much money, decade after decade . . . and it's how we investors do too.

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