Client's Corner

BUSINESS AS USUAL:

The Relentless Negativity of Financial Journalism

I WRITE EARLY ON THE MORNING OF MONDAY, FEBRUARY 6, before the market opening.

For background: last Friday, seemingly out of nowhere, came a blockbuster jobs report. More than half a million new jobs were created—the consensus of economic soothsayers had been well south of 200,000—and this was taken as evidence that the economy is still overheated, inflation pressures unabated, and the Fed not at all likely to ease up.

This morning, S&P 500 futures are down close to another one percent. I know all this from the financial "news" site Yahoo Finance, which I've always found to be a pretty reliable proxy for the general run of mainstream economic/market commentary.

The style of the home page of Yahoo Finance is as follows: the morning's most important headline item appears over a graphic in a large box to the left. And three smaller headline items are stacked one above the other to the right. Feel free to go look at this page so you'll see for yourself what I'm describing. Indeed, I would urge you to do so. There's no hurry; I'll wait here.

Welcome back. Now that you've seen the actual format, it may be easier for you to apprehend what I'll be driving at in this little essay.

As I write, the headline of the big box on the left is "Why the red-hot stock market is ripe for a cooldown." This headline appears over a stock photograph of molten lava, presumably to reinforce the subliminal idea of the market's being so hot that if you touch it, it will burn you, quite possibly to death.

The three smaller headlines to the right are (reading from the top down) "Stock futures slide as Fed optimism fades after jobs shocker," "[big tech company whose name you'd recognize] to slash over 6,000 jobs amid 'uncertain' future," and "[large brokerage firm] pokes holes in ballooning stock market rally."

It will not have escaped your notice that all four have one central idea in common. And when you perceive what that is, you may perhaps gain a clearer understanding of financial journalism's agenda, and how that agenda may be acting unhelpfully on you as an investor.

In a sentence, plainly and simply: all four headlines have the deliberate effect of talking the equity market down.

Now, why would the editors of Yahoo Finance do that? Whence might come this one-sided pessimism? The answer is as old as journalism itself; it is expressed in the eternal principle "If it bleeds, it leads." In years gone by, newspaper editors knew that bad news most reliably drew the most eyeballs. These days, bad news draws the most clicks. Because when you're drawn to click on an item of negative "news" or commentary—and in matters financial, the line between the two is always obscured as much as possible—the media outlet you're looking at gets paid.

Most of the economic/financial input most of us get every day comes from mainstream journalism. And the most important thing to bear in mind regarding mainstream financial journalism is that it's a business. It has no interest in whether or not you become a successful investor. Indeed, since so much of lasting investment success attends upon our ability to tune out the noise and continue to work our plan, it might be said that journalism—the ultimate noisemaker—is downright opposed to your success.

Mainstream financial journalism is in the business of selling advertising. And clicks are the way it justifies its advertising rates. The more clicks, the more it can charge. So if pessimism/negativity/alarmism generates the most clicks, you know what you're going to get. And that's precisely what you got this very morning; hence this essay.

Financial journalism is thus always putting forward a negativity narrative, which relies for its power on oversimplification. Look no further than today's (and last Friday's) edition to see clearly what the narrative du jour is:

• More jobs exacerbate inflation pressure.

• More inflation pressure prolongs and even intensifies the Fed's commitment to higher interest rates.

• Higher interest rates are an unalloyed bad thing for today's "red-hot," "ballooning" stock market. For as interest rates go even higher, stock prices must go lower. Pay no mind to the current recovery; it's an illusion.

One might be prompted to wonder, in no particular order, (a) what if none of those things is true, and (b) even if they are, what does any of this have to do with the patient, disciplined, goal-focused, long-term investor?

What if—just for instance—it isn't more jobs/wages that drive inflation? (What if it was actually the explosion of money-printing we experienced during and even after the pandemic, when the M2 money supply went up an astounding 40% in two years?) And regardless of what caused the current inflation, are not all American households best served in the long run if the

Fed does whatever it takes to curb it? And when inflation is finally brought under control, won't interest rates subside on their own? If so, wouldn't that be a substantial net positive for stocks and bonds?

Yes, I know what you're thinking, and even I wouldn't disagree with you: ***None of that could possibly be reduced to a headline.*** And if it were, no one would click on it. So we can't be too surprised when financial journalism simply defaults to: ***more jobs bad.*** (Click.)

Let us fall back, then, on (b), above: what does any of this have to do with us as rational long-term investors? And if the answer is nothing, why do we insist on exposing ourselves—hour after hour, day after day—to this sort of relentless negativity? The question is admittedly rhetorical; it answers itself, and we may leave it there for now.

But just before I let you go, permit me to draw your attention to one other headline. And it's a doozy, because it speaks, however anecdotally, to how we might be able to keep our income growing through years and decades of retirement, even as our living costs rise relentlessly. The headline:

The cash dividend of the S&P 500 soared nearly 11% to a new record high in 2022!

What's that you say? You must somehow have missed this? Don't fault yourself: that amazing statistic was to be found virtually nowhere but in a few obscure financial ***resources***. It most certainly never appeared in the big headline box—complete with graphic—on the left-hand side of Yahoo Finance's home page. It couldn't possibly have.

And why? Of course: because it was both true and spectacularly positive news.