

December 2006

Why They Call It the "Silly Season"

[Jim Parker](#), Regional Director, DFA Australia Limited

 Print  Email me updates

There's a good reason the news media calls this time of the year "The Silly Season".

Apart from the usual coverage of cricket, bushfires and the holiday road toll, there is precious little fodder to fill the spaces between the ads.

For editors of financial newspapers and magazines-who aren't able to fall back on urban myths about five-legged dogs, chimpanzees who speak Greek and alligators living in the subway system-the challenge is even greater.

That's why journalists give the trusty editorial crystal ball a real working over in the festive season, with financial papers full of eye-grabbing stories detailing all the wonderful ways investors can get rich in the coming year.

"Year-enders", as they're known in the trade, are boilerplate articles commissioned by pressured editors and thrown together by jaded reporters in early December to fill the inevitable holes over the summer break when everyone is on leave (or at the pub).

Like the Christmas ham, these stories are cooked up way ahead of time in the expectation that they will go a long way in feeding the multitudes, without going off in the sun. And generally speaking, the more garnish the better.

So this season, we have Australian investment magazines sprinkling their New Year issues with such mouth-watering headlines as 'Make Big Money in 2007', 'The 12 Signs of the Economy'¹ and '20 Predictions for Smart Business'².

How seriously should you take these prognostications? Well, as someone who used to write them, I have to say you should give investment year-enders almost as much respect as you bestow on magazine horoscopes.

Like astrology, the trick in writing about the year ahead is to rely on the incapacity of readers to remember your wrong calls and their facility for seeing patterns in what is really random noise.

So the safe approach is to keep your predictions as non-specific and as generic as possible. For example "interest rates will have a significant impact on your investments" (when haven't they?); "worries about the durability of the China boom will emerge" (a perennial) and a "mid-year correction will test your resolve" (always on the cards and mid-year could cover Feb-Nov).

But start getting too detailed in your predictions and the wheels can come off.

So here's a fun project to occupy you in rainy days at the beach: Dig out last year's Bumper Holiday issue of your favourite publication and see how all those financial horoscopes panned out.

To give you a couple of examples, at the beginning of 2006, Business Review Weekly, "with some help from the gurus", issued its top 100 tips for the year.

The number one prediction was that the US Federal Reserve would not raise interest rates in 2006—a forecast that lasted as long as a bucket of prawns in a heatwave. Two weeks later, the Fed raised its key lending rate and followed that up with a further three moves—in March, May and June.

Wisely, in this year's survey, BRW has dropped its Fed prediction to number 13 on its list of big calls for 2007. This time, for what it's worth, we are told the US central bank will "not CUT interest rates". Bound to confuse the reader, which is what you want really.

While we are talking about red faces, The Australian Financial Review's panel of "top fund managers" early last year³ were asked their forecasts for local shares in 2006. "The market is fully valued," said one. "We don't see much capital growth from current levels," said another. "We see at best a 5 per cent return," chimed a third. As it turned out, total returns on the ASX-300 from January to November were just above 20 per cent. Oh well!

Or you might like to look back on The Australian newspaper's piece⁴ back in January. Among the key predictions in the aptly named 'Crystal Ball for the Year Ahead' were '2005 will be hard to beat', (not that hard clearly), 'take a punt on oil' (or not-oil approached year-end where it began, near \$US60 a barrel) and the '\$A will fall' (it rose 7 per cent to late December).

But my personal favourite call for 2007 is BRW's 4th ranked prediction—that "vibration-based training will become the hot new fitness tool".

Sounds like just the thing to train off the effects of all that ham.

¹*Smart Investor* magazine, Jan 2007

²*BRW* magazine, Dec 14, 2006

³'Risks, Rewards Both Loom Large', *Australian Financial Review*, Jan 3, 2006

⁴'Crystal Ball for the Year Ahead', *The Australian*, Jan 21, 2006