

## The Outlook: Sept. 3, 2020

### *800 Points, Boundaries, and Mr. Jefferson on Newspapers*

For the market's army of speculators, surely a "Rule to Live By" is: "Be happy today, maybe, but don't count on tomorrow." Just last Friday we cheerfully headed into the weekend floating on a "sea of green" for every single Outlook core stock . . . then got a few more "happy tomorrow's" this week. Then a different "tomorrow" showed up, and here's what 800 cliff-diving points looked like for the market, today.

### **"Don't Count on Tomorrow": 800 Points Down.**



And here is what a "sea of red" looked like, for the Celebrity Tech Stocks we've mentioned a few times lately.

### **A Sea of Red for Celebrity Techs**

Overview	Data	Events	Alerts	News	
Symbol	Name	Price	Change	% Chg	Y-Rating
AAPL	Apple Inc	121.40	-10.00	-7.61%	Neutral
AMZN	Amazon.com Inc	3388.12	-143.33	-4.06%	Neutral
FB	Facebook Inc	289.95	-12.55	-4.15%	Neutral
GOOGL	Alphabet Inc	1632.23	-85.16	-4.96%	Neutral
NFLX	Netflix Inc	524.05	-28.79	-5.21%	Neutral
NVDA	NVIDIA Corp	515.95	-57.91	-10.09%	Neutral
TSLA	Tesla Inc	405.50	-69.55	-14.64%	Unrated
TWTR	Twitter Inc	41.50	-2.17	-4.97%	Neutral

The media will instruct us about the deep meaning of the 800 points and the sea of red, as it always does. Only seconds after the market closed, today, came a typical explanation: “Tech Stock Bubble Begins to Burst!” Maybe . . . and if so, it’ll be no surprise to Outlook clients and friends. But we’re inclined to doubt it, just yet. In most of market history, even the silliest of optimistic valuations need a few pieces of seriously bad news about the overvalued companies’ actual results, to trigger the real thing when it comes to bursting bubbles. So we’ll pass up any more comments about the Celebrity Tech Bubble today . . . but we can’t possibly pass up, just for the sheer fun of it, one of the all-time greatest quotations about the media we’ve ever seen:

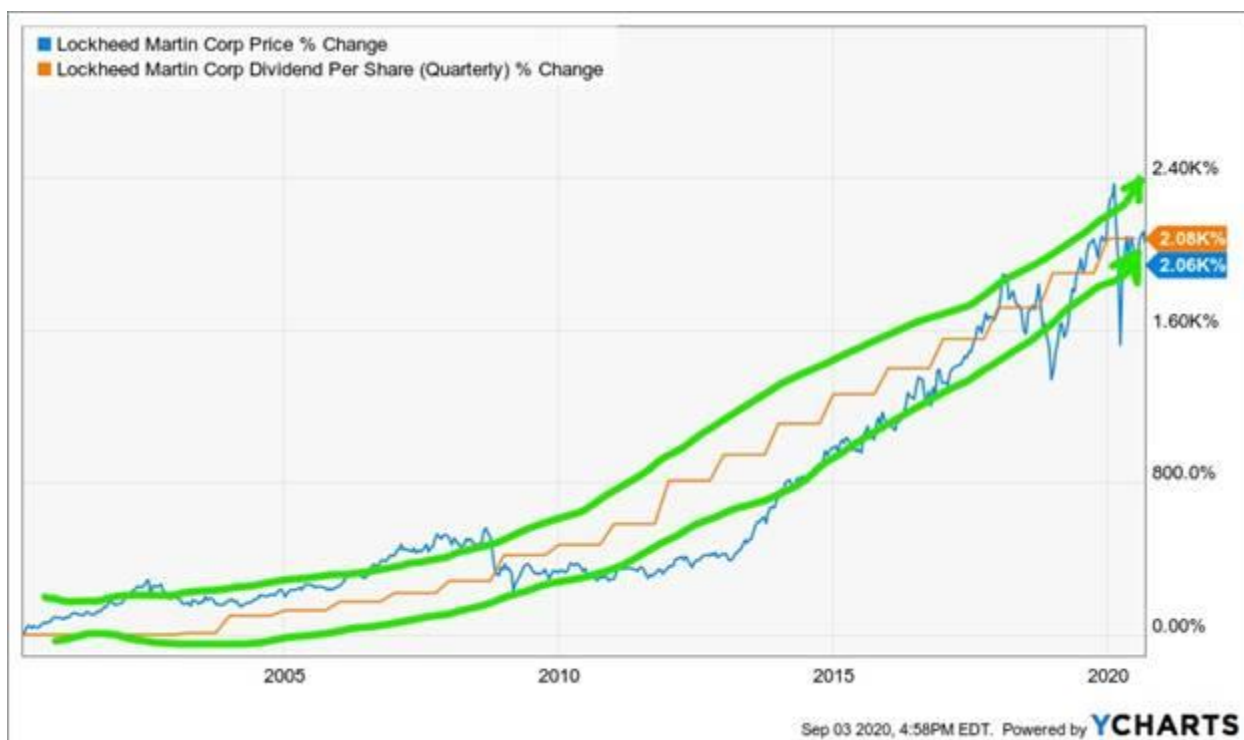
***“The man who reads nothing at all is better educated than the man who reads nothing but newspapers.”***

*— Thomas Jefferson*

Now that that’s out of our systems, what shall we make of a day like today? Here’s the answer, with apologies ahead of time for using four examples instead of just one.

**The Roller Coaster Must Be Ridden; but It Does Have Boundaries, Above and Below: and They Are Created by Hard, Cold Cash**







These 4 pictures do not try to tell us anything very sophisticated about those 4 Outlook companies. They simply tell us how to think about the nature of the market. The 20 years above begins at the top of the Dotcom Bubble, early in 2000. The orange lines are the dividends paid to shareholders over 20 years. The blue lines are the roller-coaster stock rides, for 20 years. Finally, the green lines are the “boundaries,” above and below.

Driven by a truly vast crowd of speculators—every one of them torn, every day, between the wish to get rich quick and the dread of going bankrupt, quicker—the market can do absolutely anything today, tomorrow, next week or month . . . and sometimes longer. That crowd reacts, hour by hour, to the endless flow of news (true, false, or half-true), rumor and gossip concerning the investment world and each company in it. That sounds like a madhouse and that’s what it would be, except for one thing: cash. Good companies pay out growing amounts of cash to their owners, year after year; and in the long run, no company can keep that up unless the cash payouts are matched by growing financial strength, sales and profits. Those last 3 items aren’t “rumors and gossip” but hard facts and “true” news. The speculating crowd has no choice: it must react to good news and hard facts eventually, no matter how often it dips and swerves in reaction to everything else.

Hence those “boundaries,” created by hard cash, which the market can violate in both directions for a day or a year . . . but can’t stay out there, “off the map.” It’s a roller coaster ride, all right; but the story of the ride is not the thrills and chills, but the boundaries . . . and the fact that when good companies are concerned, they point up.

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 Outlook Capital Management, LLC  
 125 S. Wilke Road, Suite 200E  
 Arlington Heights, IL 60005  
 847-797-0600

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