

Man Bites Dog

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Robert W. Henkel
Chief Investment Officer
bhenkel@weyland.com

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My dad is a journalist who has covered the electronics and software industries for nearly 50 years. And he's still going strong, I'm happy to say, publishing a weekly electronics news blog on the web. Having been there at the beginning, he has known, interviewed and occasionally battled with many technology pioneers who have gone on to become household names. Most relevantly, he has been able to spot, grasp and share with his readers the key trends of the "electronics age."

Growing up in our home was fun because we had some great "toys" - new technologies on the bleeding edge that dad tested for a couple weeks. Some were clinkers, but most were cool. One of my favorites was one we actually purchased. It was one of the first production electronic desktop calculators. It had all the functions one would ever need: add, subtract, multiply and divide!!! Plus, using tubes to display numbers, it ran so hot you could fry an egg on it.

Now, why I'm telling you this, other than to wax-on about the golden age of electronics, is that when I was ten or eleven years old my dad also explained to me precisely what "news" actually is. He explained, "When a dog bites a man, that's not news. But when a man bites a dog, that's news."

Upon hearing this, naturally I didn't reflect on this artful and succinct definition of the meaning of news. Rather, I kept seeing a picture in my head of a portly middle-aged man stooping over a dog and thinking to myself, "Why would anyone do THAT?"

I've never been able to answer that question, but over the years, I have probably used that definition of news hundreds of times.

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Three weeks ago, London became the next city to be hit by a horrific terrorist attack. Detonating at the peak of morning rush hour on Thursday, July 7 were four bombs. More than 40 were believed dead, with many more injured, in the deadliest attack in Britain since World War II.

US markets were down significantly at market open. But the news, and I mean the man bites dog news, is that US stocks actually finished higher on Thursday and the old safe-haven gold finished lower! By Friday, European markets, too, had largely recouped their losses. As of the date of this writing (July 26), US markets are up 3% from the day before the event, and even the UK market is up.

Stock markets are many things. But first and foremost, they are societal consensus "machines." Like a thermometer, they take the temperature on society's collective outlook for the future. Terror fears have unquestionably made investors more conservative over the past few years, helping to explain the popularity of bonds and real estate. But what the markets have done differently this time and what they are saying, rightly or wrongly, is that they - meaning we - do not fear.

An old Wall Street axiom is that when the market goes up on bad news, that's a bull market.

More importantly, if greater societies can no longer be shocked or terrorized by these miscreants, then civilization's opponents have lost their greatest weapon. As you all know from past commentaries, I am an optimist at heart (but not a Pollyanna) and my words should be weighed in that light. But possibly, just possibly, this may be a turning point.

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Last quarter we characterized our strategy as a ground game strategy, borrowing from a football analogy. And, as of this writing we are continuing this strategy. We continue to favor equities, and believe that larger, more prominent stocks are, at the margin, more attractive than smaller stocks. The recent market response to the horrific bombings makes us even more confident in this position.

Bob Henkel
Chief Investment Officer

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