

The Outlook: May 3, 2023

“Who is right: Main Street or Wall Street?” Cummins answers the never-ending question.

When the market (and our sacred fortunes) have plunged; when the headlines are black; when the “clever” folk in the media warn of danger . . . it’s very hard, isn’t it, to genuinely believe that someday in the near future we’ll be amazed at how large our fortunes have become, and at how the market refuses to do anything but climb higher. It’s very hard indeed, because we are so tempted to think with impressions and our feelings—especially fear—rather than with our cool, calculating brains.

The market itself, though, never stops reminding us to “think” rather than “feel.” Here’s its latest lesson.



That’s Cummins—the Diesel Engine King—plunging over the last couple of days as the whole market reacted to a couple of headlines: “Economy Weakens!” and “Another Fed Rate Hike on the Way!” Next, it so happened that Cummins announced last quarter’s sales and earnings. Here they are:

Cummins: “We’re raising our 2023 forecasts, with 15 - 20% sales growth and higher profit margins.”

Cummins Inc.



2023 Guidance

Sales Up 15% to 20% EBITDA 15.0% to 15.7%

¹ 2022 EBITDA excludes \$111 million of net cost related to the indefinite suspension of operations in Russia and \$81 million of cost related to the separation of the Filtration business

² Q1 2023 LTM EBITDA excludes \$47 million of net benefit related to the indefinite suspension of operations in Russia and \$82 million of cost related to the separation of the Filtration business

³ 2023 Guidance EBITDA excludes the cost related to the separation of the Filtration business

And Cummins' final remark:

In summary, we delivered record sales, EBITDA, net income and earnings per share in a very strong first quarter. Our customers are indicating stronger visibility into the second half of the year, giving us confidence to raise our forecast.

That's Main Street, telling us how it sees the world these days: pretty strong, climbing up step by step. The top picture, Cummins' stock plunging, is how Wall Street sees the world these days: "Woe is us, watch out below." Now, as we struggle to use our brains instead of our feelings, does the market tell us anything about who is likely to be right? Yup.

Cummins, 20 Years: up 3,120%. The market: 20 years of "Woe is us!" moments.



All those green circles are the many, many “Woe is us!” moments for Cummins’ stock over 20 years. We might also call them the market’s never-ending gifts to thinking investors. In every single one of those moments, there were all the black headlines and pessimistic clever people we could wish for, on Wall Street. But over on Main Street, there was Cummins: inventing, welcoming new customers, improving its factories . . . growing. So, on the live-or-die question (for investors) of whose view of the world is right, Main Street or Wall Street . . . we do know the answer, don’t we?

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