

Trust Your Eyes, Not Your Ears

“Good investors gather information, put that information into current and historical context, then make sound decisions.”

Trust your senses. This statement quickly launches into a philosophical versus practical debate about inputs, reality, and behavior. Before I disengage most of the readers please know that I am going to focus on practical applications, not philosophical postulations. And we are going to be talking about not just trusting your senses but trusting your instincts, which includes your personal experience and biases. Our senses provide us with a first perimeter of information, primarily for defensive reasons. The same holds true for our instincts. Self-preservation is a primary instinct that should always be appreciated and nurtured. While we are fortunate to not be living in the wild, defending ourselves against the weather and natural predators, we must continue to maintain those capabilities in the present environment.

The messages our senses receive can be confusing when they are intense or conflicting. Sights can be too bright, sounds can be too loud, smells can be too strong, and touches can be too violent. When we receive information that is intense and may represent a threat it is important to rapidly interpret so the best immediate course of action can be taken. That is basic self-preservation. When we receive information that is conflicting it is important to interpret, isolate, and filter to assist in making the most appropriate decision and reaction.

When it comes to financial information, the senses of sight and sound take precedence. We are bombarded with information about financial markets, insurance, and health care. It is one of the last, great door-to-door sales prospecting venues. Instead of knocking on our front doors, or calling us on the telephone, they assault our senses on television screens, computer monitors, and emails. The sales pitches come from retiring actors and game show hosts and convincing strangers with fabulous smiles and disturbing messages. This happens on the professional front as well, as we are presented with opinions and forecasts and prognostications that boggle the mind. Who is right and who is wrong? Who can you trust?

We choose to trust our eyes and not our ears. The opinions are simply opinions. The reality is that not one single human being is able to predict the future. Ever. Yet people continue to desire to divine the future. We prefer to pay very close attention to what is happening around us at the present moment, and remember exactly how we got here in the first place. This approach, coupled with our decades of experience, serves us much better than listening to the hype. We very carefully filter information. We very consistently insulate ourselves from the tip-of-the-day. And we very diligently analyze price and trend data as it presents and changes daily.

One of the oldest and best pieces of advice is to ‘consider the source.’ This is especially true in our current environment where all of the major news outlets are very politically polarized and motivated in the presentation of their interpretation of ‘the news.’ Once upon a time our news was presented based on facts and we were left to form our own opinion. Today the news media chooses to present and direct the facts based on their opinions. This represents a huge conflict of interest, but a powerful tool for those who may benefit from manipulation of mass opinion.

In the financial world the same truths hold true. Accordingly, we choose to trust our eyes and not our ears. We do not listen to Jim Cramer on CNBC, or CNBC at all for that matter. Likewise we choose not to be swayed by CNN, PBS, ABC, NBC, CBS, or even Fox television. AP, UPI, BBC and Reuters have all become effective spin-masters and are very happy to help you make up your mind. For us, we hold to, ‘Just the facts, ma’am.’ We trust price and trend. We look for the signs in the forest at our feet and watch the skies for changes in the weather. It is not simple, but it is effective.

Edward D. Foy
Manager, SELECTOR Money Management
www.foyfinancial.com, Ed@foyfinancial.com
(800) 456-4380