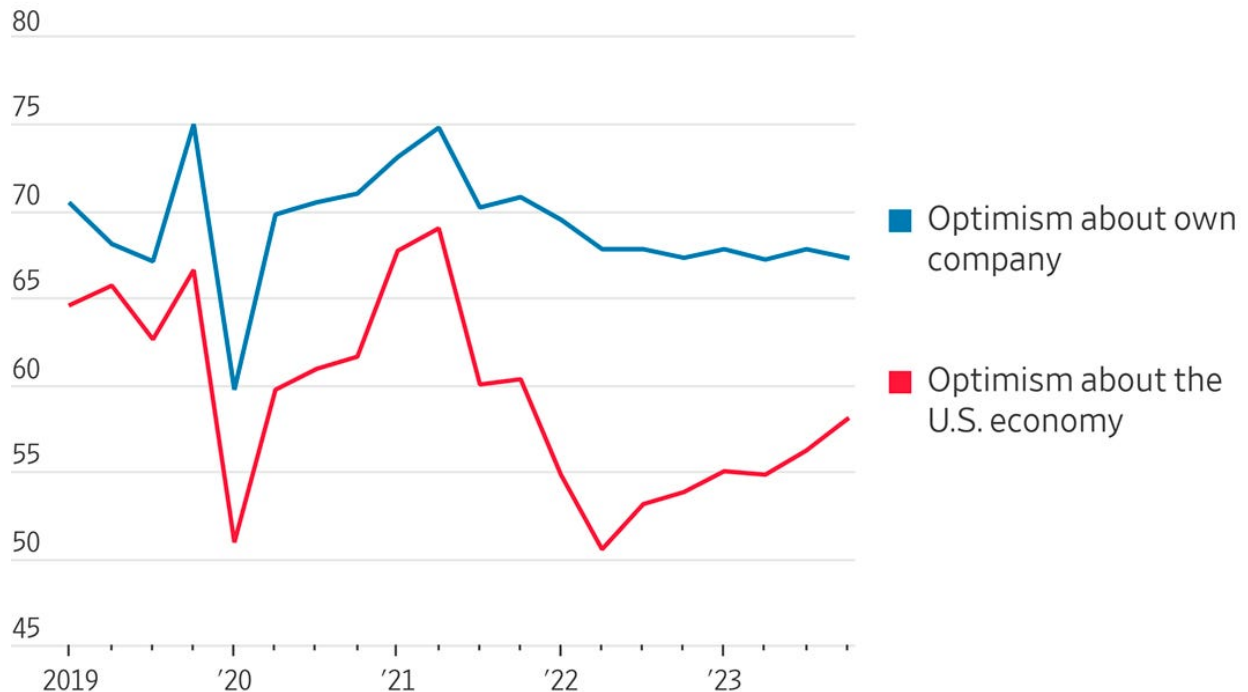


## The Outlook: Jan. 10, 2024

*Dull, maybe . . . but right.*

### CFO optimism indexes



Source: Duke University, Federal Reserve Banks of Atlanta and Richmond

At first glance, this is a very boring picture. It's about Chief Financial Officers (CFO's.) Now, at Outlook we've been lucky to know several CFO's over the years, and we say a good CFO can be—and often is—the very salvation of his or her company. When our businesses get in trouble, we'd better have a good CFO or . . . we might as well save ourselves a lot of time and pain and just declare bankruptcy right away. So there are many wonderful things we can say about them . . . but "fascinating" isn't usually on the list. It is accounting, after all.

But this picture is fascinating indeed. Duke University and a couple of Federal Reserve Banks have been surveying CFO's since 2019, every three months, asking them "How optimistic are you, at this moment, about your own company . . . and about the U.S. economy as a whole?"

They are always more confident about their own companies than about Main Street as a whole, aren't they? But since the Pandemic and Lockdown Calamity of 2020, they've mostly been a lot more confident in their own companies, and a lot more worried about everyone else.

Why?

Outlook's answer is pretty simple: "Because they know the truth about their own companies . . . but they only have impressions about everyone else." They are the same impressions the rest of us receive around

the clock from the media and a host of expert commentators; the same impressions we must work so hard to clear up by using some part of our scarce time to dig for the facts.

A good CFO is not the the Wizard of Oz: knowing all, seeing all, telling all. Nobody is, right up to the CEO, no matter how great. (We always think of Texas Instruments' Richard Templeton, an honest boss, who famously said, "The truth is we never see the next upcycle or downcycle coming. They just show up at the door, and we find out how strong we are, and how well we've prepared for them.") But the CFO, especially on modern Main Street, has a finger on the company's pulse every day, maybe every hour: tracking in real time everything from sales to inventories to cash flow and beyond. When a CFO says, "Yeah, there's Trouble out there, but do you know, we're pretty strong these days, and it's pretty tough to get really worried about us," we investors have a right to think, "I'm inclined to believe him."

But when the very same CFO wonders what's going on next door on Main Street, much less over the ocean . . . he knows a lot less. Like the rest of us, he either believes the impressions floated every day by the headlines (which are mostly gloomy because the media must survive, and it knows that Bad News Sells) or he disbelieves them on principle, and perhaps uses a bit of his scarce extra time to dig for facts. But of course he doesn't have much extra time, so he's always more worried about what he doesn't know—everyone else—than what he does know: his own company.

What we know, at Outlook, is that since 2020 the general pessimism and constant sense of crisis triggered by the media's "impressions" have been wrong. Main Street has proven them wrong year after year. It's not that the crises have been imaginary—very far from it—it's that the media impressions, as always, give us a very distorted, very limited picture. The "Whole Picture" always means something better and brighter than the darkest corner of it. Together, all those CFO's see a thousand brighter corners every single day, as they track the ongoing strength and future prospects of their companies. They're not the Wizard of Oz and they can be wrong . . . but we've done well since 2020 by trusting their collective picture of Main Street, not the media's.

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