

An Apple A Day

As human beings, we experience life one moment at a time. While we might have an inkling that something may occur, we can't know for sure that it will happen and if it does, when that might come to pass. As someone once said, you can't know the unknowable. This is especially true with investments in the common stock of publically traded companies.

On September 25, 2014, a video came out of someone bending the new iPhone6 and secondary news came out about challenges with the new version of Apple's operating system. Both of these issues are ones that Apple will likely resolve in the short run. While this is bad news and the stock lost some value in early trading, of interest to me is watching the impact on the broader stock market.

Confession

I have to admit that I'm neither a stock analyst, nor a stockbroker in the truest sense of the word. I will access the talent of a variety of firms to manage different types of investments for clients. However, keeping track of the worthiness of specific stocks, bonds, real estate, loans to private companies, and currencies I leave to people whose role it is to evaluate these specifics moment to moment. So, there are days where caring for clients' longer term goals and objectives means I may not hear the economic news of the day until later in the day. This was not one of those days.

Reality

Certain phenomena are destined for the limelight. There are very few people in the developed world who have not seen pictures of lines forming outside of Apple stores each time the firm releases a new iPhone. We are hooked in a "connected" world where the fortunes of new developments command center stage. It is also true that they impact investors' emotions.

Spillover

Rationally, the fortunes of one company, in this case Apple, will not determine how well other companies will do. Why then will the news about one company cause the stock of other companies to also trade lower? The answer has to be that ownership and investing has a strong emotional component, especially in the short run. Concerns swirling around the kind of company that makes headlines will almost always spillover to the broader market, impacting short term trading decisions for most investors.

Forest For The Trees

While some people and firms make a living through short-term trading, it is an all-consuming pursuit, speculating as to what might happen. Since this involves the unknowable, they have to be right on timing and direction in the immediate future. The funny thing is that as you look at much longer time frames, you can gain greater assurance about what is likely to happen. Expand your view from one company to the entire stock market and you can also gain greater likelihood. Pull up from the "trees" of short-term trading and it is likely that the investment "forest" will come into better focus.

Overcoming Emotion

Over the next couple of issues we'll discuss some of the keys that can help individual investors remove some of the emotion from investing. While emotions provide great vibrancy to life, the emotions of fear and greed can have a very damaging effect on someone's investment results. None of us can escape having strong feelings about our own money. It is one of life's most emotional issues. We can, however, employ certain processes designed to smooth out our results and give us the chance for slow steady progress towards our financial goals.

Bottom Line

While an apple a day might prevent over consumption of medical services, Apple today is hardly making investor headaches go away. Stay tuned to the next few issues, we have some remedies to recommend.

Your Feedback

I would love feedback on this newsletter. Future issues may include a host of good ideas, insights, specific steps to take financially, life insights and of course "Wit and Wisdom". Most importantly, I'd like it to be of value to you and to encourage an exchange of great ideas and insights. Please send your feedback to:

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