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PHILEQUITY CORNER

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Business news and the market

It's not just local business news that affects the economy in general and the PSE in particular. What the Fed is doing with interest rates and its effect in the NYSE, what the turbulence in the Middle East is doing with oil exporting countries and the price of crude, and the occasional constructions near our waters somehow impact the economic outlook of the country.

Economics encompasses not just the traditional supply and demand but political movements even outside the region. Are news items like the raising of tariffs in the US on China exports relevant to our local stock market? The average reader of the news may not distinguish between the growing gray market in consumption to the dying of gray hairs in a salon.

In a morning show where news items are inserted between recipes for soya milk and the health benefits of pole dancing, a business news item may pop up. This is no longer just the traditional media but also the internet-only shows with a celebrity host.

In an episode, one anchor may read news of a 1.5% increase in the Phisix following the US Fed reduction of the discount rate and a local three-day memorial holiday, a phenomenal event which in terms of meteorological news is equivalent to an earthquake scoring 8 in the Richter scale, even if we only experience the aftershocks. Still, the regular news reader may merely shrug and glance at her co-hosts as if to inquire whether her make-up is still okay.

The trend in news media of *virtual* economics (pretending to know what you are talking about) is widespread. It is evident in the news programs (including online) where the vagaries of the local currency exchange rate and the PSEI are casually illustrated by one OFW spouse getting fewer dollars. (I used to get more. Now look what I have.) No context is given on the lower cost of foreign debt, rice imports, and fuel with a higher peso.

Somehow, economics has also fallen into clichés that are spouted even by clueless politicians. These buzzwords are easy to remember—globalization, emerging markets, hedge funds, investor confidence, mining and its ecological deterioration, and that old stand-by, widespread poverty. These words are mixed in with the speeches as an afterthought.

There was a time when radio commentators were more honest and admitted to being puzzled, even overwhelmed, by economic concepts. They would explain the rising prices of basic commodities as a manifestation of the greed of rich traders manipulating the market by cornering supply and squeezing the farmer. Somehow business news got the same spin as political news with villains, conspiracies, and bad endings.

Maybe it is a healthy development that both traditional and online media are turning more and more to economic experts to explain the country's economic issues. There are now podcasts that handle only business news and explain economic concepts and of course there's Bloomberg with its subscription rates and pay walls, as well as charts.

Still, even economists have ideological biases and expertise does not always invite the right questions. There are the free-market advocates that try to eliminate government regulation of market forces and socialists who push for increasing the minimum wage every three years and putting price caps on consumer goods. Economic literacy seems to be the first step, beginning with a familiarity with the science of choosing between guns and butter, as Paul Samuelson does in his basic economic textbook.

Leading broadsheets even in their online versions should endeavor to feature business news items on the front page. With a wider readership for economic news and a better appreciation of its impact on the lives of people, there may be a more intelligent context for current events. Investors in the market should then rely less on hot tips and insider information, and more on economic analysis and risk appetite.

The rise of the middle class requires a better understanding of the economy and how the market works. When business news becomes part of our morning ritual, we will perhaps gauge our politicians more about how they handle the economy than how they investigate scandals and get tabloid coverage with their wardrobe.

Economic literacy helps in understanding not just investments but how we are faring as a nation in terms of economic development, and the alleviation of poverty.

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