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In the Markets Now

Why you should worry

We believe in the old saying: a picture is worth a thousand words. Here, we aim to recap recent market action and provide some perspective to investors.

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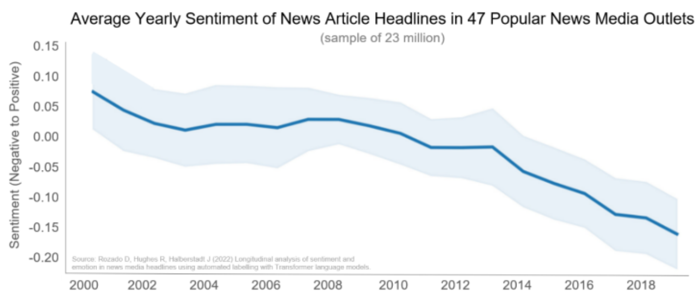
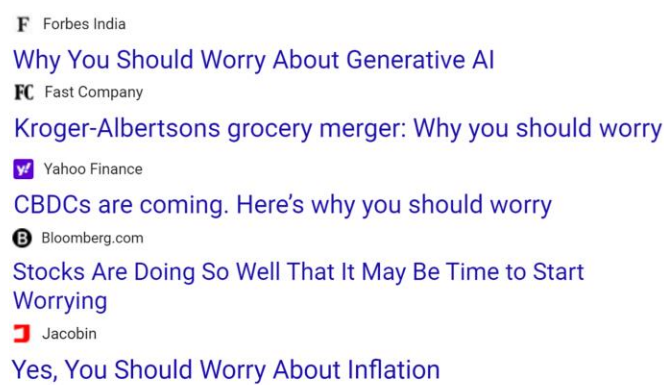
THE INCREASING IMPORTANCE OF TUNING OUT HEADLINE NOISE

Maybe because it's the summer doldrums or maybe because the market is fairly calm (knock on wood), I wanted to talk about something a bit outside the normal market commentary. In my role, I've been lucky enough appear on financial news as a representative of Baird, and I consider it both an honor and a thrill. At the same time, when speaking to clients, friends, and family, one of my biggest pieces of advice is actually to watch *less* news – not more.

It's not that "news" is inherently bad, and in fact, most programs do a great job informing and educating. I'm not anti-media. But over time, and especially in the last decade or so, news has shifted in a way that gives outsized attention to the fear-stoking and anger-provoking (see the chart to the right and a summary of the research here). This drives engagement and ad revenue – as they say, "if it bleeds, it leads" – but it also encourages suboptimal decision-making when it comes to one's portfolio and finances, prompting short-term thinking based on emotionally charged (and often irrelevant) news content.





And while this isn't particularly new, I've recently noticed a trend in headline writing that strikes me as especially insidious. Call it the "why you should worry" phenomenon: a headline or article written only for the purpose of catalyzing concern, and troublingly, often without a solution…except to worry more. And while some studies suggest worrying can be a positive (if it helps you be productive or better plan for the future), the downside effects – stress, anxiety, depression – strike me as greater than any potential upside. This is particularly true when it comes to investing, where the right answer to most questions is to do nothing and allow the plan you've already created to continue to work. To quote famed economist Eugene Fama, "Your money is like a bar of soap – the more you handle it, the less you'll have."

Even if taking an action could be argued for, "why you should worry" doesn't suggest one, and, in many cases there's no remedy an individual person could even apply. If I were to worry more about the Kroger-Albertsons merger, would it stop the transaction? Would it affect the physical world in any way? Of course not. Headlines like these merely ask the reader to be more anxious and less happy (and to click the link of course – doom scrolling is infinitely monetizable).

I love the analytical side of investing – from equity valuations to economic data – but more and more, I'm reminded how much of success in wealth building comes back to behavior: not selling at critical moments, sticking to your plan during volatile markets, focusing on long-term goals over short-term news. In the end, the competition for our attention has never been greater, and it's not going to ease anytime soon. As we move forward, one of the most important skills an investor can have will be separating news from noise and ignoring more sensational headlines – especially when it comes to your money.

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