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## SUMMARY

- Not all headlines have investment implications, in our view.
- Sometimes, an emotional reaction can impair investment decisions.
- We believe it is important to tune out the 'noise' and focus on 'process over prediction.'

televisions, computers, and mobile phones, like those seen on other potentially dangerous products. A suggested warning label might read: *DANGER Headlines Can Impair Investment Decisions. Consult Professional Before Portfolio Adjustment.*

That being said, not all news should be ignored. Our process is designed to identify the news that could affect the long-term trajectory of corporate earnings, or the value that investors place on those earnings.

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## Headlines Could Use a Warning Label

### There *is* a Difference Between Newsworthy and Investable

There is rarely a dull moment in the 24/7 news cycle and the first half of 2023 has been no different. From rising fears about another banking crisis to worries about the debt ceiling, investors have been inundated with heavy headlines lately. Yet, despite all the negative news, most major stock indexes have increased significantly in value throughout the year. Thus, it is natural to ask... "To what extent should 'the news of the day' affect my investment plan?"

After many years of following the headlines and monitoring their impact on stock prices, we have concluded that most of what appears in the headlines does not require immediate adjustments to long-term investment plans for three reasons:

**1. Little Relevance:** Many news stories making headlines such as minor political scandals, organized public demonstrations, or natural disasters are 'non-investable' in our view, meaning they have little or no direct investment implications. That is not to say they are not important, but rather that there is little clear connection between the news story and corporate earnings, in our view.

**2. Too Late:** News with clear investment implications, like the failure of several regional banks in the first few months of 2023, tends to impact asset prices immediately. In other words, prices have often already fallen (or risen) significantly by the time the news is disseminated. It is also common for the market to overreact to initial headlines and the impact to dissipate over time.

**3. Too Early:** Often the hottest news, like the news relating to an upcoming election, is often too incomplete, too inconclusive, or subject to too many unknown variables to allow an investor to make an informed investment decision. For example, the president's legislative agenda is not decided in a vacuum, which is why it can differ materially from what may have been discussed on the campaign trail. Ultimately, an administration's agenda will be influenced by the make-up of Congress and by the macro-economic environment present when they take office.

For this reason, we may want to consider putting warning labels on newspapers, radios,



**HEADLINES CAN IMPAIR  
INVESTMENT DECISIONS**



**Consult Professional  
Before Portfolio  
Adjustment**

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**Bottom Line:** We believe that the best investment decisions are made when investors can tune out the noise and focus on the news that is most likely to carry meaningful investment implications. The final arbiter of news, in our opinion, is the market. Everyday millions of individuals determine what news is important and what is not through the buying and selling of stocks and bonds. James Surowiecki's seminal book *The Wisdom of Crowds* (2004) concluded that the collective insights of the many are superior to those of the few. Therefore, while we have theories about what news matters and how it should be interpreted, we must always recognize the market's message, especially when it conflicts with our own. As we wait for additional clarity and ultimate resolution of many of today's headlines, we will stay vigilant, adjust our portfolios accordingly and continue to focus on 'process over prediction.'

By clarifying the limited investment value in staying on top of the latest news, one can redirect their time and energy to more productive pursuits. After all, few people ever say: 'When I'm in my golden years, I hope to watch more financial and political news', when dreaming of the perfect retirement!

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