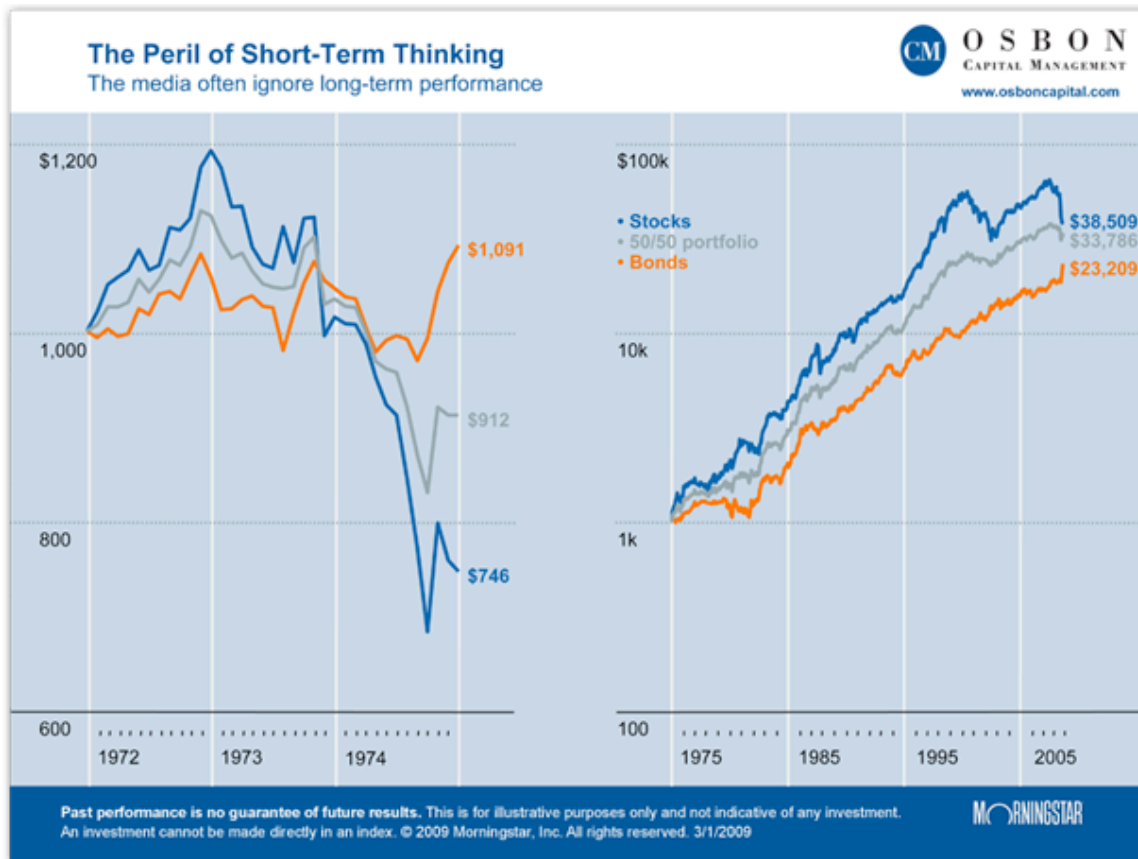




Quick Q & A #17

Q: Which business network should investors watch?



A: None of the above.

So much information and opinion is dispensed on CNBC, Fox Business Network, and other business channels that an investor may feel obligated to tune in on a regular basis. However, there are many good reasons for long-term individual investors to simply turn off the TV set.

First on the list is a preoccupation with the short term: What has Intel been doing in the last half hour? What happened immediately after jobless claims were announced? Where will the Dow be by the end of the day, week, or month?



The obsession with short-term moves, dissected and illuminated by the insights of pundit after pundit, can be entertaining and nicely fills the 24-hour news cycle. But minute-by-minute and day-by-day performance just isn't very relevant for true long-term investors, who have time horizons of five to thirty years. Speculators and day traders, with very different goals, may find more value in real-time coverage.

So what's at stake? Too much focus on the short-term can severely distort one's view of what is really happening in the market, and taint one's decisions. Consider the left side graph above that shows market performance from 1972 to 1975, a very tough period for stocks. The right side graph, on the other hand, shows performance of the same asset classes from 1975 to 2008. Stock investors scared out of the market by the short-term volatility of equities in 1974, for instance, could have missed the first leg of the phenomenal 25-year climb that followed. Fortunately, there was no wall-to-wall market coverage in those days.

Make no mistake, business television can be great entertainment, but we don't recommend it as a basis for any important investment decisions.

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Next time: What does an ETF fund look like?

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In this example, stocks are represented by the Standard & Poor's 500®, which is an unmanaged group of securities and considered to be representative of the stock market in general. Bonds are represented by the 20-year U.S. government bond. An investment cannot be made directly in an index. The data assumes reinvestment of income and does not account for taxes or transaction costs.



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