

Monthly Newsletter – May 2014

Note from Theo and Warren

We are often asked by our clients how to determine when the stock market is expensive or cheap. This is a great question, because it is misleading to simply look at the value of the All Share Index and assume that it will give you the answer you seek.

A great measure of the value of the stock market is the Price Earnings Ratio (PE). The PE is sometimes referred to as the “multiple”, because it shows how much investors are willing to pay per rand of earnings (profit). If a company were currently trading at a multiple (PE) of 20, the interpretation is that an investor is willing to pay R20 for R1 of current earnings (profits). In general when the PE of the market is high, it is considered expensive.

The long term average value (PE) of the market is between 14 and 15. When the PE reaches 18 or more, it is considered expensive and when it is 11 or lower it is cheap. The graph below shows how the PE of the South African stock market has moved from January 2013 to date.



-- Theo and Warren

Three types of burnout

The US-based Association for Psychological Science has rounded up the three main types of burn-out. It pays to be aware for these both for yourself and for your employees, as burn-out is becoming more and more prevalent:

1. **Overload:** The frenetic employee who works toward success until exhaustion, is most closely related to emotional venting. These individuals might try to cope with their stress by complaining about the organisational hierarchy at work, feeling as though it imposes limits on their goals and ambitions. That coping strategy, unsurprisingly, seems to lead to a stress overload and a tendency to throw in the towel.
2. **Lack of Development:** Most closely associated with an avoidance coping strategy. These under-challenged workers tend to manage stress by distancing themselves from work, a strategy that leads to depersonalisation and cynicism — a harbinger for burning out and packing up shop.
3. **Neglect:** Seems to stem from a coping strategy based on giving up in the face of stress. Even though these individuals want to achieve a certain goal, they lack the motivation to plough through barriers to get to it.

Burn-out has many, and fairly nebulous symptoms: fatigue, depression, listlessness, lack of interest, sleeplessness, etc. But if you suspect you or a co-worker may be suffering from burn-out, an intervention by a professional such as a psychologist or a coach is vital to help the affected person to get back to full strength, health and happiness again.

Walking and creative solutions

If there was a proven formula for unleashing creativity, its inventor would be very, very rich indeed. We simply can't switch our creativity on whenever we need it. But there are ways to unleash your creativity at little – and one of them may be the simplest of all: a good walk.

Marilyn Oppezzo, a doctoral graduate in education psychology, and Daniel Schwartz, a professor at the Stanford Graduate School of Education, found that walking – whether you're indoors or outdoors – is good for giving the brain a dose of inspiration.

What they were interested in, was whether it was the change of setting, or the act of moving your legs itself, so they designed a set of four experiments to test a variety of real-world scenarios: walking outdoors, walking on a treadmill while facing a boring wall, sitting at a desk, etc. Then, they had subjects take a “divergent thinking” creativity test, which entailed thinking up alternate uses on a given subject. The more novel or original the solution conjured up, the better.

They found that when it came to walking, there was little difference between going for a stroll around campus or walking on a machine. And compared to sitting, walking in any form was shown to boost creativity by some 60% – even when subjects sat down at a desk afterward.

However, while walking was shown to be a boon for creative brainstorming, it wasn't beneficial at all for the kind of thinking that required a single, non-negotiable answer – like finding an especially tricky line of code, or pinpointing a missing variable. But it's probably still a good idea to unshackle yourself from your desk every hour for a short walk – we all need a measure of creativity.

Finding time to read

“I just sit in my office and read all day.” This is how Warren Buffett, one of the world’s most successful businessmen and investors, describes his day. Sitting. Reading.

He advises everyone to read more, and that’s certainly a goal we can all get behind. But how? Life seems to get more and more frenetic, and often, it’s our reading that suffers.

How much do you read? Because there’s reading fast, and then there’s reading a lot. A combination of the two is going to be the best way to supercharge your reading routine, but each is valuable on its own. Sometimes we read purely for pleasure; sometimes we want to extract information.

A 2012 study by the Pew Research Centre found that adults read an average of 17 books each year, but the key word here is ‘average’ – there are huge extremes at either end.

Still: wanting to read more puts you in pretty elite company.

So, what gets in the way of reading? For most, in terms of the raw numbers, it’s about TV, commuting and shopping. The average person watches 35 hours of TV each week, the average commute time is one hour per day round-trip, and you can spend at least another hour or two per week for grocery shopping. Put together, that’s a total of 43 hours per week, and at least some of that could be spent reading books.

TV watching in particular, is problematic, because it’s such a passive activity for the brain. Reading, on the other hand, stimulates the brain and a host of other cognitive processes, so it’s vital to make more time for it – and in whatever form appeals to you.

Kindle or book, fiction or non-fiction, classics or comics: the benefit is in the reading and the way it expands your mind, so step away from the remote control for a bit and rediscover the pleasure of a good book.