Turn those machines back off !

“Isn’t it funny when you walk into an investment firm and you see all of the financial advisers watching CNBC. That gives me the same feeling of confidence I would have if I walked into the Mayo clinic or Sloan Kettering and all the medical staff were watching General Hospital.”

- A senior portfolio manager.

Coming soon (for launch 7th November): Investing Through the Looking Glass

What they said:

"Tim Price is one of the most cogent commentators on markets; this book contains wisdom and ideas that every investor should take note of. Tim has summarised the follies of Central Bankers, the avarice and general uselessness of financial advisers, and the bubble in asset prices that currently prevails. He comes up with a Manifesto which is designed to save us from the disastrous policies of the past two decades and to preserve and enhance capital. I thoroughly recommend *Through the Looking Glass*."

- Jim Mellon, Investor and Chairman, Burnbrae Ltd.

"When Tim gives speeches - even informal talks - crowds gather around him. Reading, his new book *Investing Through the Looking Glass* reminds me why. It's a crisp story of how our Alice in Wonderland financial world actually works... told with wit, style and deep insights. George Soros said that there are some books that can make you a million dollars; this could be one of those books."

- Bill Bonner, Founder and President, Agora Inc.

"Almost everything you think you know about finance, investing and money is wrong. In this wise, easy to read, and very independently minded book, Tim Price explains why. You might not agree with everything Tim says. But *Through the Looking Glass* will certainly make you think - and might make you a lot of money too."

- Merryn Somerset Webb, Editor in chief, MoneyWeek.

"Certifiable lunatics run the world's central banks. And it takes a sane person to tell that truth. Tim Price is very sane."

- Michael Covel, bestselling author of *Trend Following* and *TurtleTrader*.

"Provocative, enlightening and very well-written."

- Guy Fraser-Sampson, author of *The Mess We're In*.

Back in the 1970s, the BBC started broadcasting a children's show called 'Why Don't You ?' Its full title: 'Why Don't You Just Switch Off Your Television Set And Go Out And Do Something Less Boring Instead ?' Out of the mouths of babes.. Rolf Dobelli, the best-selling author of 'The Art of Thinking Clearly' has gone one better. In his essay 'Avoid News' he advocates abandoning news across all forms of media altogether.

The psychologist Paul Andreassen has shown that people who receive frequent news updates on their investments earn lower returns than those who get no news:

"Andreassen divided students into two groups. Each group selected a portfolio of stocks and knew enough about each stock to come up with what seemed like a fair price for it. Then Andreassen allowed one group to see only the changes in the prices of its stocks. Students in that group could buy and sell if they wanted, but all they knew was whether the price of a stock had gone up or down. The second group was allowed to see the changes in price and was also given a constant stream of financial news that supposedly explained what was happening with each stock. Surprisingly, the less informed group did far better than the group that was given all the news. The reason, Andreassen suggested, was that news reports tend to overplay the importance of any particular piece of information. When a stock fell, its fall was typically portrayed as a sign that further trouble lay in wait, while a stock that was on the rise seemed to promise nothing but blue skies ahead. As a result, the students who had access to the news overreacted. Because they took each piece of information as excessively meaningful, they bought and sold far more frequently than the people who were just looking at the price."

Most of us consume news every day without even thinking about the damage we are doing to ourselves. Financial news may be among the most damaging of all. As Thomas Schuster of Leipzig University puts it, "The media select, they interpret, they emotionalize and they create facts. The media not only reduce reality by lowering information density. They focus reality by accumulating information where 'actually' none exists. A typical stock market report looks like this: Stock X increased because… Index Y crashed due to… Prices Z continue to rise after… Most of these explanations are post-hoc rationalizations. An artificial logic is created, based on a simplistic understanding of the markets, which implies that there are simple explanations for most price movements; that price movements follow rules which then lead to systematic patterns; and of course that the news disseminated by the media decisively contribute to the emergence of price movements."

Acres of column inches and hours of airtime have already been dedicated to searching for the cause of last week's so-called "flash crash" in which sterling got whacked on the foreign exchanges. Again. R2D2 and C3PO may know how and why it happened, but the rest of us are pre-destined to be blathering around in the dark. Human beings are simply hard-wired to look for stories, and the financial media are very good at creating them. Our brains abhor a vacuum devoid of meaning, so man's search for narrative will likely last for as long as we do.

The reality is that for most of the time, about almost everything that takes place in the financial markets – and elsewhere – ***nobody really knows***.

Dobelli argues that news is to the mind what sugar is to the body. We are in this sad state because

"..200 years ago we invented a toxic form of knowledge called "news". The time has come to recognise the detrimental effects that news has on individuals and societies, and to take the necessary steps to shield yourself from its dangers.

"At core, human beings are cavemen in suits and dresses. Our brains are optimised for our original hunter-gatherer environment where we lived in small bands of 25 to 100 individuals with limited sources of food and information. Our brains (and our bodies) now live in a world that is the opposite of what we are designed to handle. This leads to great risk and to inappropriate, outright dangerous behaviour.

"In the past few decades, the fortunate among us have recognised the hazards of living with an overabundance of carbohydrates (obesity, diabetes) and have started to shift our diets.. News is easy to digest. The media feeds us small bites of trivial matter, tidbits that don't really concern our lives and don't require thinking. That's why we experience almost no saturation. Unlike reading books and long, deep magazine articles (which requires thinking), we can swallow limitless quantities of news flashes, like bright-coloured candies for the mind.

"Today, we have reached the same point in relation to information overload that we faced 20 years ago in regard to food intake. We are beginning to recognise how toxic news can be and we are learning to take the first steps toward an information diet."

As someone who earns a living in part from providing financial commentary and analysis, I am well aware that this advice might seem hypocritical. But I am also convinced that Dobelli is right, and that by reducing (if not necessarily eliminating) our intake of news, we will all be better off physically, emotionally, and spiritually. To sum up his thesis:

- News misleads us systematically
- News is irrelevant
- News limits our understanding
- News risks impairing our physical health
- News increases cognitive errors
- News inhibits thinking
- News changes brain behaviour, not for the better
- News devours our time
- Facts are often wrong and forecasts always wrong
- News is manipulative
- News makes us passive
- News kills creativity.

As a longstanding news consumer I do not expect to go cold turkey overnight. But I am certainly cutting down. Rather than eliminate news altogether, which seems wildly impractical, especially for active investors, there is surely an argument for distilling news consumption down to a focused number of high quality providers, advisors, and commentators. We aspire to be amongst the latter.

And if financial journalists think we happen to be picking on them, well, they're partly right. The financial media earn a chapter to themselves in Investing Through the Looking Glass. But this is an equal opportunity book. A sound kicking is also administered to bankers, central bankers, economists, and fund managers. (We even propose investment solutions as well as identifying systemic problems.) This may be the perfect Christmas book, and fun for all the family.

Tim Price is Director of Investment at PFP Wealth Management and co-manager of the VT Price Value Portfolio.