**<u>The Outlook: July 10, 2017</u>**

***Investing Against the Headlines . . . with John Landy.***

**John Landy**

There won't be many Outlook readers who've ever heard of this man. It's Australia's John Landy: the <u>second</u> man under 4 minutes in the mile, back in 1954; Olympic bronze medalist in 1956. Yes . . . "second" and "bronze." Those two words are an ironclad guarantee of historical obscurity in today's celebrity and headline-obsessed culture. But this particular "Outlook" is all about what headlines are good for, to us investors. The answer is, "Nothing," and that's as profound an investment truth as anything Outlook has discovered in 40 years in the business.

Mr. Landy was a great mile runner, but he also happened to be one of the most honorable, generous and courageous individuals ever to lace up a pair of spikes. The Australian sporting press called him "Gentleman John," and meant it. After retiring from business and politics (ending as Governor of Victoria) Mr. Landy was asked, one day, for his opinion of the press. "I must say I was usually disappointed," he said, gentlemanly as ever. <u>"On those occasions when I actually knew something about stories headlined by the press, I'm afraid I always found them inaccurate and misleading."</u>

Possibly the single most valuable habit we investors can practice would be to tell ourselves, almost daily, "I always found them inaccurate and misleading," as we study the "big news" of the day in the investment

world. (And other worlds, of course.) An excellent Wall Street analyst at Raymond James put it this way, under an analysis titled "Is "Fake News" Driving Down Oil Prices?"

*"We believe the recent collapse in oil prices was fueled by the "negative feedback loop" of bearish headlines that usually **follow** price declines."*

He then proceeded to list the "Top Ten Oil Market Myths" being promoted by news stories these days—then debunked each of them with striking brevity and clarity, showing us the many inaccuracies which made them misleading. We won't look more deeply at his work, today. But we will ask ourselves a broader question: "Why does this happen? Why are the splashiest stories in the investment headlines so consistently inaccurate and misleading?"

We think there are 2 reasons:

- "If it bleeds, it leads," which simply means that since we readers, being human, are fascinated and horrified by bad news, the journalists whose paychecks depend on gathering our eyeballs every day are powerfully tempted to slant their stories negatively. For many of them it's not even a conscious decision to mislead—it's just another case of people believing what they want to believe, and journalists being no different.

- "More of the same" is always easiest to imagine. "Change" is always hardest to imagine. So despite the perfect clarity throughout history that in the economic and investment worlds change is the constant fact of life, we normal people (journalists or not) always find that the continuation of today's trend feels like the likeliest thing to happen.

Another analyst, commenting on the oil market, said "The market these days has been acting like it's stuck in its own version of "Groundhog Day," where no matter what small signs of progress we may see in the oil market, we'll wake up tomorrow with another of the endless pieces of bearish news for oil, all amounting to endless growth in supply and vanishing growth in demand."

Here it comes again. "The cure for low prices is low prices," always. Oil demand will grow strongly, because the price has been so low, so long. Oil supply will suffer, because those low prices triggered truly massive cuts in spending to create future supplies. And, most important of all, the remarkably effective actions of people and companies on the spot (like Conoco, as noted last week) guarantee that they won't be stuck in endless Groundhog Days. At Outlook we are holding, and buying more.


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