MV Capital Management Weekly Market Flash

The Perils of the Financial Tabloids

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If you stand in the check-out line of a supermarket on a regular basis, then you know that a significant percentage of Americans have an extreme interest in the goings-on of anybody named Kardashian, or the unfortunate apparel choices of Miley Cyrus, or the latest rehab adventures of Lindsay Lohan. Now, picking up a celebrity tabloid from time to time is arguably nothing more than a harmless guilty pleasure. However, the same cannot be said for another species of sensationalist reporting, what we like to call the financial tabloids. What's the difference? Well, you won't find the financial tabloids bedecked in garish coloring, perched among the likes of *National Enquirer* and *OK!* magazine at your local Safeway. The financial tabloids intend for you to take them seriously, and that's why they are dangerous.

Clickbait Above All Else

The Internet has changed the way we read, and the way that publishers of content earn money. The ultimate goal of an online magazine or newspaper is the almighty click. The more clicks, the more eyeballs, and the more eyeballs, the more advertisers will pay to market their wares on your site. *Quod erat demonstrandum* – clicks = profits.

Increasingly, the method of choice to get those eyeballs is the "clickbait" technique. This technique usually involves a headline or teaser spiced up with something alluring to bring you in. The online versions of those celeb rags can do this just by dropping "Kardashian" into the headline. The financial tabloids, of course, know that they're not going to lure the unsuspecting masses into their lair with a lead-in like "Stock Market May Be Trending Towards Higher Than Average Valuation Levels". They prefer to play the doomsday card: "Market Crash In Next Two Weeks? Find Out What The Experts Think!". It may be accompanied by what the industry likes to call a "sad trader photo". You know – the iconic trader at his desk, face in hands, while hundreds of blinking lights flash red behind him. Get those emotions flowing!

The High Art of Cherry-Picking Data

The financial markets are awash in data. Price, valuation, risk and many other metrics abound, as do expert opinions about what the data points are telling us at any given time. When reporting on, say, the outlook for the stock market, a good financial article will present a balanced view of competing (often contradictory) data points and arguments. The financial tabloid will take a different approach. It will cherry-pick the data that offer evidence for whatever sensationalist claim it is making, and usually rely on one or two sources to supply the arguments without presenting other opinions to the contrary. Now, if you read the article closely you will be able to draw out all kinds of hedges and weasel-words (the tabloids don't want lawsuits any more than anyone else). The hope, though, is that you'll just skim the article and come away petrified. Maybe even that you'll click onto that e-brokerage firm ad helpfully placed next to the article, where you can sell all your stocks in a panic and generate fat commissions for someone.

Serious or Sensationalist?

All well and good, you might say, but how can I tell whether the respectable-looking site I'm visiting is a tabloid or a serious financial paper? That's a real problem, because there are so many financial publications of poor, sloppy and sensationalist quality that dress themselves up to look just like the ones you can usually rely on for sober, relatively unbiased news. Without naming names, we at MVCM tend to stick with a small handful of established media concerns that have built strong reputations over many years of high quality reporting. For us they are reliable, insightful sources for keeping informed about markets, assets and economies, with a refreshing absence of "Apocalypse Tomorrow" headlines.

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