LAWSON KROEKER
INVESTMENT MANAGEMENT

As We See It

All media exist to invest our lives with artificial perceptions and arbitrary values.
Marshall McLuhan, Canadian Philosopher (1911-1980)

It is well established that financial markets reflect economic change, government policy, and political upheaval. But these are sweeping relationships that will play out over long periods of time, and our understanding of these relationships becomes clear only in retrospect—often years after the fact. This longer process of understanding the inter-relationships that stand the test of time is what we consider *slow news*.

A great example of what we mean by *slow news* is demographic changes. Demographics refer to the statistical data of a population. When we see or hear the terms *Baby Boomer*, *Gen-X*, or *Gen-Y* we are referring to a particular demographic group. Utilizing demographics allows one to follow a particular group of the population through its life cycle. Obviously a life cycle takes years to develop and unfold. Since the group (*Baby Boomers*) is defined, we can follow this group through its working years and up through retirement. Since the *Baby Boomers* are an enormous segment of the population we have known for years that it will take a huge amount of Social Security and retirement funds to support this group in retirement.

One of the most common examples of inaccurate narrative in the financial world is the daily headlines in the newspaper and on television. Such current events can be considered *fast news*. Financial headlines are meant to tell the reader/viewer exactly what is happening at a given point in time. Inferring causation by connecting daily market changes to a seemingly related news event results in the impression that short-term market behavior is related to easily identifiable and understandable causes. We believe this is a slippery slope.

How many times a week do we hear, "The stock market fell today due to. . . ."? The logical answer as to why the market fell is that there were more sellers than buyers. We do not see these daily reactionary gyrations in the market as meaningful or necessarily understandable. But the effect of the repetitive message is almost impossible to ignore and the result is another generation of investors condemned to making poor choices by focusing on the wrong things.

One of the best examples of *fast news* shows up during company quarterly earnings announcements. Securities analysts—who have nothing to do with the operations of a given company—determine what the earnings *should be*, and if that number deviates from their guesses the stock likely falls (earnings fell short of the estimate) or rises (earnings did better than the estimate). The stock price reacts if earnings vary as little as a penny from the estimate. This penny deviation likely has no real impact on the long-term prospects of the company, but is treated in the marketplace as if it is very meaningful. A few days after earnings are announced the news is usually forgotten until the next quarter, when this *fast-news* cycle begins anew.

Fast news is not a condemnation of the media. In general, it is the media's job to have attention grabbing stories on which to report. This is designed to drive readers and viewers to their outlets and, in the process, hopefully view some advertising. As it is the advertising that pays the bills, media will utilize the most effective means at its disposal.

From an investment standpoint we believe it makes more sense to focus on the *slow news* as opposed to the *fast news*. If you are truly concentrating on an investment's long-term merits, a short-term focus on the *fast news* may prove detrimental to your success.

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