



# Cadence *clips*

FOCUSED ON WHAT MATTERS MOST.

## Financial Planning in Turbulent Times

The world most of us were born into included headlines in the morning papers (which were from the night before), headlines in the evening papers, an hour block of local and national news, and then late night local news to round it all out before the cycle began again. There were some news radio stations during the day, but mostly on AM radio, and mostly ignored. That's almost all the headline time and space that needed to be filled. Sure there were some deeper dives being taken on a regular basis, like Sunday morning political shows or "60 Minutes", and you could always find something news-oriented if you looked hard enough, but contrast that with today where there is just nowhere to hide from headlines. 24 hour news channels and Internet sites have a much greater need to provide headlines with all that time and space to fill. The double-headed dragon they've unleashed includes near-constant and more sensationalized headlines. Nothing grabs and keeps attention quite like manufactured outrage, so now we have 24/7 outrage-inducing headlines.

Were headlines confined to news-only channels and sources they may still be somewhat manageable, how-

ever social media platforms that aggregate multiple content sources – pictures of friends and family, advertisements, and forwarded content from linked peers – further erode the boundaries under which news and headlines used to operate. All of this combined with the ease at which slanted, self-interested, and downright untrue and manipulative content gets written and distributed has helped create an existence few of us could have predicted three or even two decades ago. It is no surprise that a large percentage of the US population expresses feeling disconnected and depressed about what feels like a world barely under control. We are being constantly reminded of the chaos.

Financial markets are not immune to the effects of 24 hour, sensationalized news. In fact, financial news sources help contribute to some of the ill-effects of the constant headline environment, which we illustrated in-depth in our February 2017 "Cadence Clips". Additionally, social media sources often break news stories that seem to have an effect on financial markets. For example, although we at Cadence are not in a position to verify the causation implied in this story, Bank of Ameri-

ca Merrill Lynch indicated in a report in September that stocks tend to fall on days during which President Trump tweets more than 35 times and rise on days when he tweets less than five times. A separate analysis from Barron's yielded similar results, with reporter Evie Liu noting that "the more Trump tweets, the more the market drops."\*

Even more specifically, the right person now talking about the right thing via social media can have a staggering impact on how the financial markets value companies. On August 13, 2013, Billionaire Carl Icahn of Icahn Enterprises tweeted his feelings that Apple stock was undervalued. And then this happened:



That tweet alone caused Apple's value to increase by \$17 Billion dollars. So yes, the same headlines and sources that seemingly demand our attention everywhere we turn these days do in fact have an impact on financial markets and ultimately the value of your investments.

Despite the feeling that headlines are driving everything we do, and despite evidence social media can move markets, we believe that these factors will not have a meaningful impact on your long-term returns because at the end of the day, companies still need to turn a profit. A news headline or social media post may cause a temporary movement up or down, however if there is nothing of substance behind that particular story, prices will return to where they were. Additionally, Twitter or some other non-traditional news source may break a story with meaningful information, but that meaningful information was going to come out one way or another; Twitter just accelerated the process. Over the long-term, any increased short-term volatility caused by the 24 hour headlines and additional information sources will be overcome down the stretch by the traditional need for companies to actually be profitable. All the headlines and tweets ultimately will result in mostly added noise.

We all experience the effects of the news industrial complex differently; some people are seemingly unaffected, while others feel it mostly as background noise, while still others scan the headlines quite frequently and have emotional

reactions to much of what they read. Productive ways of dealing with the emotional side of constant sensational headlines include weaning oneself from the more opinion-oriented programs and sites, the “infotainment” parts of the broadcast world, reducing the number of visits to social media sites, and simply just putting the phone down more and more each day. There appears to be a proven link to the inverse relationship between social media usage and happiness.

Luckily on the financial side, the planning process remains a potent tool to cut through all this noise and connect where you are today to where you want to be in the future. By evaluating what is and is not important to you and your investments, you can chart a path through the daily events that seem to swirl around us all. Knowing your goals and what you need to achieve them provides a potent antidote to the volatile and mostly negative news cycle.

One reason people work with us is to enjoy the benefits of not having to know how to react to a particular bit of information because Cadence is monitoring how investments are performing in every situation. Over the past fifty years we have experienced armed conflicts, the loss of faith in our politicians, stock market bubbles, and good and bad times that felt like they would never stop, yet here we are with the knowledge and ability to achieve our goals. Every rafting trip hits some rapids; it is unrealistic to think THIS particular trip on the river will have none. What is important is who you have in the raft with you; do they help you get through the rapids or not?

While the world may feel like it’s fraying at the edges on a daily basis, and while concerning headlines may be finding you no matter where you turn, we are here to remind you to trust the process, and to tell you the short-term noise will have much less of an impact on your ability to achieve your goals than creating and sticking to a long-term plan will. The world may not be what it used to be, it never is, however we know how to chart a course to achieve your goals no matter what the outside world throws at you. If there’s anything that might lighten your reaction to the national mood, hopefully knowing we are here to help you navigate the rapids (and at times identify the waterfalls that may upend the raft entirely and help you walk around them) is a bit of positive news you can enjoy every day.

\*Source: usnews.com, 10/8/2019, “Study: Trump’s Tweets Move the Markets“

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