



Philequity Corner (September 23, 2019)

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The Bloomberg Influence

When looking for trends and explanations on equities, commodities, and currencies, many are guided by Bloomberg TV and their anchors whose qualification for the job include looking chic and perfectly cast as leads for the winning side of The Game of Thrones at the same time possessing the ability to talk fast and make sense (you have 15 seconds to complete your forecast on gold futures). Researchers in their reports dwell on current issues (How long will the trade war between the US and China drag down the market?) and personal investors acquire familiarity with graphs and red arrows pointing craggily south. Bloomberg introduced more than a decade ago the screen subdivided into zones for viewing—ticker tape on the bottom and a bar on the left for the blinking DJIA with a much-reduced space for the anchor and her guest. A 100” TV is helpful in reading the little graphs on the side (one of them includes the Peruvian stock index).

One can get glued to Bloomberg TV at night, when done with the local news. Okay, most use their mobile devices nowadays. Interestingly, the impact of foreign news seems to sway the market more than the occasional outbursts of local policy-makers.

The coverage of business is driven by data and charts. Statistics are efficiently analyzed by its fast-talking and winsome female anchors. The decidedly male minority must catch up with the rat-tat-tat urgency of the females even when dealing with flustered male guests who predictably catch the talk-fast virus. And there’s no space for sub-titles in the already crowded screen.

This fascination with business news happening twelve time zones away may seem misplaced. After all, they’ve got their immigration issues and protectionist moves, we’ve got our traffic jams, rising tourism, and hey, lower inflation.

When we talk of foreign funds, we refer to gigantic portfolios (only those with double-digit billions of dollars under management) with heavy investments in the emerging markets, which tend to lighten up its Philippine holdings periodically. We already talked about the hot money these portfolio managers represent.

When Dow stocks or the NASDAQ techs go up or down, something happens to the emerging market segment of these funds, and perhaps our share of it (one cheese stick in a picnic basket for twelve). Funds are parked here sometimes then dumped to take profits or cut losses by some computer program seemingly triggered by the Bloomberg charts.

Bloomberg is a sort of an advance warning system, a kind of weather report of impending typhoons. Because the NYSE closes at dawn our time, their numbers determine what color ours will likely be. This time difference becomes irrelevant on Saturday morning as the impact (whether green or red) is

deferred through the weekend. Long holidays, specific to Manila, present even longer delays so that the next working day after such breaks triggers overreactions, much like bingeing after a fast, unless the Dow recovers during a local holiday.

To a lesser extent the earlier opening markets like New Zealand, Australia, and Tokyo also influence the investment mood. This too is traceable to the Bloomberg influence since it reports on these markets while one (not me) is working out on a treadmill before the PSE opens.

The Unofficial Rule on Useless Information states: “When data is presented by fast-talking women who seem to understand economics and have good visual aids, local relevance doesn’t matter.” As in life, we just do what the women want.

Thus, information, when delivered well, affects unconnected markets as if they can influence them. Still, the price of gold now around USD1,500 per ounce seems to affect the stock price of local mining companies only when they do a swan dive. This disconnection can only be explained by the small size of the Philippine equities market and its exposure to moves by a few big players who may have other priorities.

The corollary law on useless information states: “Relevant data can be declared useless by big investors.”

The Bloomberg Influence goes beyond dropping phrases knowingly—The latest tweet seems to show a weakening of willpower. Chatter influences the irrational behavior of the personal investor. The babbling of fast-talking winsome ladies provides the same comfort to a personal investor as the beating of a mother’s heart to the fetus in the amniotic sac.

There is something comforting about useless information delivered with passion. Irrelevant data can be used to explain the alignment of the planets, the toning down of uncivil rhetoric... and the wealth effect of rising stock prices.

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