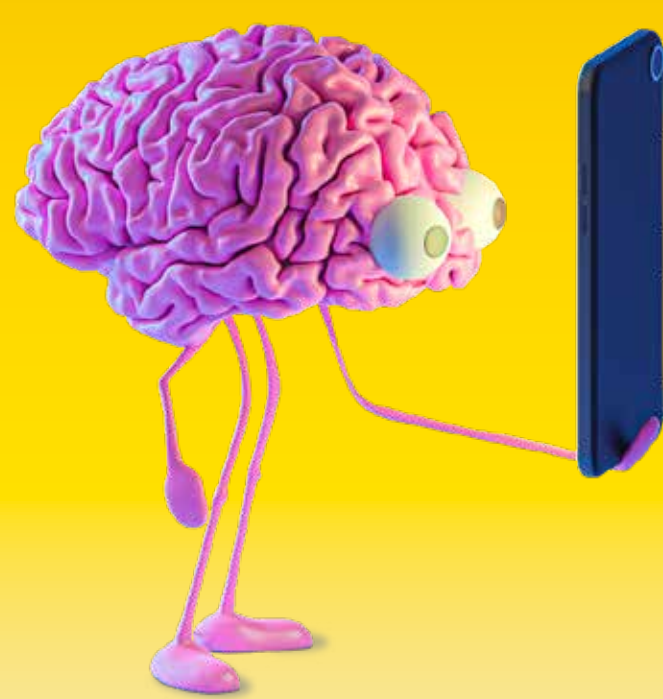


**Fresh
Take**

**Reading matters.
Not getting misled
matters more.**



Today, we live our lives surrounded by news. It's on every form of social media you can think of, shared by everyone you follow. How much of it is accurate, balanced and fair? More importantly, how can you identify fake news and the truth?

Here's our fresh take on this: Information is notoriously hard to filter. What we believe is this: reading and understanding critically is a skill that needs to be constantly sharpened. Here, we cover a few things to be aware of.

Information 'bubbles' and how to avoid them

Information can create a 'bubble' around us which distorts our perception of reality. In recent years, these bubbles have become a significant problem, and appear to be getting worse.



If you tend to search for certain types of news, the internet and its machine learning systems will deliver more of it. Eventually, it will appear as if everything you see on the internet totally agrees with you and your views.

Comments on social media (even from 'proper' news sources) and chain messages that spread on instant messaging platforms are the same. As a general guide, anything that overly relies on emotion is likely to be short on facts or has distorted the facts substantially, rendering the information inaccurate and unreliable.

Bias is the problem, and all of us have some:

Bias distorts the meaning of what we read. It's a natural human tendency, to interpret what we read against what we know (or believe to know). There's no way to eradicate bias, but there's a great benefit in recognising when it is acting up.

The two most common types of bias are:

Confirmation Bias

We tend to favour information that confirms what we believe or want to believe. For example, a stock owner tends to focus on positive news about the stock and the economy — and ignores negative information.

It's human nature to not want to be wrong. Confirmation bias makes it difficult to see and hear the news objectively.

Political Bias:

Some media sources lean towards a particular political angle - be careful of relying only on a single source. Be wary of news sources that provide stories that seem incomplete or just appear to be propaganda.

Always take it with a pinch of salt. Familiarise yourself with the political spectrum of the countries you're investing in.



Three Questions to Ask When Reading an Article:

1. Is the article based on data or opinion?
2. Is it descriptive of past conditions or predictive of the future?
3. Does the article have a testable hypothesis?

Adapted from Robert J. Martorana (CFA Institute)

Simple strategies for better decision making:

Trust Algorithms

An algorithm is just a rule that can be as simple as you want it to be - they tend to outperform people in making predicative judgments. Also, numbers and charts speak louder than words, so focus on what they're trying to tell you.

Take the broad view

Don't view each problem or input (e.g., historical experience, financial theory, forward-looking indicators, current market conditions) in isolation. Take a broad perspective that includes every factor and integrates them into a coherent story you can understand.

by Nobel laureate Daniel Kahneman at the 71st CFA Institute Annual Conference

Test for regret

If there's potential for regret, you are likely to make poor decisions, such as stubbornly holding a stock that's going down in hopes that it'll rebound. Always assess your risk tolerance, set stop losses and have the discipline to follow through.

Seek out good advice

Cognitive biases create blind spots, so seek out advice and guidance from trusted sources. Learn to harness the power of insight and criticism from people with integrity

An observation of human nature:

"When the market goes down, we take info from the pile that justifies the negative.

"When the market goes up, we take from the pile that justifies the positive,"

Bank of America Vice Chairman Keith Banks

Learn to read critically; your success depends on it

Learning to filter, compare and think critically is a survival skill:

In the information age, any information can be found almost instantly. Anyone can publish almost anything, and they often do. Spotting the difference between an outright scam, a misleading article and the truth separates a potentially successful investor from one that may lose a great deal of money.

Get your daily doses of news from multiple trusted sources:

Having more than one source is important as it helps give you a well rounded view. As all investors like to say: diversifying helps spread risk. It is only ever possible to con someone who doesn't know better. The only way to gain knowledge about anything is to read as widely as you can, and beware of your own built-in biases. So stay calm, and read on!

This article is part of Hong Leong Bank's educational series, called 'Fresh Take'. Here, we seek to present you a fresh, unbiased perspective of all matters financial. We'll be uploading more educational content moving forward, so do watch out for the next piece.

In a world that's awash with information that may be either true, false or anywhere in between, Fresh Take aims to cut through the clutter, and help you on your journey as an investor who's seeking to build a strong financial future.

Please reach out if you need to know more, or need personalised help.

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