

The Outlook: Nov. 24, 2020

The Lesson of the Roller Coaster, Once More.

The tall green circle in this chart draws our eyes to what's been going on over the past few weeks. We might just call it "Fun!" for short.

5-Year Behavior of Some "Value" Stocks



One of the media's daily jobs is to think up some headline to "explain" whatever the market did yesterday, and we've seen the usual collection of such headlines, ranging from "partly true" to "plain silly." Since Rule One for good investors is: "Never Believe Headlines," we needn't look in that direction for the meaning of the market's recent behavior. No . . . the profound meaning, the meaning that really matters, is something very distant from the news. Here it is:

If we want the tremendous benefits of owning stocks, we must ride the roller coaster. Period.

That statement, all by itself, sums up worlds of success, failure, anxiety and frustration for countless investors (and far more countless speculators.) In Outlook's experience, it's almost the whole difference between success and failure for shocking numbers of investors. As investors, either we accept that message or we don't. When we don't, we can name many smart-sounding reasons *why* we don't. The investment world has an infinite supply of them. They're all wrong. We must ride the roller coaster, and tolerate the fear (and outright terror, sometimes) which goes with it.

That picture up there—particularly the Micron, Freeport and Cummins lines, because Conoco has only begun to prove the rule, just now—is Common Sense, earnestly speaking to us. "Look," it says. "Does anything in our life experience suggest, when it comes to the behavior of those stocks, that we'll be clever

enough to sell at the tops and buy at the bottoms? Do we really think anyone else, no matter how famous, is that clever?”

When we feel like answering “Yes!” to that question, in Outlook’s experience what’s really saying “Yes!” isn’t our brains but our wishes. Wishful Thinking isn’t thinking, of course; it’s wanting something so badly that we stop ourselves from actually thinking. It’s mighty easy to do, and when we believe the “Must Ride the Roller Coaster” rule, it’s almost always because we’ve found out about Wishful Thinking, the hard way.

We needn’t wonder how long or how high the market’s current “Fun!” will go. Strong companies run by good people fix their problems. The market never acts as if they will, until the flow of hard facts reaches some tipping point in the market’s “mind,” and suddenly it sees they will indeed fix the problems, and make too much money to ignore as a result. That’s what is happening right now. The roller coaster will never end, but it’s pointing up over time, not down.

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