<u>The Outlook: December 3, 2024</u>

The Big Picture.

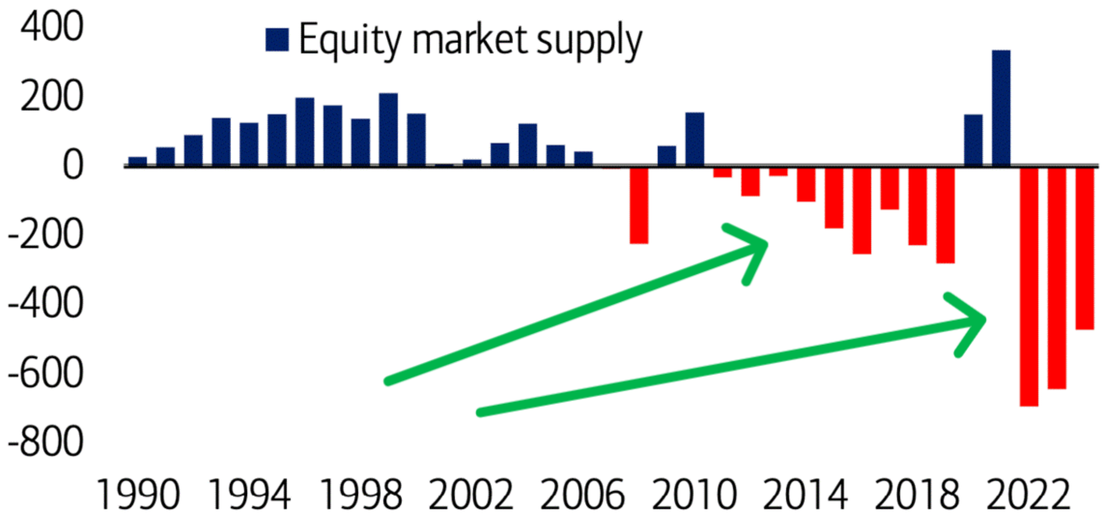
Here's the Big Picture. Main Street USA—both Main Street Business and Main Street Households—are marching toward the future at a pace we might call "Rock Solid Steadiness." They are distinctly confident, but not silly about it. They are that way because in the last 25 years they've been through three "calamities"—the Dotcom Bust, the Bank Panic, and the Covid Lockdown—and come out of every one of them stronger than before, eventually. There are all kinds of "strength" but the one that matters most to Main Street, by far, is financial strength: low debt, high cash and cash flow. Main Street Business and Households are both off the charts, historically, on that kind of strength.

We are all a lot harder to scare when we feel our money situation is solid. Main Street has spent the last 25 years reacting to those three "calamities" by making itself more solid every year, pretty much.

There are lots of ways to describe the market—and Outlook uses most of them—but one way is "a perpetual worry machine." That also happens to be a near-perfect description of the media. The media survives and thrives upon worry, because it knows nothing draws our eyeballs like fearful headlines. So the media's instinct is always to exaggerate the bad news and mute the good news . . . which is usually a lot more boring. The market's vast daily betting crowd swallows those fearful headlines every day of the week, and bets on the *impressions* the headlines give us. We'd all be doomed, pretty much, by this terrible picture, except for one thing: the market must also react to facts, when they show up too clearly to be muted; and the strongest facts of all tell us <u>how much cash Main Street is making</u>, and how much of it we investors are being given as rewards for owning our companies.

All that brings us (finally!) to this picture, which flunks the "boring" test at first glance . . . but which is worth a second glance.

Exhibit 12: Equity supply is near 25-year lows
IPOs + stock compensation + issuance minus buybacks, $bn



Source: BofA Research Investment Committee, Haver, Refinitiv.

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Our green arrows point at the startling thing: the total volume of common stock available for purchase by the public has been shrinking, a lot. It's at 35-year lows at the moment (not the 25 years in the title.) Why? Because Main Street Business has been earning a flowing, growing river of cash over the decades—and has been using more and more of it to buy back its own shares.

"Buying back shares" just means retiring those shares . . . eliminating them, which in turn means every one of our shares owns a bigger and bigger piece of our companies. It owns more and more of the cash and cash flows which pay for dividends; and more and more of the profits which pay for everything. It owns more and more . . . while we sit and do nothing, just relaxing with our feet up and admiring our piles of stock certificates, so to speak. In other words, that flowing river of cash buying back our companies' shares makes us wealthier and wealthier . . . no matter what kind of dither the market's betting crowd gets into each day as it wonders how fearful this morning's media impressions might be.

Since June's giddy market highs, driven by "Artificial Intelligence" enthusiasm, the betting crowd's mood has usually reverted to that daily worry which is its custom. It won't matter. It never does. Neither the media nor the market's passing moods are the engines driving our sacred fortunes higher, in the long run. The engines are Main Street's financial strength; our steadily growing claim on our companies' stocks of cash; households' low debt and high capital; the tremendous inventiveness of Main Street Business . . . those are and will remain the foundations of that "Rock Solid Steadiness" we mentioned at the top. As usual, at Outlook we're holding what we own, and buying more whenever we can.

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