

The Outlook: Jan. 25, 2024

The market: what seemed to happen . . . and what actually happened.

Here's a picture from economist Brian Wesbury. We've looked at this story before, because it's so interesting, but it's worth one more look.



Source: CapitalIQ, S&P, Russell. Data from 12/31/22 – 12/29/23.

The big market returned 26% last year: darned good, and both astounding and alarming to a crowd of expert observers. They are alarmed because great market years are seldom followed by another; because they think the market's valuation is close to being "silly high;" and because such a great year next to a supposedly stagnant, half-crippled Main Street looks like a bubble waiting to burst.

That picture tells us how much of the 26% was delivered by whom. There are the Celebrity Techs, also called the "Magnificent Seven," these days. Those seven delivered 60% of the whole market return: about 16 percentage points. The other 493 delivered 10%. And, Mr. Wesbury notes, at the 10-month mark in 2023, those other 493 were actually negative on the year. They clawed their way to 10% in the last 60 days. (We won't be shy. Outlook's typical client portfolio came in around 20%, plus or minus.)

26% is a great year no matter what Main Street is doing, bubble or not. 10% is nothing to sneer at . . . but it's also not alarming, no matter how many expert observers think up reasons to be alarmed. Here's the real point. Anyone who tries to erect a foundation of fear on that 26%, for whatever reasons, is simply building his argument on a misleading number. Sensible judgements and actions are never based on misleading numbers, impressions, or anything else.

Those Celebrity Techs have been throwing their own party for a while . . . nobody else invited. The other 493 companies on Main Street have been working, so to speak, not partying. The market betting crowd spent 2023 celebrating with the celebrities and condemning—or at least being bored with—all the

rest. As always, the betting crowd looks a few inches beyond the end of its nose and no farther. The Celebrity Party will end, because all parties do. The rest of hardworking Main Street might not have any parties soon, but neither will it suffer a hangover . . . and at Outlook we think that will be a much safer way to invest.

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