

## The Outlook: Feb. 27, 2024

### *The mood of the market finally gets tired of the Nightmares.*

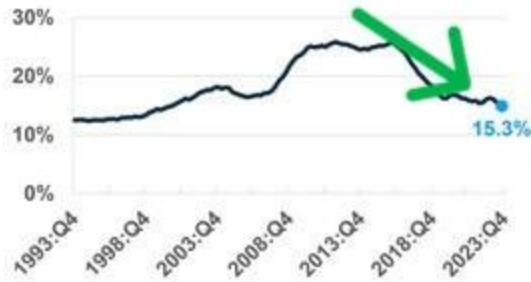
It's pretty amazing to think of the vast change in "the mood of the market" since year-end. Here we were, getting thoroughly used to the Prevailing Nightmare, because it had been around so long: "Wars! Inflation! Crippling Interest Rates! Chinese Economy Buckling at the Knees! World Sure to Follow!" Now it's more like "Who Cares? Artificial Intelligence! Wow!"

Now, "the mood of the market" is never something to take too seriously . . . unless we're part of the betting mob, in which case it's like the sun, moon and stars of life itself. But the most solid fact about "the mood of the market" is, of course, that it'll change. Another solid fact is that most of the time, "the mood" hangs on some Nightmare. That's just how we all are: our fears are stronger than our optimism. But no matter how fearful the Nightmare, it always turns out its bark is far worse than its bite. Here's one of the most powerful reasons "why."

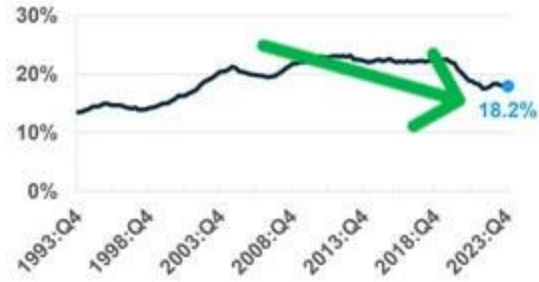
## Every income group is significantly less levered relative to history

### Liabilities as a Percent of Assets

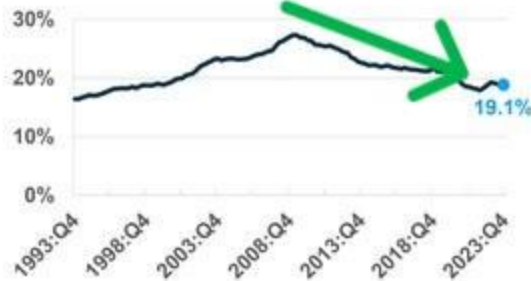
Income Percentile: 0 to 20



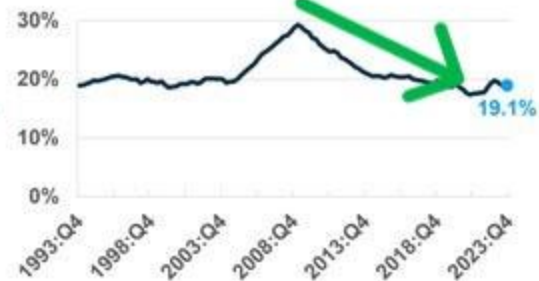
Income Percentile: 20 to 40



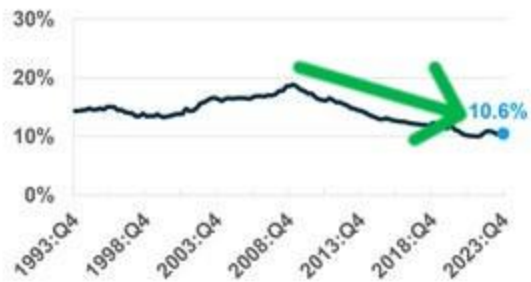
Income Percentile: 40 to 60



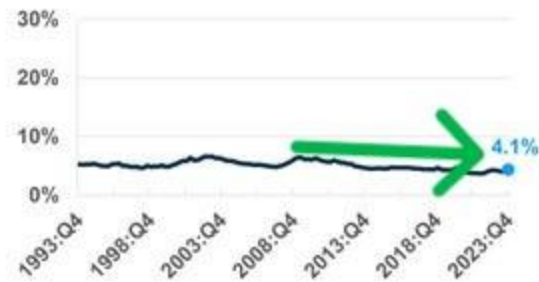
Income Percentile: 60 to 80



Income Percentile: 80 to 99



Income Percentile: 99 to 100



Data source: Carson Investment Research, Federal Reserve 02/21/2024

Data are as of Q3 2023

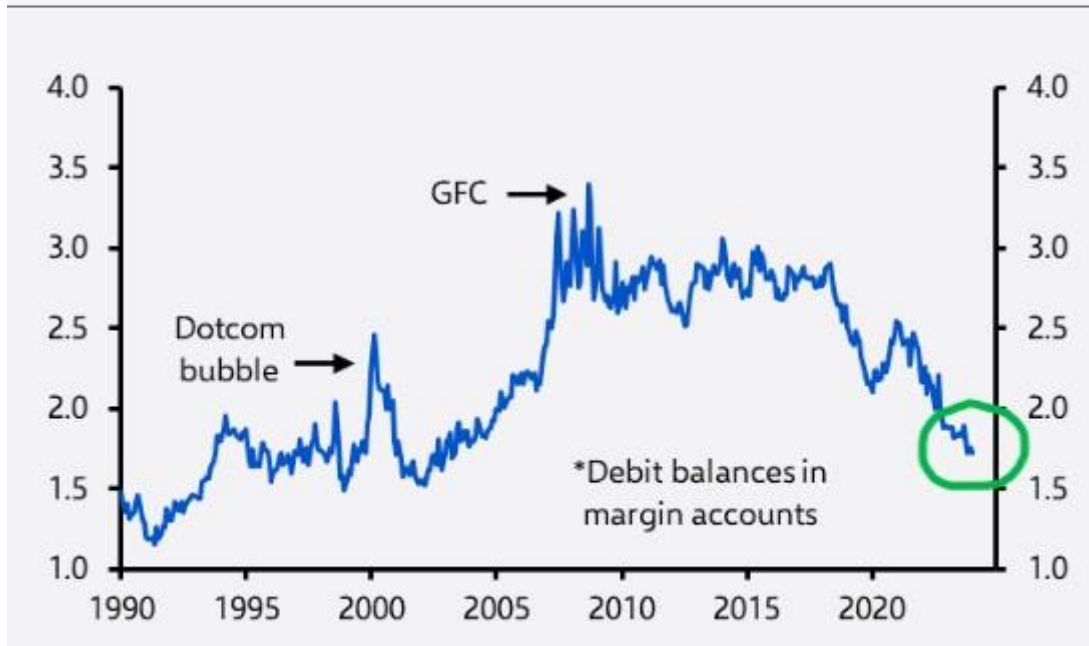
@sonusvarghese



All those pictures are just another version of something we never stop pointing out, at Outlook: financial strength (not our mood) is the sun, moon and stars of Main Street's life, therefore of the market's life, eventually. When any person or company has a lot of strength, it's very, very hard for Nightmares to do any lasting damage. When the strength is lacking . . . watch out.

It hasn't been the smallest bit lacking, for quite some time. Above we see Household financial strength. Below is one look at "the betting crowd's financial strength."

## Chart 2: NYSE Margin Debt\* As A % OF S&P 500 Market Capitalisation (%)



Now, the betting crowd's strength doesn't matter much compared to Households'; but we investors are glad to see strength anywhere and everywhere, even among gamblers. That low level of margin debt is strength, all right.

Artificial Intelligence is going to be "The Next Big Thing" for quite some time. The Next Big Thing never cancels out "The Cycle." The Cycle is a fact of life on Main Street and on Wall Street. We'll have to keep riding the roller-coaster, Artificial Intelligence or not. But as Outlook has mentioned a few times, the roller-coaster points up over time, not level and certainly not down. Unlike the amusement park ride, the investment roller coaster ends higher than it began. We're going to find out, in the coming years, that Artificial Intelligence is tilting our long-term ride up even more sharply than before.

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