

The Outlook: October 4, 2024

“Have I got a deal for you!”

Imagine someone coming up to us and saying, “Have I got a deal for you! You’ll make a ton of money on this . . . maybe a gigaton! Let me explain it to you.”

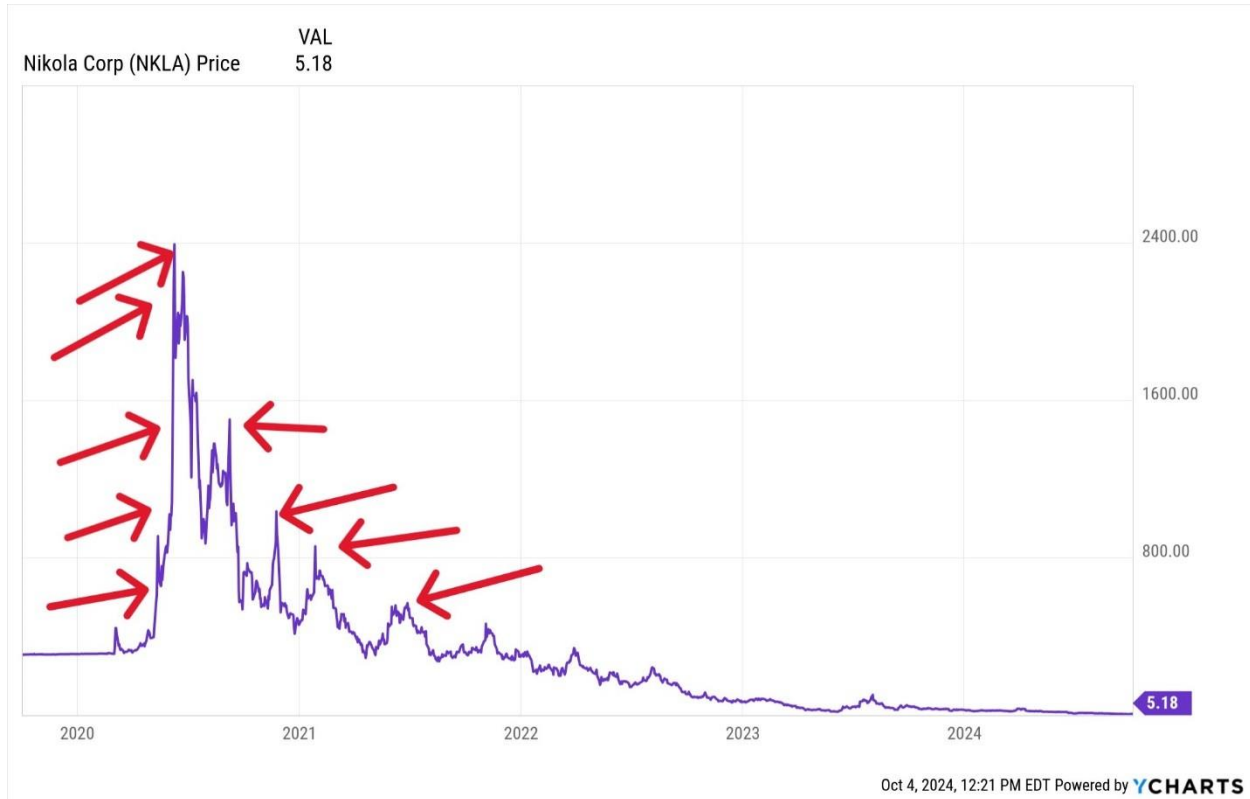
Of course we’ve all spun on our heels and beaten a hasty retreat, looking around for the police, before our stranger even gets to the “explain it to you” part. But since we’re just imagining this scene, let’s pretend that just this once we muffled our internal alarm bells and said, “OK. Talk.” The stranger starts talking . . . and pretty soon our jaws drop in amazement, and we think, “This person is completely nuts!” . . . but not nuts the way we thought he’d be. Let’s listen to him.

“Here’s all you have to do! Invest as much money as seems right to you in a few big, exceptionally strong U.S. companies. It would help a lot if you really understood those companies’ business operations, or hired someone who does. Once you’ve done that, spend the next 10 to 30 years constantly worrying—and sometimes downright terrified—that your money will crash and burn completely, leaving you without two dimes to rub together in your old age. And when your money seems to be in the very act of crashing and burning, rest assured that every time you turn on the TV or read a newspaper, famous people known to be “experts” will confirm to you that you and your companies are indeed headed for ruin, and you’d best get out while you still have enough left to buy a hamburger. And even though you might notice, over the years, that somehow your money has grown a whole lot, every time you see that and draw a deep breath of relief, “crash and burn” will show up again, scarier than ever.

“That’s all there is to it! Sounds like fun, doesn’t it? Have we got a deal?”

Not much of a sales pitch, is it? No: it’s the polar opposite of “exciting,” “fun,” “worry-free” or “sugar-coated;” but it’s the truth . . . which usually doesn’t come sugar-coated, does it? Let’s glance at a couple of pictures.

Nikola: Electric Trucks



Nikola makes electric trucks: big ones, powered by hydrogen fuel cells—kind of a Celebrity Technology in the green world for a while. At the moment, Nikola is selling perhaps 30 or 40 trucks per year . . . and losing roughly one million dollars per truck. It's going through about \$500 million of cash per year, which it gets by selling more shares to the public (or "expert" investors) every six months or so. Hmm. Impressive numbers, but not quite in the right way.

Nikola trades at \$5 now. As we can see from all those red arrows, in 2020 it traded for almost \$2,400 per share, and from 2020 into 2023 it spent much time between \$1000 and \$300. Since then it's sunk ever so gradually—like the mighty Bismark going down—from \$200 to \$5.

One more picture.

Caterpillar, 25 Years . . . and 3,200%



As long as we threw all those red darts at Nikola, it's only fair to throw them at Caterpillar too. Those red arrows are the mind-boggling crowd of "upside-down sales pitch" moments for us Caterpillar investors. They're when our money *seemed* to be crashing and burning; when countless headlines, news stories and "expert" analysts confirmed that we were indeed headed for ruin and we'd best get out, and so on. But if we'd "made a deal" with that gloomy but truthful stranger . . . we'd mostly be telling ourselves, "3,200%? How on earth did *that* happen?"

Well, it happened because although the market crowd can be very, very silly—for an astoundingly long time, sometimes—it cannot stay silly. Facts and the truth shake sense into its head eventually. For 25 years, Caterpillar has supplied endless "facts and truth" to the market crowd—and the results have been all those temporary red arrows . . . and 3,200%. And Nikola has also supplied facts and truth to the same crowd which thought \$2,400 just might be a good place to buy. Now the crowd won't touch it at \$5. Nikola's facts were abysmal . . . but they were the truth.

Our stranger might have wrapped up his odd sales pitch this way: "I'm selling patience. Patience and pain go together, along with a big dose of constant worry, and sometimes plain old terror. Sounds bad, doesn't it? But all I can tell you is if you take my deal, you'll thank me . . . after a while."

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