<u>The Outlook: March 21, 2024</u>

Micron reminds us how things work on Main Street.

Yes, it was the kind of day which warms the heart of investors—<u>genuine</u> investors—who've stuck with the quaint idea that such old-fashioned things as patience, understanding and nerve matter just as much in the investment world as in every other field of human endeavor. Here's the picture.

OCM Core Stock List

Overview Data Events Alerts

SYMBOL ▲	NAME	LATEST	$ CHG	% CHG
CAT	Caterpillar Inc	364.44	7.99	2.24%
CMI	Cummins Inc	291.29	4.16	1.45%
COP	ConocoPhillips	123.53	1.62	1.33%
FCX	Freeport-McMoRan Inc	46.21	0.20	0.42%
LMT	Lockheed Martin Corp	443.16	2.75	0.62%
MSFT	Microsoft Corp	429.40	4.25	1.00%
MU	Micron Technology Inc	109.81	13.56	14.09%
TXN	Texas Instruments Inc	172.61	2.63	1.55%
XOM	Exxon Mobil Corp	113.47	0.48	0.42%
^DJI	Dow Jones Industrial Average	39,781.37	269.24	0.68%
^SPX	S&P 500	5,241.53	16.91	0.32%

About four times a year, about 3 to 4 weeks each time, we investors get a treat. Those are quarterly earnings seasons. Outlook has always called them "Reality Seasons," because like the sun finding a hole in dark clouds, our companies shine a light on the cold, hard facts about what's actually happening on Main Street. In that bright sunlight we can see the facts clearly. Then the Reality Season ends, and back we slide into "Impressions Season," where the light is gray and fog shrouds our view, and we feel surrounded by a crowd always clamoring about something dimly seen, and poorly understood, which has created some impression . . . usually negative.

The sun shone brightly on Micron yesterday, as it reported its latest quarter—after the market closed for the day. Theresa will soon give us the details in her "Inside" report. But the heart of it was that Micron hit a grand-slam home run, so to speak, when Wall Street's best and brightest minds—<u>all of them</u>—had guaranteed us that nothing but another strikeout was possible. This company, they ruled, could only emerge from the vicious memory-chip downcycle the long, slow way: step by trudging step. But Micron didn't bother with slow steps. Instead it executed a world-class long jump, flying right past the next ten or twelve such steps.

Did Outlook know, yesterday, what was about to happen?

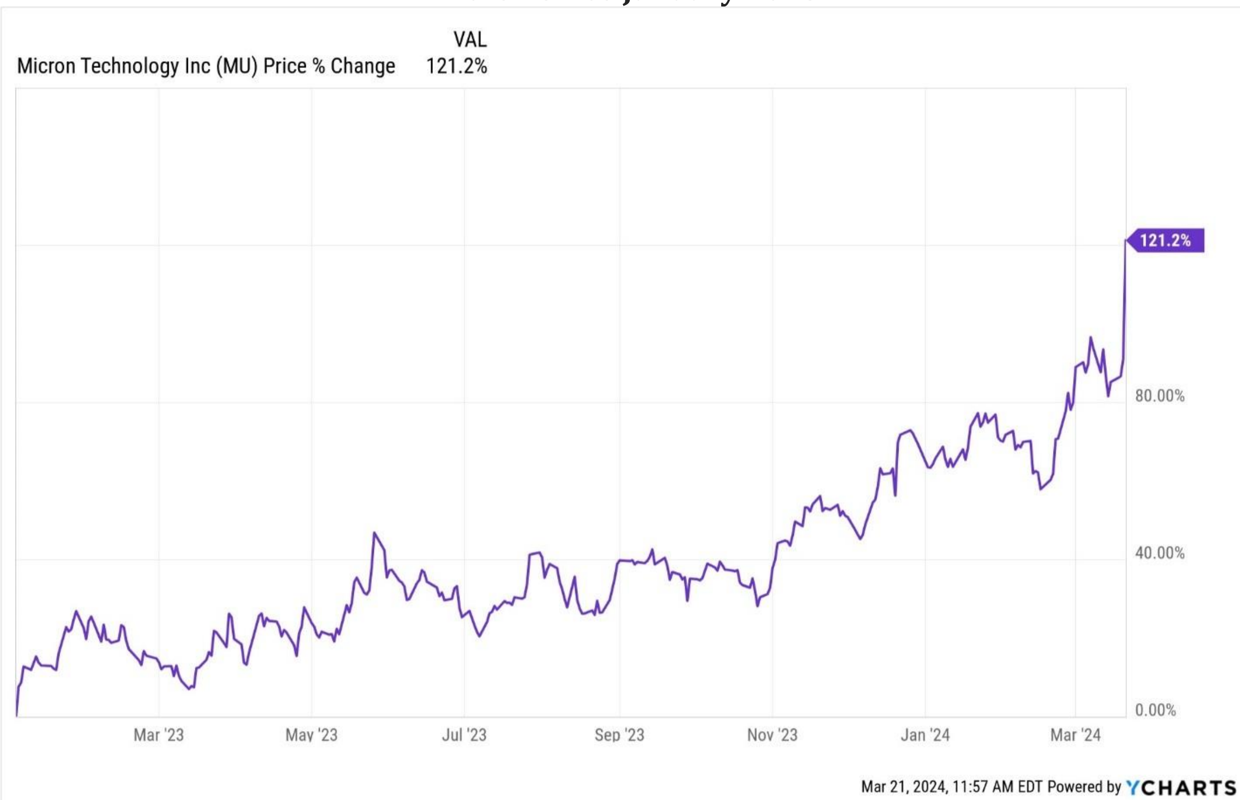
No. But we did know that it would happen . . . that indeed it must happen. We knew that because we understand the company: its great financial strength; its world-class technology and inevitable worldwide need for its products; and above all, its cycle. Here's a picture.

Micron since 2008: 4,100% the hard way.

That's the picture of a cyclical business, hence a cyclical stock. Only a few years ago, we optimists had the idea that maybe Micron's memory cycle might have been permanently smoothed, at least to some degree. Through the prior decade, lots of memory companies had gone bankrupt or been bought by stronger ones; and with accelerating memory technology, the cost of getting into the business and surviving had eliminated all but three big companies around the world: Micron, Samsung and Hynix. "Those three survivors will stay out of the silly price wars and over-production which had ruined so many weaker firms! They know better!" was the idea. In fact, they did know better . . . but they didn't know something like the Great Lockdown would happen, nor did they foresee the absolute explosion in tech spending which came along with it. Nobody did, but they happened. That yellow circle, up there, was the certain result of the "absolute explosion" in spending: an absolute implosion, for a while, as households and businesses realized they'd overdone it.

Nope, the memory cycle hadn't gone away after all. But now we come to the real lesson from Micron, today. The cycle always, always does two simple things: it goes down . . . then it goes up. During Lockdown and its aftermath, everyone bought too much. Then they tore their hair in dismay . . . and bought too little. Enduring both directions, Micron kept improving its products and waiting for the absolutely certain recovery, when everyone would suddenly realize they'd overdone the belt-tightening, and their own customers were pounding on their doors, demanding more products. Along came Artificial Intelligence, meanwhile, and that "absolutely certain recovery" became absolutely even more certain, if that's possible. Let's look at one last picture.

Micron since January 2023



Micron stood at $50 per share on January 3, 2023. The company had earned $8 a share the year before, 2022. It had earned $12 a share in 2018: one of the prior cyclical peaks. So at that $50 share price only 15 months ago, Wall Street's best and brightest analysts, and its vast betting crowd, thought <u>the company was worth only 4 to 6 times the profits it had made just recently</u>, during prior cyclical upturns. Why only 4 to 6 times clearly achievable profits, when the crowd was valuing Celebrity Tech darlings at 40 to 60 times profits, or more?

There are plenty of things to say about such "thinking," but "Oh, really?" is as good as any. Why does Wall Street and its betting crowd do this? Why—year after year, decade after decade—does that crowd <u>never</u> believe that cycles have two directions, and that strong companies always explode on the upside, in their operating results and their stock prices, when the cycle's direction changes to "up"?

Of course if we take a swing at that question we're getting into Psychology, where anything goes so nothing is worth too much; but here's Outlook's swing. There are a great many people in the investment world who do not like to wait; who do not like to "lose" money even for a little while; and, most amazingly, who bet their precious fortunes on things they don't deeply understand . . . usually because the rest of the crowd is doing the same thing, <u>and it feels safe to bet on things which have been going "up."</u> When a gambling type doesn't really understand what he bought, and also wants to feel "safe" about it . . . a train wreck is on the way, we just don't know when. On the other hand, when we bet on things which have been going down, and we do understand the company, we might not <u>feel</u> as safe . . . but in fact we <u>are</u> safe. We only have to remind ourselves about old-fashioned things like patience, understanding and nerve—and eventually a Micron will come along and light up our day.

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