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## SENDING OUT THE WRONG MESSAGE

**(Wrong Message Number One)**

Many people believe that investing in the stock market is no better than a glorified form of gambling. In fact some people go so far as suggesting that you would be better off backing a horse! I believe that the stock market is different to horse racing. I believe that if a person can avoid giving away too much of their money by way of dealing and management costs, over the long term they will stand a very good chance of generating a return greater than they would get by leaving their money on deposit. To back up my views I regularly refer to Warren Buffett. He is my inspiration for believing that not only can you generate a return greater than the deposit rate but you can also go a stage further and generate an even greater return.

(I also acknowledge that there are circumstances in which this may not be the case. In particular my very first opinion piece back in October 05 outlined my concerns about the Japanese stock market and why it might not generate returns sufficient enough to justify the risk).

The consistent message that I have tried to convey is one of investing for the long term because only in the long term will market forces work and good companies clearly prosper.

In the short term the stock market is prone to wild swings because of the emotional nature of the participants and the pressure on a lot of them to perform over one year time intervals. This emotional element of stock markets makes them look and feel like gambling. Recent stock market moves feel like a crazy roller coaster ride and must scare off people that have a conservative nature.

This is where I believe that professional investors like fund managers and stock brokers as well as journalists and broadcasters have a responsibility to help educate people. I believe that they have a responsibility to point people in the direction of the long term and people like Warren Buffett and Charlie Munger.

I do not believe that professional investors should encourage ordinary people to believe that they can get rich in a few months by playing the stock market. I believe that this does more harm than good and that is why I was dismayed to see that Dolmen Stock Brokers in conjunction with Today FM have launched a share trading competition that is based on a five month period.

Five months is far too short for investing in a company. In that period there will probably be one set of results that will indicate how the company has done in the recent past but the recent past has been a period of economic turmoil. In other words I believe that this is a crazy way to teach people about the stock market.

I would be more forgiving if it was clearly stated that it was all a bit of fun akin to taking a flutter on the Grand National but unfortunately it is not phrased in that way.

I have taken the following from the Today FM website:

- ***Trading Competition Rules of Play***

***Duration***

*The deadline for receipt of entries is 5pm on Sunday, November 15th, 2009. The competition will run until Friday, April 16th, 2010.*

***Rules and format***

*Each entrant shall have an initial notional portfolio worth €1,000.00 (one thousand euro).*

*Number of stocks that each entrant can choose: 10 (ten), ...*

The fact that they call it a "Trading Competition" rather than an "Investing Competition" inclines me to be a bit more forgiving but I worry that Dolmen are ultimately trying to encourage more people to try "Trading" with real money and that ultimately most people will end up doing badly.
I believe that a health warning should be attached to a game like this and it should say something along the following lines: "Trading may damage your financial health".

Dolmen and Today FM are not alone in promoting such competitions. Other companies have promoted similar ones and I would be critical of them as well but it just happened that I heard this one on a recent Sunday Business Show.

In conclusion I want to appeal to Dolmen and Today FM to stop sending out the wrong message about the stock market.

**(Wrong Message Number Two)**
As a former employee of AIB I have been intrigued to watch the unfolding saga of the appointment of a new Chief Executive.
The newly appointed "Managing Director" is Colm Doherty. Back in 1994 he was head of Investment Banking and this meant he was responsible for AIB Investment Managers where I worked at the time. Up until the time I left in 1996 I had no direct dealings with him so I cannot share personal anecdotes. Naturally enough though I did hear other people passing comments about him and all I can say is that the impression I got of the man was that we did not have much in common to say the least!.
I think I know enough about the culture of AIB to believe that a fundamental change would be for the best. I think we now need people at the top of AIB that are prepared to be different, who are prepared to break with the culture of copying what others are doing. Nothing I have heard so far indicates that Colm Doherty is the person to bring those radical changes.
I have heard on the grapevine that he is saying that he had reservations about what happened in the boom and he now wishes that he had shouted louder at the time. What I would love to see is if there is any evidence that he shouted at all. Surely there must be minutes of board meetings that would prove if he expressed any concerns about property lending.

If I was Brian Lenihan I would insist on change. I believe that he should get an outsider. I do not believe that it has to be a banker. When Michael O'Leary was appointed to Ryanair he had not run an airline. Somebody young, with common sense and a bit of vision could do great things.
Appointing Colm Doherty sends out the wrong message.