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listening in order to weed out
inconsequential newsflow



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Five things I do to cut the noise in the market

1 Rely on experience

On the F1 circuit, driving straight is not really difficult; it's the curves that distinguish the men from the boys and decide who wins the race. Experience is valuable. Someone who has experienced a full economic and stock market cycle will have a better idea of hard times. While no two crises are similar, it is the ability to learn from today's events in a historical context that helps tide through volatile periods. Also, asking the fundamental question, 'does this make sense?' at the right time, is often crucial.

2 Use the mind as a filter

In this digital age, there is no dearth of data, views, and opinions on TV and in newspapers. It's important to know how to process this information. Excessive availability of information has made it increasingly difficult to differentiate it qualitatively. Everybody gets the same data; it's how one analyses it that makes the difference. The ability to focus on fundamentals and not get dragged into short-term action is critical during volatile times. Short-term market triggers should never come in the way of the 'old-school' methodology of analysing businesses.

3 Fear being blind-sided

While it is important to think independently, one needs to be tuned into price action. Perception is important in the markets as extreme views can upturn the intrinsic merits of your holdings. Differing opinions in the market

can throw up opportunities or highlight concerns, which are not ordinarily visible. One needs to keep an open mind. And it's important not to be married to your investments. You cannot shut yourself to the fact that your decision to buy or sell a particular stock was wrong.

4 Stay unbiased

Stock prices often reflect the market environment and investor sentiment. That's why, on a relative basis, some businesses seem 'cheap' or 'expensive' at the same index level. Hence, being unbiased and having a balanced approach helps identify opportunities that spring up during the normal course of the markets. Similarly, being open to possibilities also assists in raising doubts and identifying challenges at appropriate times. Avoiding the herd mentality and having an independent thought process helps tread through difficult markets.

5 Avoid sticker shock

Equities have long been considered an asset class that gives superior risk-adjusted returns over an extended period of time. However, the risk associated with them is also well established. Thus, it's important to buy cheap to have a margin of safety. Purchasing companies at a discount for their long-term intrinsic value by understanding their fundamentals is crucial to being successful. Buying the right stock at lower prices increases the chances of making money. As a long term investor, our focus is perennially on analysing and buying into businesses at an affordable price.