

Long-sighted

'No news is good news', or so the saying goes. The reverse can also be said to be true: good news is no news. The media (TV, radio and newspapers) will always deliver the bad news. But there is plenty of good news out there for investors.

The 'GFC' (as the global financial crisis has come to be known) was big news. We haven't seen the like since the Great Depression. While it's reasonable to expect a high volume of commentary on the GFC, media reports (because of their doom-and-gloom nature) have tended to focus only on the bad news.

This continual negative reporting has had a powerful impact on the individual's psychology and the collective psychology of the economic community, not to mention investors.

Bad news becomes a conversation starter – everybody knows somebody who has lost their business or their job. People start to worry and stop spending – just in case. The media continues to tout its bad news: good news ceases to exist.

How the media works

Let's stop and think about media reporting. It's all about the here and now. And if the news had an equal mix of bad news and good, it simply wouldn't have the same impact.

It's short-sighted because it doesn't consider how things are likely to change in the future. It doesn't say 'things are really bad, but...' it just tells us 'things are really bad'.

As investors, we need to filter out all the bad short-term news and shift our focus to the long term where the future looks somewhat brighter.

And now for the good news

Interest rates are at 50-year lows. Fuel prices have fallen from last year's highs. Unemployment and inflation are still within reasonable limits.

Business opportunities abound. The talent pool to recruit from has improved, which means employers can choose the best fit for their businesses. Employees are more focused on job security which is also good for employers as it means staff turnover is lower. Suppliers are offering lower prices, better terms and value-added offerings.

There's been some good news from the US financial sector, in particular the US Administration's plan to remove 'toxic' assets from the balance sheets of US financial institutions. This may help relieve the global credit squeeze and allow banks to start lending again.

Although March saw the Australian sharemarket plummet to a low of


3120.80, it's since rallied strongly. It has rebounded 26.7% to 3954.90 as at the end of June. There may still be some uncertainty in investment markets but we consider that the worst may be over.

Don't wait for economic recovery

Media reports may indicate that the Australian economy may still not be in good shape and we're experiencing a recession; but historically, investment markets have tended to recover well ahead of the economy.

That's because investment markets are forward-looking; they anticipate better growth in earnings and then economies follow.

As we've already discussed in our article on page 5, we believe that the Australian sharemarket appears to be at or near the bottom of a cycle and therefore there may be bargains to be had if you're a long-term investor.



The sharemarket is a leading indicator and the economy is a lagging indicator of economic recovery. If you rely solely on economic recovery to guide your investment decisions you may miss the boat. Talk to your financial adviser about which investments may potentially help you grow your wealth.