

Ep:4 Headlines and Havoc

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PATTI BRENNAN: Hi there. Welcome to the “Patti Brennan show.” Hey whether you have \$20 or \$20 million. This show is for those who want to protect, grow and use your assets to live your very best life. Joining me today is Michael Brennan. Michael, thanks so much for coming on the podcast this afternoon.

MICHAEL BRENNAN: Thanks for having me.

PATTI: We’ve got an interesting topic, don’t we? It is called “Headline Havoc.” Let’s talk about that a little bit. The amount of financial news that’s published these days is staggering. Even if it were to go down by 90 percent, it would still be overwhelming for most people. How do we distinguish the signals from the noise?

What’s useful versus what’s just distraction? What’s just mediocre? That’s the real question.

MICHAEL: Right. It is almost never a look in the part, filtering it all takes a lot of time and effort. This is especially true with an always on real time news cycle. There’s extreme competition for eyeballs and attention from all over the place. We have journalists, we have blogs, we have massive information overload.

PATTI: They’re in business. They’re in business to get eyeballs. Right?

MICHAEL: That’s right. Today, just looking at the Yahoo finance earlier today, there’s quarterly reports. There’s economic reports. There’s upgrades, downgrades, fed minutes on and on and on.

PATTI: You know what? It goes according to the formula. If it bleeds, it leads. It’s like the tabloids. Simplify then exaggerate. We know that fear sells. If it’s uncomfortable, if it’s a topic that people think, “Oh my goodness, I better listen to this otherwise, I’m going to lose...” fill in the blank. Pay more money taxes, lose money.

Whatever the case might be, they’re going to really pay attention to that particular article or show.

MICHAEL: To their own detriment, they pay attention to that. These headlines often stir emotions and



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make people want to change their investment strategy. That is no bueno. These different headlines as you said if they bleed they lead, they do have the potential to cause these knee jerk reactions, which negatively can affect their investment returns over the long run.

PATTI: Exactly. Think of them, for the most part, they're going to be distractions. We call it Headline Havoc. Let's take that to another level.

MICHAEL: All of these discussions got me thinking. If even I have a difficult time sorting through the noise of the financial news, can you imagine how confusing it must be for regular investors? Plus, today I feel like people don't really read the news. It's really all consume through headlines.

With that, I have created a little exercise here I want to do with you and have aptly titled it "Headline Havoc." How it is going to work is I'm going to read a headline and I want to know how Patti Brennan, the financial advisor interprets that headline. I want to know what goes on in between the ears of a financial advisor like yourself.

For example, I'm just going to do this one real quick by myself. For example, headline "Stock Markets Enters Painful Correction." My interpretation of that headline, "Hurray, stocks on sale. Retirement savers rejoice as stock prices fall. [laughs] Those with time to save and money to invest should hope it continues."

PATTI: That's exactly the way you would want people to interpret that headline or to respond but that's really not the way most people. It's human nature to say, "Oh my goodness, what's going on? What do I need to stop?"

MICHAEL: With that, let's give us a shot here.

PATTI: OK.

MICHAEL: Headline, "Popular Economist Expects Market Volatility to Pick Up Later This Year."

PATTI: My response to that would be saying you expect volatility to pick up at some point in the future is saying you expect it to rain at some point in the future. By the way, it works both ways. Volatility is to the upside and the downside. Basically, what we're saying here in this headline is markets are going to fluctuate. OK, what else is new?

MICHAEL: Right. [laughs] I like that analogy. Today, it seems like everyone's a market weatherman. Relying on these experts could result in either being caught outside in the rain or maybe even worse, caught inside during a beautiful, sunny day.

PATTI: Remember, even rain is important.



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MICHAEL: Of course. Here we go. Headline, “George Soros Lost \$1 Billion.”

PATTI: OK, guys, George Soros is worth about \$25 billion. What he does with his money really shouldn’t concern you and I.

MICHAEL: Headline, “Markets Got Slaughtered Today A Sign of Worse Things to Come.”

PATTI: Here’s the deal. Nobody really knows why stocks go up or down in a single day. Everybody’s going to give their opinion after the fact. Really, ultimately, nobody knows why it does one thing or another. Stocks go up half the time, stocks go down half the time. Just keep that in mind as you’re listening to these people or reading these headlines.

MICHAEL: Headline, “Investors are Dealing with More Uncertainty.”

PATTI: Again, here is where I go. OK, the future is always uncertain. The past just feels more certain because we already know what happened.

MICHAEL: Good point. Like Sir John Templeton says, “I don’t know the direction of the next 1,000 points. But I do know the direction of the next 5,000 points.”

PATTI: Exactly. We’re going to go through these ups and down, etc., just stay focus on the long term and you’ll do just fine.

MICHAEL: Here’s a layup here for the Patti.

PATTI: All right. [laughs]

MICHAEL: Headline, “Are Markets Overbought Here.”

PATTI: I have no idea. Ask us again in a few months.

MICHAEL: Next. Headline, “The President Cause 15 Percent of Stock Market Growth This Year.”

PATTI: Here’s the deal. News alert, everybody, presidents and political parties don’t really control economies or stock markets. We have an adaptive system called the US economy. Things don’t just come with levers that you can pull like you do with the polling booth. There’s a lot that goes into what makes up the economy and how markets are responding.

MICHAEL: Headline, “Inflation Could Cause Gold to Rise More Than \$1,500 an Ounce.”

PATTI: That’s a total guess. No one really has a clue.

MICHAEL: [laughs] Headline, “Is This the Stock Picker’s Market We’ve Been Waiting For?”



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PATTI: Here's the deal. It is and always will be a stock picker's market because it all depends on the ability of the stock picker not the market. Stock pickers theoretically are going to make money in all kind of market environments. That's the definition.

MICHAEL: Headline, "Goldman Sachs Expects Stock to Rally for the Next Three Months."

PATTI: These big firms have lots of strategists and experts. Boy, one week they're saying one thing and the other week, they're saying something else. You can't even believe how often these bigger firms and it's not just the bigger firms. It's the contradictory pieces that come out even from the same entity.

MICHAEL: Headline, "When Will the Fed Raise Rates?"

PATTI: Has the Federal Reserve, do you happen to know who Jerome Powell is? Is he ultimately going to help you make better investment decisions? No offense but he doesn't know who you are. Why are you making investment decisions based on what the Fed does?

I understand we have all been programmed to think that the Federal Reserve ultimately determines whether we are in an expansionary period or we're going into a recession. But really, nobody really knows. In fact, they don't even know.

In December, in January, they basically went from "We are raising rates three times in 2019" to "Hey, you know what? That's not cast in stone. We're going to take a thoughtful approach. It's data dependent. We're going to be flexible and really do what we believe is best." They don't even know what they're going to do.

Would you actually change your investment policy based on something that they don't even know?

MICHAEL: Right. Even if we did exactly know what they were going to do in the future, we still have no idea how the other investors are going to react. It's all really a crapshoot.

Patti, there's just a couple more so then we can take off the hot seat. Just a couple more to get through here.

PATTI: I'll tell you what. This is an easy. Thanks a lot for putting me on that hot seat but it's what we do every day, right, Michael? It's just we have to respond to what's out there to help people understand that just because you read it in the newspaper doesn't mean that they need to do anything about it.

MICHAEL: That's exactly right. Headline, "Investors Panic as Stocks Enter a Bear Market."

PATTI: Investors aren't always right. Stuff happens in the markets and we've got to be careful not



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to react to something that might be happening a day or two.

MICHAEL: Headline, “A Perfect Storm Caused Markets to Fall.”

PATTI: It sounds really important. That sounds really important narrative. A hundred years’ storm now seem to come around every once a month or so. Again, it’s a headline. They’re grabbing eyeballs.

MICHAEL: Got you. Headline, “Expert Who Predicted the Tech Bubble Predicts a Market Crash Worse than 1987.”

PATTI: There are some people who make a living out of predicting. These terrible perils in these times of huge losses. Literally they’re called permabears. Eventually, they’re going to be right. They just keep on doing it until they’re right. Just be really careful, understand who is the person that’s actually saying that, what did they say five years ago in the midst of a secular bull market.

MICHAEL: I love this next one especially because I see it at least twice a day. Headline, “The Top 10 Best Stocks to Own Right Now.”

PATTI: My initial response to that, Michael, is here’s 10 random stocks. We think they could go up for reasons we have absolutely no idea. It’s catchy.

MICHAEL: Right. It reminds me of the “Cosmopolitan,” or the men’s health journals that we read. “Six Tips to Rock Hard Abs in Six Minutes.” It doesn’t work like that. It’s not going to happen.

PATTI: Exactly.

MICHAEL: Headline, “Investors are Cautiously Optimistic.”

PATTI: The way I look at that is that’s the journalist who’s basically saying, “I got nothing to write about so I’m just going to write this and add a little bit of fluff.”

MICHAEL: Got you. Two more then we’re done. Headline, “Earnings Growth is a Second Half Story.”

PATTI: It’s interesting. Nobody really checks on these predictions to see whether or not the second half of the year really did turn out that way. It’s easy to predict stuff when you’re not being held accountable.

MICHAEL: Final headline is “Fill in the Blank Hot Stock Du Jour a Buy Here.”

PATTI: I’ll never forget I was at a meeting one time. There was a money manager on the stage and I’ll never forget what he said. He said, “You know, I just want you to understand that when



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I get a phone call from a journalist and they're asking me what stocks I'm buying or what do I think is a really great investment right now."

He said, "This happen to me a couple of years ago and I gave him that one stock that I would buy right now. By the time they did their checking and their writing, etc., and they actually published it in the magazine, it was nine months later." He said, "The thing about that was nobody called me nine months later to say, 'Is that still the one company that I would invest in now?'"

"They just published the article." Be really careful when you're acting upon headlines like that. You don't know when that person might have said it.

MICHAEL: That's it for Headline Havoc. Thank you so much for participating in that with me, Patti. With all of that being said, I have one final question for you. If what we're saying is a lot of these headlines are really nothing more than noise, what type of headline really gets your attention.

PATTI: There is a lot of good stuff out there. Again, we're just talking about some random headlines that are out there. There are great periodicals, great magazines, great newspapers that really provide good content that has been fact checked, etc. I read four to five newspapers every morning before I even come into the office.

Papers like "The Wall Street Journal," "The New York Times," "The Philadelphia Inquirer." There are really gifted writers who are trying to give real information. By all means there is good content. I would say that I would really pay attention to headlines that say congress is eliminating state taxes. That's one that I'm going to put aside, highlight, underline, and want to dig a little bit deeper.

Things of that nature that are actually relevant and also actionable. That's something that I need to pay attention to because it does impact our clients. We can be proactive when it comes to things like that.

MICHAEL: In conclusion, maybe we can just go over a few quick tips that readers could keep in mind when going through the morning papers. For starters, I would say avoid reading things that confirm what you already have theories on. It's what we call confirmation bias.

PATTI: It's a good one, Michael.

MICHAEL: It's what occurs when you start with a theory or an answer and then you dig for information that backs it up. It's really dangerous because once you find someone else who agrees with you, you become more convinced that you're right.

PATTI: Actually, you might want to think about doing the opposite. It's a Charles Darwin approach



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who basically went out there and tried to disprove his own theories. At worst, you can continue to disagree with it but at least that way, you've gotten some perspective in terms of what you're thinking about and why you have that particular opinion.

MICHAEL: You know what else will give you that perspective? Reading old news. I know it sounds a little crazy but if you read enough old news and headlines, you quickly realize two things. The majority of predictions never come close to being true. Most of what we think is important news is really trivial in the long run.

Once you become convinced of this, you react differently to today's newspaper. One more headline, I know I've said we were done but I have one more. Take this headline from August 2011. "Dow falls 502 Points and Steepest Declines Since '08 Crisis."

PATTI: You know what, Michael? That's really a good example. Guess what? That wasn't a bad prediction. It actually did happen and it felt like such a big deal at that time. I remember it like it was yesterday. Fast forward, the Dow Jones regained all of its losses and then some. What seems so monumental at that time is irrelevant now.

You only get that perspective in hindsight. I love your idea of looking at past predictions and see how we're feeling about those things today.

Let's pull this together. In conclusion, we want to be wary of these scary financial headlines.

As always we want to focus on the long term. You'll hear that time and time again. You don't want to change your asset allocation or react to something just because something got published in the paper today. You don't want to have any impulsive changes. If you have a goal that changed, yeah then. Absolutely. That might be when you make adjustments.

Don't do it based on someone's article or an opinion piece.

MICHAEL: Bottom line, know your goals, know your time horizons, and don't trade too much. Don't think every news story is actionable. There are thousands of news articles published every day. Very few of them, if any, should ever compel you in action.

PATTI: Michael, I can't think of a better way to conclude today's podcast. Thank you so much for joining me today. I think that was a unique look at the newspapers, the news, etc. Again, thanks for being here today and that's it for today's show.

MICHAEL: Thanks for having me. I really appreciate it and also huge thanks and shout out to Ben Carlson and his blog, his books, "A Wealth of Common Sense." If you guys, if you listeners want some great sources to get your headlines from, Ben Carlson has some really great stuff.



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PATTI:

I'll tell you what I get his stuff every day. He is such a thought leader in the industry, well worth it. Michael, thank you so much for joining me for today's show. We wanted to have a little bit of fun with the headlines and the Headlines Havoc, and what that tends to do to people and their emotions. Again, as always don't necessarily act on that.

Thanks again so much for tuning in to this podcast. Be sure to hit the subscribe button if you like today's show. Feel free to visit the website if you have any questions, want additional insights. That's what we're here for. Also, again, as always if you have ideas of things that you'd like to learn about, let us know. That's what we're here for.

Until next time, I'm Patti Brennan. Thank you so much for joining us today.



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