

Stop the presses

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This just in: The media play up negative stories while ignoring everything else.

Anyone who reads a newspaper or watches the evening news knows that shooting sprees and natural disasters command a disproportionate amount of attention from the fourth estate. But do the same biases affect the media's coverage of financial markets?

To find out, U.S. research firm Birinyi Associates examined how The New York Times covered the wild swings on the stock market during the subprime mortgage meltdown/credit squeeze/generalized panic that gripped markets in recent weeks.

Here's what Birinyi found: Since the Dow Jones industrial average topped out in mid-July, the stock market made page one of the Times five times. "And every one of those days was a down day," it said.

But on the eight occasions when the Dow posted triple-digit gains, the story was usually buried inside the business section.

So much for even-handed reporting.

Birinyi's advice to investors: "Be leery of the press."

What about our own Globe and Mail? Surely, Canada's National Newspaper has better things to do than scare the bejesus out of investors by amplifying negative days and virtually ignoring positive ones, right?

We wanted to find out. So we examined the 13 trading days in August when the benchmark S&P/TSX composite index rose or fell more than 1 per cent. Then we dug up the following day's paper to see what sort of play the markets got.

Result: Of the seven days when the index fell more than 1 per cent, the story appeared on the front of the newspaper twice and on the front page of the business section four times. This doesn't even do justice to the amount of coverage, because big drops often generated several stories exploring the carnage from different angles.

For example, on Aug. 17 - the day after the S&P/TSX plunged 200 points - the newspaper's top-of-the-fold headline was "Wild swings and big losses," while the Report on Business headlines included "Running from risk," "Plunging resources hammer Canadian markets" and "Market turmoil fuels old fears."

What about the six days in August when the S&P/TSX rose more than 1 per cent? Well, the fact that they even happened may come as a surprise to some readers, because not a single story appeared on the front page of the paper or of the business section to document this wonderful news. They were all played inside the financial pages.

We don't mean to pick on The New York Times or The Globe and Mail. It's a media-wide phenomenon. As the old saying goes, bad news sells.

It's also true that when the stock market streaks to a record high, the media like to celebrate the achievement with banner headlines, though these happy events don't usually receive the sort of blanket coverage accorded nasty drops.

The trick for investors is to try to remain dispassionate while digesting the media's spin on market events. Being a contrarian helps; when the headlines are all about soaring stocks, it may not be the best time to buy. And when the news is grim, it may signal a buying opportunity.

Now that we've placed events in the proper context, let's move on to what a miserable day it was on financial markets yesterday. Not that we're trying to scare anyone or anything.

On Wall Street, the Dow Jones industrial average plunged 143.39 points as more lousy housing numbers rolled in. According to the National Association of Realtors, an index of the number of Americans signing contracts to buy existing homes skidded 12.2 per cent in July from June - more than five times the drop predicted by economists.

"This is disastrous," said Ian Shepherdson, chief U.S. Economist at High Frequency Economics.

On Bay Street, the S&P/TSX fell 71.95 points to 13,683.28 after the Bank of Canada held interest rates steady and said tighter credit conditions could "temper growth in domestic demand" while the worsening U.S. housing slump could hurt Canadian exports.

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