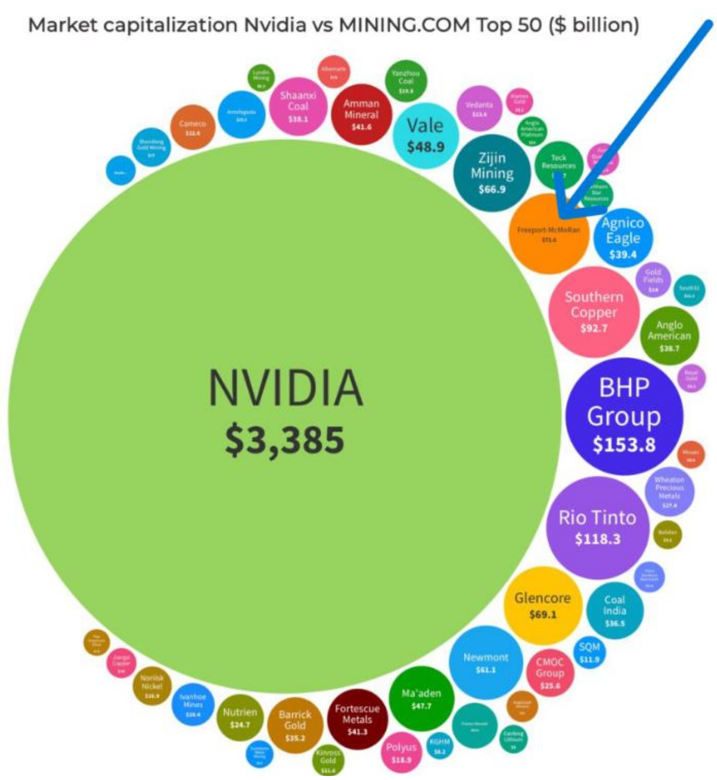
<u>The Outlook: Nov. 8, 2024</u>

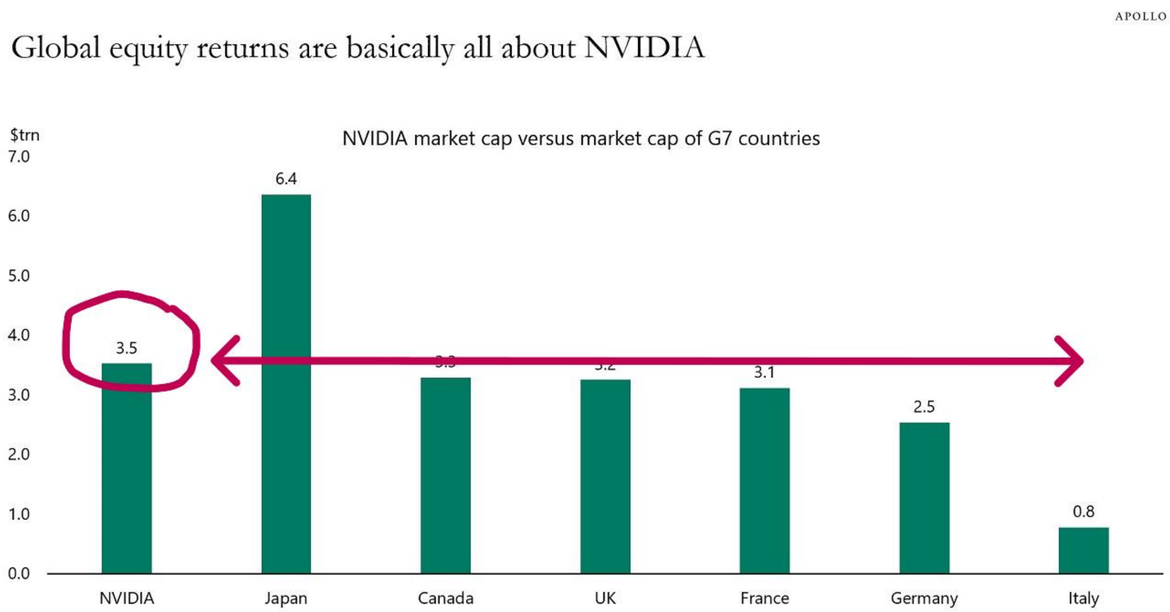
Nvidia, Freeport . . . and the nature of the market.

Even after a lot of decades in the investment business, the galactic differences in what people believe about "the nature of the market" is still a wonder to Outlook. We might suppose that most of the people working in the business understand the market about the same way, and those "galactic differences" are found among the "amateurs" so to speak. But no. That "galactic" divide is just as big among professionals as among everyone else.

Since we're betting our sacred fortunes on "the market", it's good to be sure that what <u>we</u> think about the nature of the market is right . . . and everyone else is wrong. At Outlook we've always held that "the market" is a vast crowd of gamblers betting on each day's passing impressions, rather than on the fundamental facts about what we own. Fortunately the gamblers also must bet on those facts, when they make themselves too obvious to ignore. That's why our sacred fortunes are safe, in the long run.

Here are a couple of pictures.





Of course Nvidia is the celebrity of all celebrities, these days, in the Tech world—because at the moment it has a near-monopoly on the sophisticated chips needed to power Artificial Intelligence. Nvidia is a genuinely outstanding company. It began with gaming chips—which need plenty of sophistication—then pointed itself at "AI" chips a good while before the rest of the world woke up to the current "AI Boom." So now the top picture tells us that the market betting crowd thinks Nvidia is worth more than the world's top 50 mining companies combined (blue arrow points to our Freeport-McMoRan) . . . and just for good measure it's also worth more than the whole markets of Canada, Britain, France, Germany and Italy.

We needn't be "sophisticated professionals" at all to have one thought: "Hmm. That sounds kind of extreme." We can be the humblest of amateurs . . . but if we have that thought, we're thinking straight. It does remind us, doesn't it, of the Tesla of not long ago, when the market crowd valued it at more than the combined value of the world's Big Three automakers . . . whose annual sales were around 20 times Tesla's. Here's that picture.

Tesla's Glory Days: 75 – 150 times earnings

Now, we mustn't be fooled by the red arrow. Tesla is still valued at 75 times earnings, or so, even after falling from its $410 peak to $250 or so (until yesterday's "Elon Musk is almost the President!" spike to $320.) But those whose understanding of "the nature of the market" somehow persuades them to respect whatever the market is doing at the moment (yes, "letting the market do their thinking"), have a problem on their hands. Before the post-election silliness, Tesla had fallen 72% from its 2021 peak by early 2023 . . . and after riding the roller coaster lately, it's still down 40%. Those who respected the betting crowd's $410 valuation three years ago, must surely be mighty bullish on Tesla at $254—especially considering that the company is solidly profitable now, after ever so long in the money-losing wilderness.

The gamblers aren't bullish, of course. They are just making daily bets on the passing headlines, as always. The 3-day, 29% election spike is their bet on the vague impression that Mr. Musk's connection to Mr. Trump has just got to be good for Tesla's stock, somehow.

The market crowd does sound a little silly when we say it that way, doesn't it? It is often silly—not always, but quite often. Last picture:

Freeport, the Copper King

The betting crowd's capacity for silliness works in both directions. This picture covers our time as a Freeport investor. The green circles point to Freeport's $4/share low in 2016; and it's $6/share low in 2020. The only way those numbers made sense was as the vague impressions, at the time, in the market crowd that Freeport and/or the world was, well, going to hell in the near future. But they weren't—and it was plain silly to think they were.

At Outlook we never bought Tesla; and we never bought Nvidia; but we bought truckloads of Freeport . . . because we understand the nature of the market. We understand its endless capacity for silliness; for substituting vague impressions for hard analysis and clear thinking. "Impressions" and "clear thinking" are polar opposites, mostly. We investors must choose which path to follow, because they lead in opposite directions. At Outlook we've long since chosen, of course. We might miss the sheer thrill of Nvidia's rise to values which dominate the world, or Tesla's rise to values which dominated the global auto industry . . . but recognizing the market's silliness does pay off, as Freeport's green circles remind us.

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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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