

The Outlook: Feb. 13, 2024

“Cash Tells the Truth”

The media tells us there’ve been two blockbuster stories in the last few days: one good, one bad.

- Good. The market passed the 5,000 mark a few days ago.
- Bad. Inflation bounced back up to 3.9% (depending on how we measure it.)

Remembering that we are “surrounded by lies” all the time—to put it colorfully—we investors must decide whether “good” is really good and “bad” is really bad—and if so, how much. There are two ways to do that: we can plunge headfirst into each story, scrutinizing numbers and nuances all day long, weighing “on the one hand’s” and “on the other hand’s” . . . or we can back up enough to see if there’s a Big Picture out there which might save us the headaches.

Of course Outlook clients know which we choose. Let’s look at some Big Pictures.

23. Dividend announcements. "In the Wall Street Horizon universe of 10,000 companies worldwide, 31% have announced a dividend increase compared to just 8% slashing their payout."



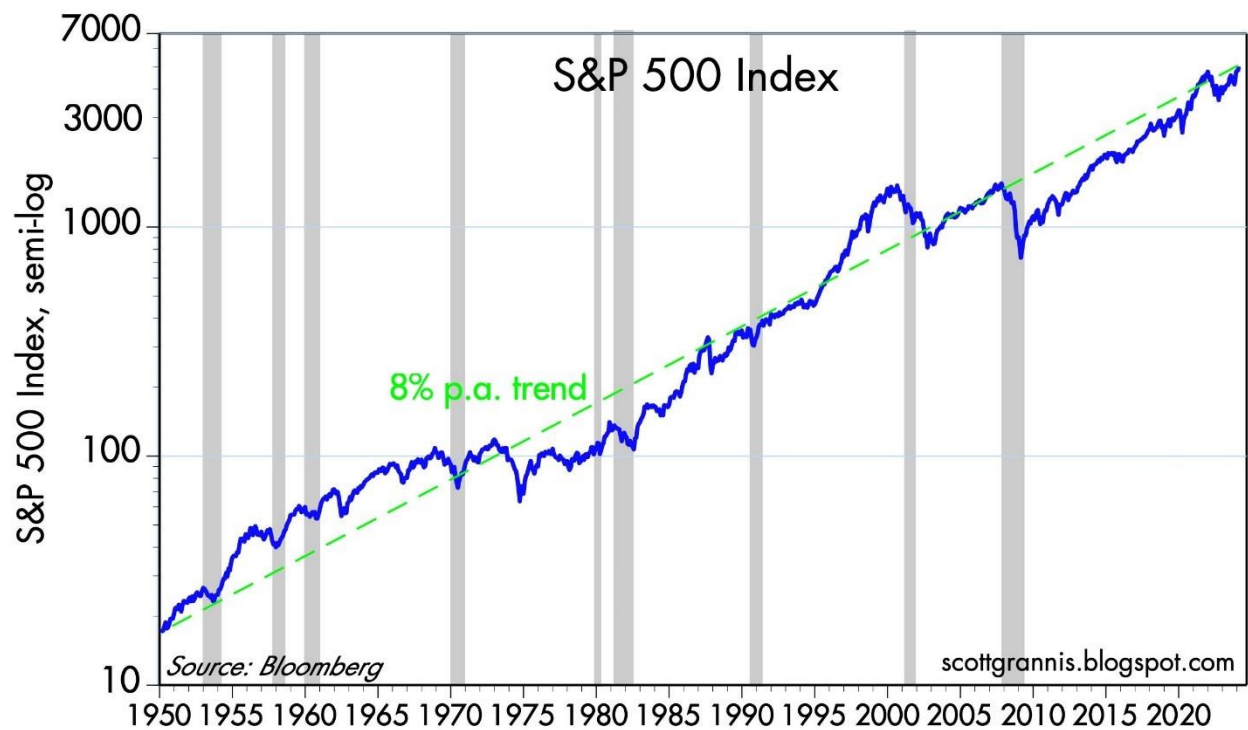
That's a very interesting picture. First, it looks at 10,000 worldwide companies, not just American powerhouses. The taller light-green lines are the percent of them hiking their dividends each quarter. The shorter dark-green lines are companies cutting dividends.

Two things jump out:

1. In the past 5 years, all over the world, dividend hikes almost always overwhelmed cuts.
2. During the "Lockdown Calamity" year of 2020 . . . they did the same thing! Even for us cheerful types at Outlook, that was pretty astonishing.

Next picture (thanks Scott Grannis):

74 Years: 300,000% Total Return. Market up 8% per year; with dividends up 11.5%.



During those 74 years we've had countless Bad News stories, and even nearly-countless "Inflation Bounces Higher!" stories. Investors unfazed by headaches plunged into every single one of those stories, scrutinizing numbers and nuances, weighing "on the other hand's." Here's a guess. 99% of the time, after plunging into those depths and arguing the pros and cons, those fearless investors were left with two things: headaches, of course; and uncertainty. We just couldn't be sure whether each "Inflation Bounces Higher!" episode meant nothing at all, merely being the dips and swoops in a falling trend; or meant "It's Back! Inflation! Don't Go Near the Water!"

That didn't mean it was all a waste of time. We do need to watch, always, for real grizzly bears around the next corner, waiting to pounce. But it did mean this Golden Rule, wonderfully illustrated by these 2 pictures:

“Cash Tells the Truth.”

And that “Truth” is so astonishing we might as well call it a miracle. Even in the global panic and calamity of the 2020 Lockdown—a first in human history—somehow companies all over the world kept giving cash back to their investors, and kept hiking the amount they were giving. And for 74 years covering every Calamity under the sun, the U.S. big-company market returned 11.5% per year, which is 300,000%. Those numbers are not the tiniest bit “nuanced” or “uncertain.” They are cold and hard, being cash . . . and they tell the truth.

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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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