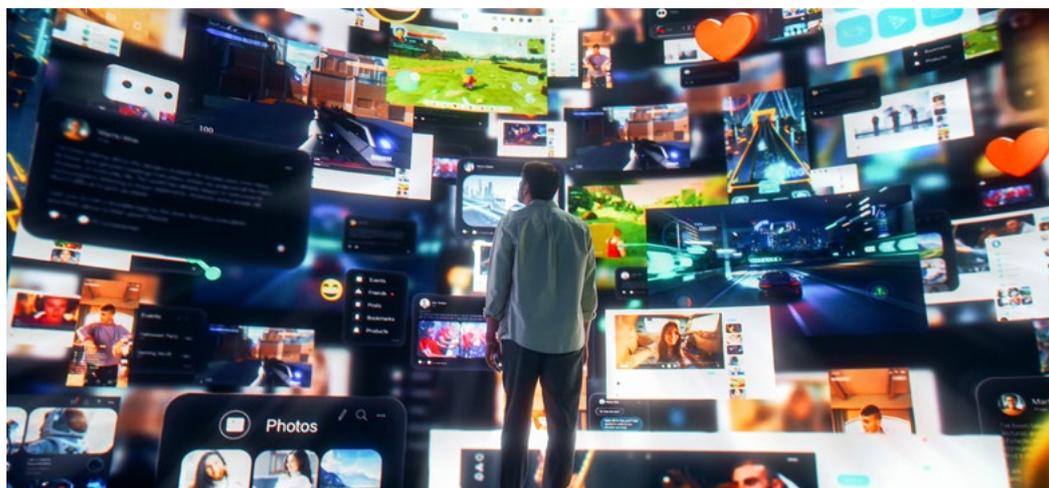


Rising above the noise

We live in an age of information overload and extraordinary hyperconnectivity. Neil Craze explains why this might not always be a good thing for investors – not least those who value both their own health and that of their portfolios.



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The era of 24-hour news began in earnest in 1980. On June 1 that year, at 5pm Eastern Time, the Cable News Network – nowadays better known as CNN – hit America’s television screens for the first time.

The channel’s owner, Ted Turner, set the scene. Husband-and-wife team David Walker and Lois Hart then took over, the latter kicking off what would become a new media epoch by declaring: “Now here’s the news.”

Initially, by and large, audiences and critics alike were unimpressed. Derided as low-budget and unprofessional, CNN was dubbed “the Chicken Noodle Network” by its detractors. Yet the idea soon caught on.

Today – supported by the meteoric ascent of the internet, social media and all-round hyperconnectivity – 24-hour news is a near-unavoidable mainstay of day-to-day life. For many investors, in my opinion, this isn’t a good thing.

The problem lies in the inevitable proliferation of “noise”. When the news cycle never pauses for breath – and when, in essence, there’s infinite space to fill – it’s perilously easy to infer that the story of humanity is almost exclusively defined by one unhappy occurrence after another.

Without wishing to sound hopelessly ancient, I must say it was all rather different during my youth. Most people restricted themselves to one newspaper a day – enjoying anything from a quick flick through to a leisurely perusal – and a single TV news bulletin.

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It was practically obligatory for the latter to conclude with an uplifting tale of some kind – an anecdote about a skateboarding penguin, say, or an interview with a 100-year-old pensioner who attributed her longevity to a regular intake of milk stout. This meant we would all head to bed feeling at least slightly positive about the state of the world.

Now, by stark contrast, “doomscrolling” has entered the lexicon. As you’re very likely aware, the term describes the excessive – and frequently compulsive – consumption of negative news or social media content, the common consequences of which include depression and anxiety.

Investors are by no means immune from this scourge. For example, anyone confronted by a relentless stream of articles predicting a global economic meltdown might reasonably form the view that, sure enough, there’s going to be a global economic meltdown.

Yet there are a few truths that are worth remembering when the hubbub reaches such debilitating levels. Together, they can help remind us that most of the noise out there is little more than precisely that.

First, we mustn’t forget one of the oldest maxims in journalism: “If it bleeds, it leads.” Whether fully realised or merely prospective, the catastrophic has always outranked the pleasant on news agendas. I guess that’s a big part of why the skateboarding penguin never headed the bill.

Second, more so today than ever, this axiom fuels intense competition. Everything is amplified to the n th degree in the clickbait age. Sensationalism – preferably in tandem with pessimism, despondency, cynicism, fatalism and what have you – gets attention in a crowded marketplace.

Third, by any standard, a lot of what we see, hear and read is pretty uninformed stuff. In particular, the endless avalanche of material that clogs up most social media feeds is hardly a rival for the *Encyclopedia Britannica* in the reliability stakes.

Finally, it’s important to note that countless market participants are vulnerable to noise’s debilitating effects. The result can be a sudden movement in share prices – which, in turn, can spook more investors into suboptimal decisions.

Of course, it would be silly to propose completely ignoring the superabundance of news that nowadays envelops us all. There’s still plenty to be said for staying abreast of events – especially when, as has been the case of late, they’re undeniably momentous.

From an investment perspective, though, it’s usually wise not to get carried away. Don’t be unduly swayed. Don’t panic. Don’t go chasing fads. Stick to the basics, invest in what you understand and keep in mind that the cream tends to rise to the top over time.

Ultimately, investment success is measured over neither hours nor days. In most instances it’s not even measured over weeks or months. It’s measured over many years, which is why short-term twists and turns are normally of strictly limited relevance – regardless of how much airtime, column inches and online activity they generate.

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