Everyone Has A Story To Tell

As a career New York Yankee, Derek Jeter won five World Series titles, five Silver Slugger awards, and five Gold Gloves. He played on 14 All-Star teams and ranks sixth on the all-time hits list. He was a player that defined big moments in the sport. He marked his 3,000th hit with a home run, earned the moniker Mr. November for his post-9/11 postseason heroics, and most recently won his last game in Yankee Stadium with a walk-off hit. It's a story of a celebrated leader and Hall of Fame player.

Yet some followers of the game tell a very different tale of Jeter's career. ESPN's Keith Olbermann recently delivered a tirade in which he denigrated Jeter and exposed his major limitations, especially as a defensive player. Through statistics, Olbermann showed that Jeter was only a slightly above-average player who played for a long time on a very good team.

So how could Derek Jeter be both a Hall of Fame player with a storied career and a mediocre shortstop who overstayed his welcome? Because our sentiments define the context in which we tell a story. Keith Olbermann didn't appreciate the ongoing adulation for Jeter throughout his final season, thus considering Jeter overrated and using data to prove his point.

This psychology plays out on a much larger scale in the world of economics and financial markets. When asked to offer an outlook for the economy, there are economists, investors, and individuals who are doubtful and despondent just as there are those who are confident and calm. They have access to the same market information and news headlines, yet often emphatically tell contradictory stories. And while we often default to consensus when many indicators point the same way, we're continually reminded—as in 2007/2008 when consensus said the economy would avoid recession—to fend for ourselves and make our own decisions.

We are all programmed to generally trust experts when trying to inform our decisions. We often allow leaders in economics to sway our financial choices without exploring why economists say what they say. The particular context of the story an economist tells sometimes reflects both his existing sentiment about the economy and his underlying agenda.

Such an agenda inspired Keith Olbermann to tell his story about Derek Jeter's unremarkable career. Controversial segments like his almost always get people talking and provide a ratings bump. Indeed, Olbermann's show posted the rant to YouTube, where it garnered more than 1.3 million views and now ranks as Olbermann's second most popular video out of more than 1,000 videos (as of Oct. 24, 2014).

Similarly, economists and leaders in the financial world occasionally cherry-pick or "spin" data to follow a storyline, sometimes because of political pressure from Washington (especially amid elections) or their underlying belief about the

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state of the economy. For example, an economist or news agency that has previously stated confidence in economic growth or has ties to current political leadership might magnify strong unemployment insurance claims numbers, while deflecting focus from the number of underemployed workers. Recently, almost all major news outlets reported that in the week ended Oct. 11, unemployment insurance claims fell 23,000 to a seasonally adjusted 262,000, the lowest level in 14 years, according to the Labor Department. In addition, the "U-3" unemployment rate recently sunk below 6% for the first time since the recession began. Some economists described these statistics as signs of a drastically improving labor market.

Meanwhile, the labor force participation rate has fallen to a 36-year low and continues to decline, while new jobs created during the recovery pay an average of 23% less than those lost during the downturn. In a recent Q&A with the Wall Street Journal, Boston Federal Reserve (Fed) President Eric Rosengren said the rate of part-time workers remains high relative to historical trends for the current unemployment rate. Rosengren explained that this might indicate greater slack in the labor market than historically, which could remain even if the unemployment rate fell to 5.25%. In addition, the broader "U-6" rate of joblessness, which tries to account for underemployment, posted 11.8% in September. Fed Chair Janet Yellen said that the less-discussed U-6 number might provide a more accurate picture of labor market health. Some economists describe these statistics as signs of a labor market that has not yet come close to healing from the recession.

Experts and other leaders in the industry often have a lot at stake, particularly regarding job security, reputation, and politics. More importantly, what they say might even drastically affect markets. Equity market volatility has spiked over the last month amid Fed statements regarding the tapering of quantitative easing. Market participants study every nuance of Fed announcements, pressuring Fed officials to tailor their speeches to avoid market overreactions. After a selloff on Oct. 16, St. Louis Fed chief James Bullard said in a Bloomberg interview that the Fed may want to delay the end of its bond-buying program. Many believe his comments helped push stocks into recovery.

While many experts follow their underlying agendas, even the most unbiased economic analysts propose widely varying ideas about the state of our economy. It's difficult to discern a legitimate storyline or outlook when dealing with something as convoluted and complex as the global economy, especially as experts continually contradict one another. Regardless of agendas, experts with the same information at hand will tell inconsistent stories.

This means everyday investors should shape their own views and take expert opinion with a fistful of salt. It also tells us that even the smartest people in the industry are unsure of our economic trajectory. The 2008 crisis reminded us to not follow the consensus, and we should continue to base our decisions on long-term goals and not on the fickle opinions of industry experts.

Generally speaking, long-term investors seeking financial security should plan for the worst and hope for the best. If we listen to varying opinions and adjust our investments accordingly, our portfolios will face longer-term volatility in step with the broader markets. While today's numbers show an economy thriving, tomorrow's might show a system on the brink of disaster. At least one thing remains certain: Derek Jeter was an excellent baseball player.

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