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FINANCIAL MANAGEMENT



To Err Is Human...?

It turns out that the reason for the market's quickie meltdown was completely computer generated-not a fat-finger.

Remember Hal 9000, the computer from 2001, A Space Odyssey? Hal was perfect and flawless in every way, except, oh yeah, he tried to kill the humans on board. Just programmed that way, he said.

It seems around 2:40pm, May 6, trading began to slow as prices were falling and the risk level in the market was rising. Somehow the normal trading of a few large companies like Proctor and Gamble got out of whack on the New York Stock Exchange causing trades to go to another electronic exchange. Trades are set to automatically be rerouted to keep orders flowing. In a split second Proctor and Gamble traded 20 points lower reducing the price of important indices like the S&P 500. This in turn set off an automated torrent of computer selling which resulted in a cascading downward spiral.

At this very moment, TV screens displayed two unrelated but frightening events: the tumbling market and people rioting in the streets of Greece. The emotional impact was equivalent to watching the alien invaders from War of the Worlds destroy everything in sight. It felt surreal and disorientating so I sat down to watch this madness unfold.

Having watched so many scenes unfold in my 30 years as an investment professional, one would think I would have been totally immune, but human nature being what it is, I must admit to feeling a lot of fear. Luckily, as the minutes ticked by, the markets recovered to a smaller loss for the day. Just like in War of

the Worlds, when humans got back involved in the action, the market came to its senses.

It's funny how a 300 point loss can feel so good.

This should not be happening in today's world. At this point in time, especially considering the fragile state of economies around the world, we need to be certain that the ground beneath our trading feet is solid; that we are on the Rock of Gibraltar, not a shifting sand dune.

This is especially important now because it is the time for smaller investors to risk some capital in order for them to earn the kinds of returns that will benefit them in the future. It is time for them to come out of their CD hiding places and back into the mainstream of risk and reward. The appropriate investment today is stocks, especially as we see the economy improving.

This is why the computer error on May 6th is disappointing and dangerous. All of this disruption may frighten most investors, discouraging them from taking the risks necessary to gain real financial security in their lives.

Stock Exchanges and regulators must fix this NOW.

We can't control what is going on in Europe, we can't control what is going on in Asia and to a large extent in our own economic backyard, but we CAN control the field investors need to play on in order to take control of their own financial lives.

We need to fix this now.

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