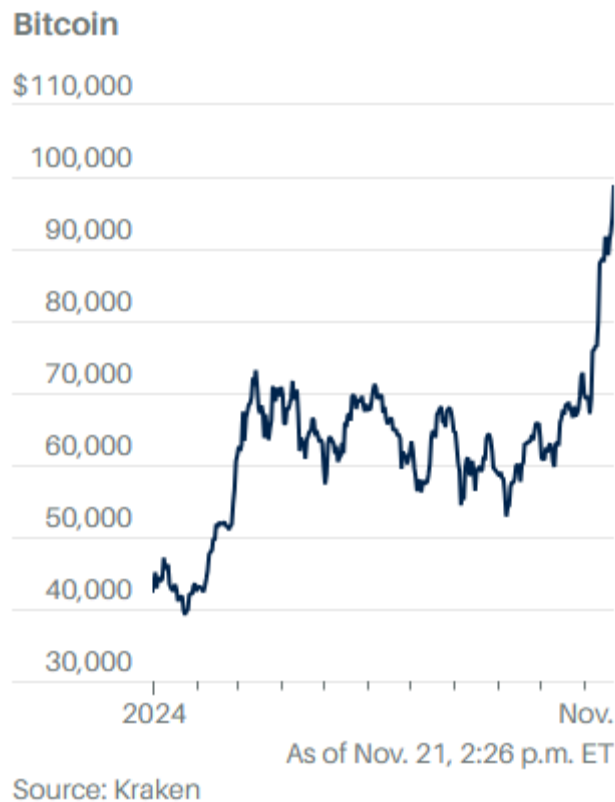


## The Outlook: Nov. 21, 2024

### *Why is it going up?*

A good start to understanding anything is asking the simplest possible question. Let's try it on three pictures. Our question is: "Why is it going up?"

### ***Bitcoin: up 140% this year***



That's Bitcoin, knocking on the door of \$100,000 at the moment: up 140% this year. Why is it going up?

The simplest answer to that simple question is: "Because the higher and faster anything goes up, in the investment world, the more people want to buy it—because it feels like it will probably keep going up." When we "feel" something is true, we feel less and less like doing the hard work of looking at the whole picture concerning what we're buying (or selling.) That's true whether we're amateurs with non-investment day jobs; or ultra-sophisticated professionals. "Sophistication" is not "common sense" . . . which we usually don't realize until we've got gray hair.

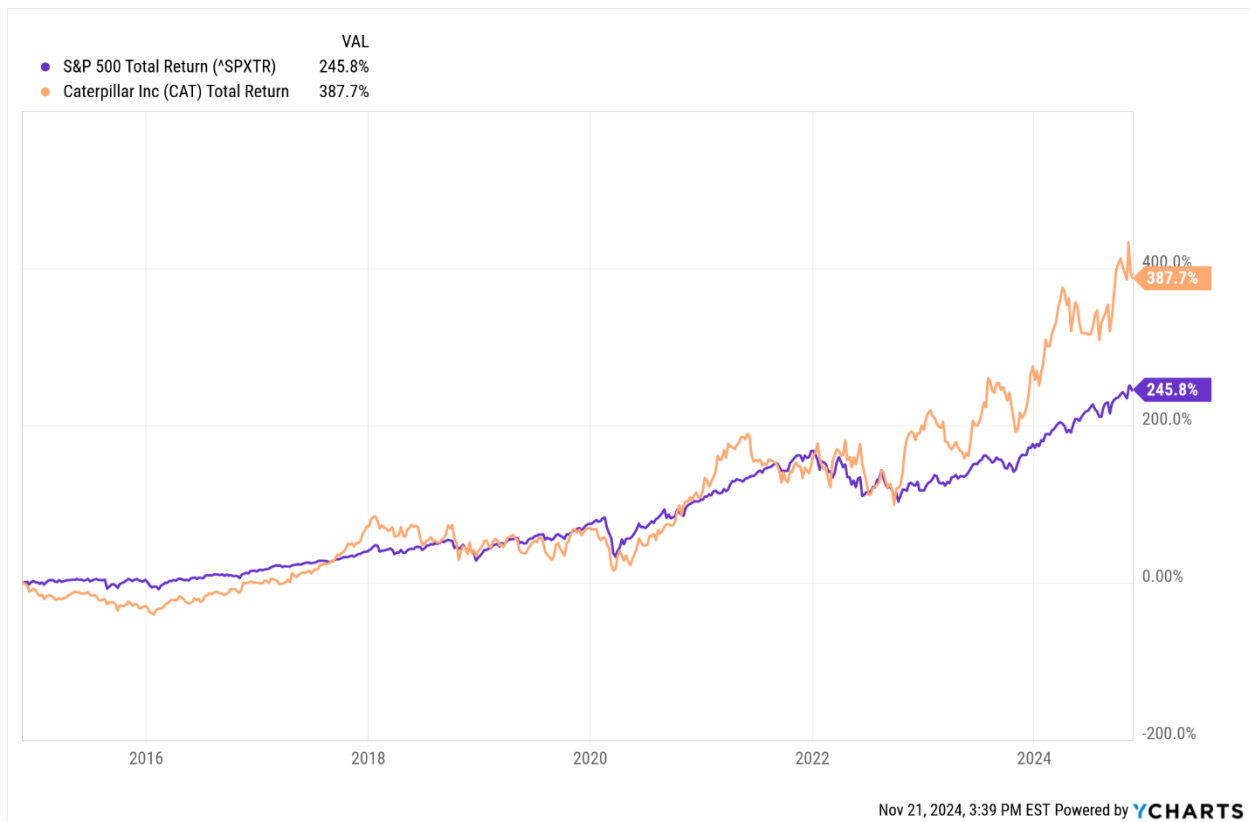
So here's Bitcoin, rocketing up so fast and far that we feel there must be *something* great about it. Is there? The answer is there are some good things and some bad things: but the best of the "good things" is absolutely not why the Bitcoin rocket is rising toward the moon. It's rising because it's been rising, and the market's betting crowd always jumps on those bandwagons for the ride . . . for a while. Next picture.

### ***Nvidia: up 200% this year.***



Why is it going up? The simple answer comes in two halves. First, it's going up because it's been going up—just like Bitcoin and the betting crowd and so on. But second, it's going up because Nvidia's real, operating business is hitting grand slam home runs this year, quarter after quarter. It's hitting homers because its leader and its people have worked like dogs for many years and they've done something extraordinary: inventing and producing the best chip solutions in the world—by far—for powering the Artificial Intelligence revolution. Their past hard work put them way in front of the competition, and they'll stay there . . . for a while. It is a sure thing that Nvidia's operating business will stay in front for a while. It's not a sure thing at all that the betting crowd will keep betting on it. Next picture.

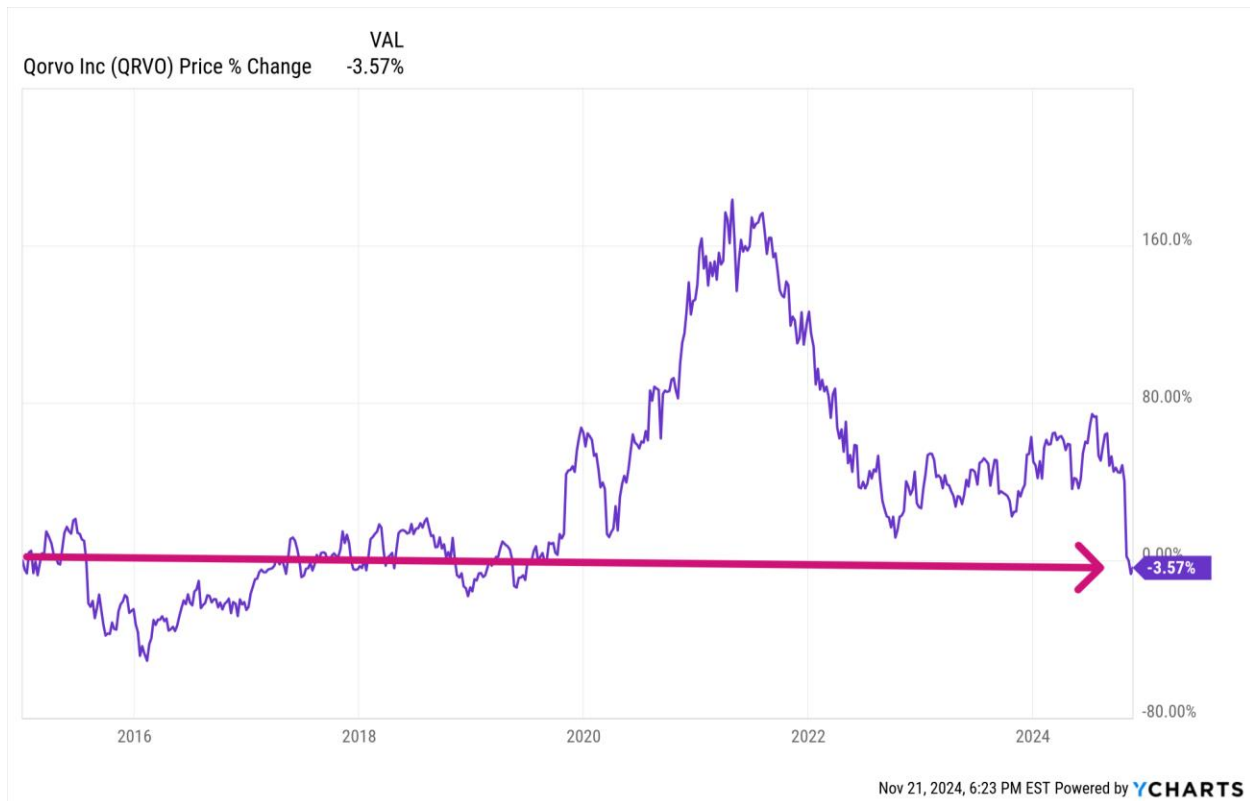
***Caterpillar: up 390% in 10 years . . . 150% ahead of the market.***



Why is it going up? Two halves to the answer, again. First, it is emphatically not rising because it's been rising. CAT is as far as can be from the kind of Celebrity company or stock which inspires wild enthusiasm in the betting crowd. That points straight at the second half of the answer. CAT is rising—and has risen, these 10 years—because the remarkable cash it's earned and given back to investors have *forced* the crowd to acknowledge its excellence, no matter how dull it may be against the likes of Nvidia or Bitcoin.

Cash is the one thing that forces the betting crowd to do that: recognizing excellence even if a particular excellence isn't wildly popular or exciting. If, 10 years ago, we had tapped a typical market bettor on the shoulder and said, "Say, do you think Caterpillar will outperform the market by 150 percent over the next decade?", the answer would have been, "Don't bother me. Qorvo is booming. I've got to get in on it."

***Qorvo, 2014: Up 223%. 10 Years: Minus 4%***



Qorvo makes RF chips, and such—so checkout scanners can read prices, and such. Nice product . . . but nowhere near nice enough to drive cash flows like Caterpillar’s products have. (Qorvo has never paid a dividend.)

That betting type had more chances to “get in on” Qorvo, didn’t he? He might have been lucky enough to get in and out at the right times. But here’s our last question: “Among these 4 pictures, which is the safest way to invest? Which is the surest way to make a lot of money?”

No need to belabor the point. When a stock is rising “because it’s been rising,” it is exciting and fun . . . and sorely tempting. But it’s much more fun to be sure of success if we’re just patient, and if we can just tolerate the roller coaster driven by the market’s daily betting crowd.

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

*The remarks above aren’t a general recommendation to buy or sell particular securities. Such decisions should only be made in the context of an investor’s own circumstances. Stocks and bonds carry the risk of loss.*