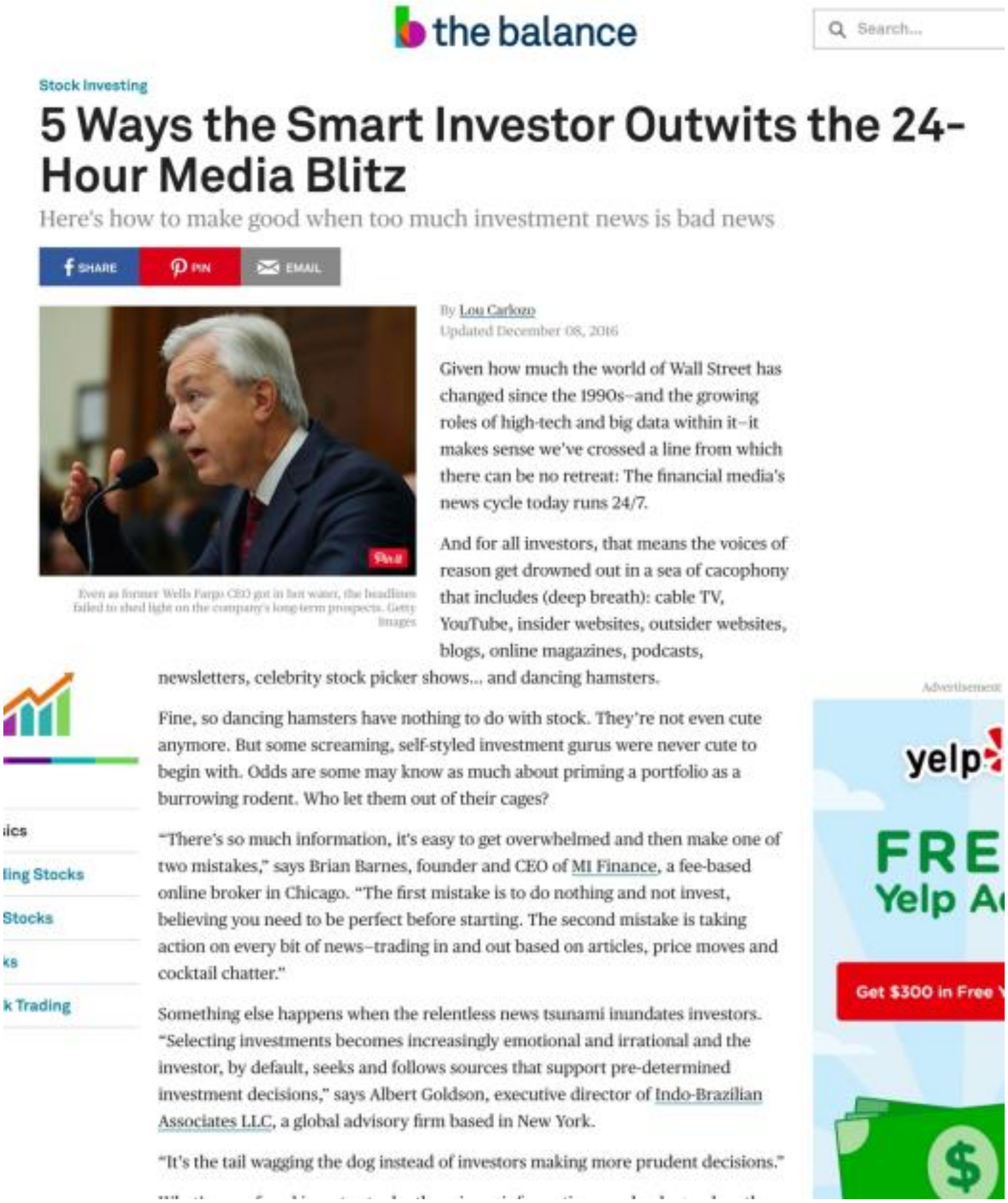

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Stock Investing

# 5 Ways the Smart Investor Outwits the 24-Hour Media Blitz

Here's how to make good when too much investment news is bad news

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Even as former Wells Fargo CEO got in hot water, the headlines failed to shed light on the company's long-term prospects. Getty Images

By Lou Carlozo
Updated December 08, 2016

Given how much the world of Wall Street has changed since the 1990s–and the growing roles of high-tech and big data within it–it makes sense we've crossed a line from which there can be no retreat: The financial media's news cycle today runs 24/7.

And for all investors, that means the voices of reason get drowned out in a sea of cacophony that includes (deep breath): cable TV, YouTube, insider websites, outsider websites, blogs, online magazines, podcasts, newsletters, celebrity stock picker shows... and dancing hamsters.

Fine, so dancing hamsters have nothing to do with stock. They're not even cute anymore. But some screaming, self-styled investment gurus were never cute to begin with. Odds are some may know as much about priming a portfolio as a burrowing rodent. Who let them out of their cages?

"There's so much information, it's easy to get overwhelmed and then make one of two mistakes," says Brian Barnes, founder and CEO of MI Finance, a fee-based online broker in Chicago. "The first mistake is to do nothing and not invest, believing you need to be perfect before starting. The second mistake is taking action on every bit of news–trading in and out based on articles, price moves and cocktail chatter."

Something else happens when the relentless news tsunami inundates investors. "Selecting investments becomes increasingly emotional and irrational and the investor, by default, seeks and follows sources that support pre-determined investment decisions," says Albert Goldson, executive director of Indo-Brazilian Associates LLC, a global advisory firm based in New York.

"It's the tail wagging the dog instead of investors making more prudent decisions."




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What's a confused investor to do, then, in an information-overload age when the happy medium seems more like the muddled middle? Here are five bits of sage advice market experts offer as an antidote to sound bites and soap opera scandal.

## 1. Don't give into fear

"Investors who are drawn to scary headlines sometimes make bad investment decisions because they let their emotions get in the way," says Bill Keen, founder and CEO of Keen Wealth

Advisors in Overland Park, Kansas. “One way to overcome the noise problem is to better understand the cyclical nature of the economy and the financial markets.”

So ask yourself:  If interest rates go up in the next few months, it certainly won’t be the first time, right?

“As the old saying goes, ‘The market has done a great job predicting nine out of the last five recessions,” Keen points out, “Don’t be distracted by the fear headline of the day. Instead, systematically look deeper into the economic numbers to discern trends and better understand what’s really happening.”

## 2. Pick and stick to solid news sources

If top-dog news editors make their living separating the important stories from the trivial ones, who’s to say you can’t do something similar as a news consumer and investor?

Ask financial professionals where they go and you’ll hear answers like the one offered by Drew Horter, president and chief investment strategist at Horter Investment Management, based Cincinnati.

“Examples of resources we like include Morningstar and dshort.com,” Horter says.

“We recommend that clients go to as many independent resources as they can in order to avoid bias.”

“It’s helpful to build up your expertise and knowledge base as you decide to move beyond the basics,” Barnes advises. “Any article or news item that teaches you something will broaden your horizons for investing opportunities when they arise.”

## 3. Look for larger patterns

News headlines rarely if ever connect, and reporters and pundits tend to chase the next proverbial ambulance that rushes down Wall Street. “We subscribe to the ‘mosaic theory’ of investing,” David Edwards, president of Heron Financial Groupin New York “A handful of tiles scattered on your desk is valueless; 30,000 up on the wall makes a beautiful (and valuable) mosaic. “Day-to-day news is like those individual tiles.”

Horter adds that perspective matters, too.

You can be a market news junkie and succeed—if you take on the role of a student. It helps provide a positive filter for all the information you collect and when questions arise, you can always ask the “teacher.”

“The more knowledge you have, the more pertinent questions you’ll be able to ask your advisor,” Horter says. “The 24-hour news cycle is helpful in that it helps investors gain knowledge.”

Still, an outlet that’s sensible one minute can go full-tilt sensationalist the next.

“Some news sources will have great interviews or written articles, but then follow that up by interviewing someone who’s predicting the next doom and gloom event,” says Tony D’Amico, CEO and lead advisor with The Fidato Group in Strongsville, Ohio. “Limiting your news sources to those that provide factual or evidence-based news with multiple perspectives and intellectual honesty will greatly help.”

## 4. Focus on history, not hysteria

The media, it’s often said, writes the first draft of history. But many a first draft needs revising, and what sounds alarming one day often fades into reliable precedent with time. And so arises a Wall Street paradox: Studying yesteryear’s news may tell you all you need to know about how today’s headlines will play out.

Without a doubt, the biggest media storm in banking over the last month has been the Wells Fargo cross-selling debacle. The hearings before Congress have yielded non-stop headlines, especially when Sen. Elizabeth Warren (D-Mass.) told embattled CEO John Stumpf that he should “return every nickel you made during the scam."

The headline machine roared to life once again when Stumpf resigned as president and CEO on Oct. 12. But through it all, were investors missing what might be the real long-term story? Right now, stock in Wells Fargo (WFC) is priced just shy of $45; a year ago, it $55. To be sure, that's a sharp drop of close to 20 percent, even as Wells faces more federal scrutiny in the months to come. But it has also cleaned house by naming Timothy Sloan, the bank's Chief Operating Officer, as the new CEO.

What's more, Wells Fargo still remains one of the most valuable banks in the world, with a market cap of $222.75 billion. So chances are Wells Fargo isn't going away—and that in fact, its stock could be a bargain right now.

No one knows more about such cycles than Buffett, who in 2001 told Fortune magazine: "When hamburgers go down in price, we sing the 'Hallelujah Chorus' in the Buffett household." You'd be singing it, too, if you'd bought stock in Citibank (C) for 97 cents a share in April 2009, at the apex of the mortgage crisis. Less than a decade after the media's doom and gloom forecasts, Citibank now sells for about $49 a share: down from last November's $55.87, but also up 975 percent from mid-2011.

## 5. Don't fall for short-term drama

Let's say billionaire Warren Buffett catches a bad brain freeze at one of his Dairy Queens from eating a Blizzard too fast. His precautionary visit to the ER would be replayed at the top of the hour, every hour, on every single cable news channel in existence. And why not? *Warren Buffett! Emergency room! Billionaire! Time to cue up the press conference.*

But if Buffett were to hold court on value investing — the bedrock philosophy that made him a billionaire in the first place — it's easy to imagine the coverage getting bumped in favor of a breathless pundit's prediction of an impending interest rate hike.

This explains why John Blood, CEO and chief investment officer of Efficient Advisors in Philadelphia, has two picks for stock market barometers in the media that are worth watching: "Either ESPN or The Food Network."

In other words, steering clear of the latest Wall Street soap opera “keeps investors focused on what truly matters,” Blood says. “Investment behavior should be geared towards the long-term. As one of my mentors in the industry quipped, ‘Investments are like a bar of soap … the more you handle it, the less you end up with.’”

## Parting shot: When spectators become speculators, it's danger ahead

There's an irony among those who invest in a knee-jerk reaction to headline news: To the extent that they glom on to the gloom, they too often create it for themselves.

"Speculators are not interested in the long term," says Robert R. Johnson, president and CEO of the American College of Financial Services, based in the Philadelphia area. "They want to get a profit quickly, oftentimes taking a position for anywhere from a few minutes to months — but not for the long term."

If nothing else, sensational market headlines go moldy in time. "Investors take positions for the long-term — recognizing that they cannot accurately predict the short-term vagaries of the market. It's my belief that many novice investors equate speculation with investing."

And so, it boils down to an age-old story: A fool and his money are soon parted.

"Speculators believe," Johnson notes, "that shifting rapidly from one investment to another is a prudent strategy, when, in effect, it is a fool’s game."