

CHATTERING MONKEYS

HIMEVILLE: I have been away recently so I missed much of the recent market turmoil and the resulting press coverage. This means I did not agonise through the massive fluctuations we have seen recently. I have however, spent some time catching up on the press coverage of the turmoil, which would have been comical had it not been about such a serious topic.

INVESTORS ON A TRAIN

Whenever I experience major market events, I am always reminded of passengers on a train. All of them want to get to the same destination as quickly as possible. However, before they arrive at a particular station someone near the front of the train yells, "Fire!" Some people jump off the train although they have seen no smoke nor have they seen any other evidence of a fire. Other passengers remain on the train and start looking for real evidence of a fire. The last group sit on the train reading their iPads and listening to music. The first group of passengers that jumped off the train are now stuck on the side-lines at the station and are "safe" but no closer to their destination. The second group are getting closer to their destination but are concerned about a possible fire. The last group are also getting closer but are living in blissful ignorance which could be catastrophic if there really is a fire.

Unfortunately almost every day represents a "station" for investors to get out of their investments and there is almost always someone in the press warning about a fire somewhere. Those who jump off every time someone yells "Fire!" will never get to their destination. The blissfully ignorant group will either arrive happy and unstressed or they will meet with a horrible accident. You should try to be more like the second group of passengers who will only get off the train when they see real evidence of a fire.

WHAT HAVE YOU DONE?

If you talk to the more successful money managers about the recent market turmoil, they have remarkably similar attitudes to managing money in these times. They were all worried about the markets and thought that they might drop a bit but none of them anticipated the magnitude of the drops we have seen. If you ask them what they have done since the markets dropped, most of them would say that they have done very little selling but they have been buying investments aggressively.

Personally, I believe that these major market events are great opportunities to buy investments and horrible times to sell. If history has taught us anything, the best investors are like those passengers who remain on the train and only get off when they see real evidence of the fire themselves. Similarly, they are also the first passengers who get on the very first train that comes along after a fire. This is certainly the attitude of Warren Buffett who almost never sells but is a regular buyer of shares. He gets depressed during booming markets because he cannot find anything to buy but he gets really excited during market turmoil because he finds lots to buy.

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One reality of the information age is that you are constantly inundated with "information" from "experts" all round the world. Much of this information is fed to you in 140 characters or less and most frequently via a dramatic headline designed to grab your attention. Sadly this "information" is pretty useless to someone who wants to make informed decisions about their investments. The people who feed you this stuff are like chattering monkeys in a tree who are able to overwhelm

anyone with their noise. The noise can reach such a level that it prevents any rational thought and this can be disastrous for investors. In times like these, you should try really hard to tune out the chattering monkeys and focus on your own situation. You cannot control major market events and often the effects of these events are dramatic in the short term but largely meaningless in the medium term. That means you could use a major market drop as a great time to buy quality investments but you should really not sell them. That would be most similar to the passengers who jumped off the train because they listened to the chattering monkeys who had no idea what was really happening either!

In summary, I think you should not be losing sleep over your investments during this time. You should be trying to find extra money to invest in quality assets which are being sold by those who have been induced to panic by the noise.