

## The Outlook: March 22, 2021

### *Freeport and what's "in the market's mind."*

When we write or say something to a friend, or anyone we know pretty well, we usually have an idea of what's "in their minds" . . . and we automatically adjust our words accordingly, at least to some degree. The same thing goes on throughout the investment world, where a vast crowd of speakers and writers talks every day to some crowd which is probably interested in what they're saying. And to the question, "What do those experts think is in the mind of their crowds?", Outlook's answer is: "Mostly, they think their listeners are *really* worried about losing money over the next few days or weeks; or they're *really* anxious to make money over the next few days or weeks." In other words, they think nobody really cares about anything except the short term.

And they do "adjust their words accordingly." We were reminded of that recently by an analysis which began, "Time to Sell Freeport McMoRan." At Outlook we don't think so . . . but it's certainly time to look at Freeport's chart.



That red arrow covers the 10 to 15 years Freeport spent plunging into the Valley of Doom, then trying to slog out of it. That green arrow covers the 12 months Freeport has just spent rocketing up from the Valley's depths.

Through the "red years" Freeport suffered through countless ups and downs (mostly downs) in the global copper market and in its own operations. Those red years killed a few of Freeport's weaker competitors; but Freeport survived, and while it endured the hammerings built strength into itself which was almost unimaginable when the punishment began. Meanwhile the copper market spent the years slowly proving

an ancient saying: “the cure for low prices is low prices.” Global demand grew; global supply slowed and even shrank; prices finally began to rise again.

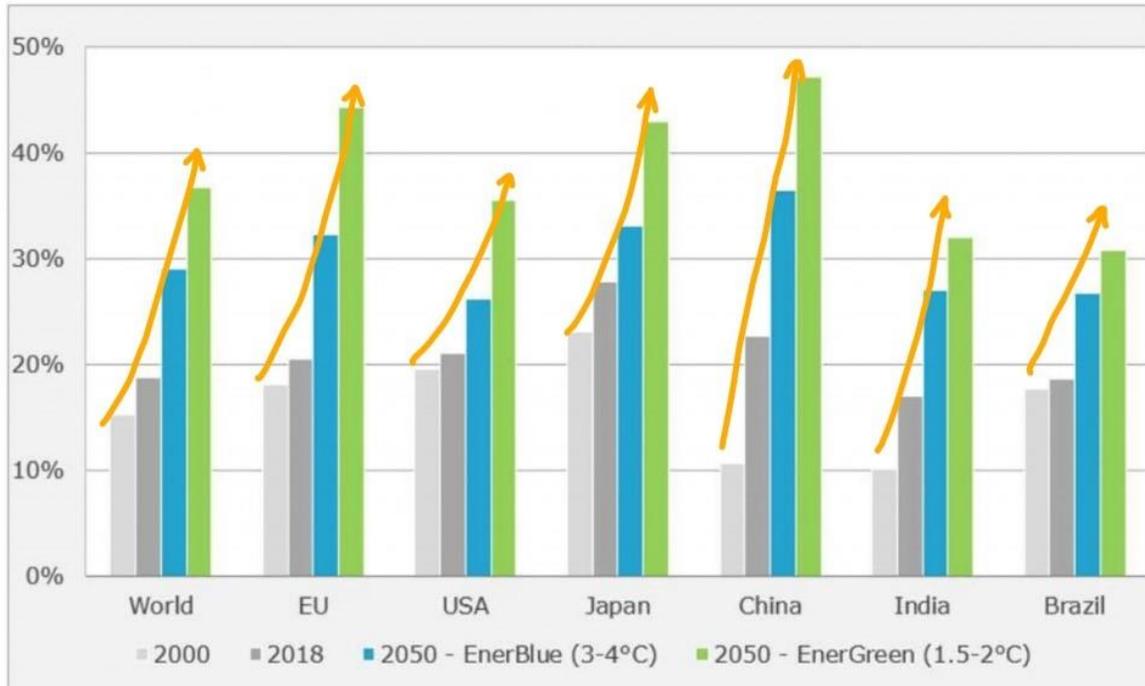
Hence the 12-month rocket . . . and (given that vast crowd emphatically worried about losing money tomorrow) the river of analyses like “Time to Sell Freeport” after a 500% gain. The analyses are all much the same: a heavy dose of “don’t be greedy, take your profits and get out”, backed up by a glance or two at the short-term condition of global supply and demand, with worries about “demand might be easing off” and “supply might be picking up” supported by a few statistics about Chinese inventories and the like.

We’re not short term investors. We are long term investors. Is there a simple way to put into the right perspective the short-term worries which are always so much “in the minds” of most analysts and speculators?

Here it is. The copper industry and Freeport spent 10 – 15 years digging that big hole, and figuring out how to get out of it. In the last 12 months, they’ve certainly begun to “get out of it.” But when a good company with truly good leaders “gets out of” a decade’s hole, it’s not by accident. They get out because they’ve fixed terrible problems and built lasting solutions. So once they’re out . . . they stay out, usually for a pretty long time. And their investors gain and gain some more . . . as long as they keep their eyes on what their company has actually done, rather than on how worried the market’s speculating crowd might be, about whether the stock will go up, down or sideways from tomorrow through next month.

Let’s end with another picture. This one shows part of the nature of Freeport’s long-term tailwind: the certain, dramatic increase in global electricity usage in the years ahead. Electricity means copper, of course. Freeport’s green arrow has been plenty of fun, the last 12 months . . . but at Outlook we strongly suspect it’s still only the beginning.

## Share of Electricity In Final Consumption



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