

AN IMO ON THE INTERNET: A FEW NUGGETS, BUT LOTS OF TRASH

By James B. Cloonan

Some stock-related message boards contain postings with sophisticated insights into certain companies. Unfortunately, only a small percentage are of this quality, and you have to wade through hundreds of useless messages in order to find the useful ones.

While I use the Internet extensively for specific things, I have not done a lot of browsing. Over the last few months, however, I decided to view some of the stock-related message boards, or “threads” as the users call them, starting with stocks I was familiar with. I must admit I was very, very surprised by what I found.

First, I was pleasantly surprised by the presence of individuals knowledgeable about the field in which specific companies operate. Often, the areas are highly technical, and these individuals were sharing sophisticated insights into technology, marketing, competition, and financing. The willingness of people to share concepts and knowledge is a positive aspect of the Internet in general.

Unfortunately, only a small percentage of the messages are of this useful quality, and one has to decide if going through hundreds of messages a day is worth the time for insight from only a few. It may be entertaining for a while, but until there are faster ways of zooming through the comments, it may not be worth it.

Second, I was unpleasantly surprised by many of the stock thread messages, the vast majority of which are worthless—or worse. Here are some of the major problems IMO (thread language for “in my opinion”):

- There is extensive use of profanity and sexual innuendo. While I’m certainly not a prude nor do I suggest censorship, I haven’t heard talk like this since I was in the army. I find it disruptive, with no meaningful content, and probably a turn-off for the many potential female contributors.
- We need a new term, such as “net-rage,” to describe the frequent mean-spirited attacks by people if someone disagrees with them. Just as “road rage” comes from the anonymity of being in a car instead of face-to-face, the anonymous nature of the Internet lets the neurotics break loose at the extreme; spamming [posting the same message to multiple boards] the Web is equivalent to the gun in extreme road rages.
- There is a lot of “pump and dump.” It runs from the honest, if mistaken, cheerleading of current stockholders to the deliberate exaggeration and plain lying of traders who are long or short the stock. The law is not very clear here when it comes to individuals (as opposed to brokers), and intent is important. Deliberate misleading, if it results in someone’s loss, would likely be the basis for a civil suit, but proof of such intent would be difficult.
- There is an unbelievable amount of naivete among message board posters. Unknowledgeable investors distort the balance. One of the problems an individual has in evaluating Web content is that frequency of an argument may give it more perceived importance. If 10 people repeat the same positive aspect of a particular stock, it seems more important than the single aspect itself. On some message boards, multiple aliases are permitted, so the seemingly 10 opinions might be coming from just one person.
- Much space on message boards is wasted on content not relevant to the stock to which it is devoted. There is much personal conversation, like a chat room, that hurts continuity. Polite people use “off the subject” as their

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heading when sending personal information or directing someone to their E-mail, but they are a minority. Even worse, pump and dumpers go from board to board with messages suggesting a visit to the thread of the stock they are pumping.

While the Internet provides individual investors with more and better data than available before, those parts of it, particularly message boards, that emphasize opinion and recommendations should be approached with a great deal of caution. Nothing on a thread should be assumed to be accurate without verification from a more reliable source.

If you want to give it a try, here are some of the message providers I have visited:

Quote.Yahoo.com

Go to "Message Boards" or if you have a portfolio on Yahoo, there is a message button next to each stock in the portfolio.

RagingBull.com

Contains newer threads and they have some extra content controls.

Techstocks.com

This is Silicon Investor and they concentrate on technology stocks. There is a charge for membership, but you get a 30-day free trial.

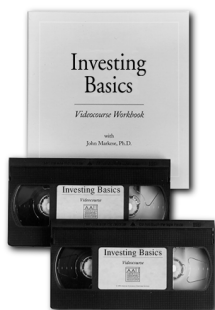
On all of these, you can "lurk" (just read messages) or contribute. Good luck. ♦

CORRECTION

In the Beginner's Portfolio rules in May 1998 *AAII Journal*, there was an error in the Management Rules for end-of-quarter reviews. At the end of the quarter if receipts from stocks sales are insufficient to buy all newly qualifying stocks, buy in order of lowest price-to-sales ratio, not price-to-book value ratio (which was the original rule).

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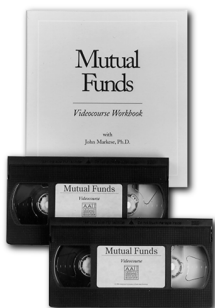
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