* Introduction to the Stock Market Game

**What is Stock? Why do people buy it?**

* -Stocks: Part of a company people buy because they want to earn money.
* Money is earned or lost depending how well the company does.
* Stocks are a quick way to earn money (if you pick the “right” ones)

**Why do businesses offer stock?**

🡪They want to expand/grow

*Example: Facebook*

* How to stocks come to market?

**What is a bond?**

* Bonds are certificates where you give the government or a company money and in return they PROMISE that within a certain amount of time they will give you all of your money back (no matter what) plus some interest.
* They are seen as “safer” than stocks as you get your money back +interest
* It may take a long time to get your money back

**What are mutual funds?**

🡪Mutual funds are “baskets” of stocks. A mutual fund contains a little bit of different stocks.

🡪You invest in many stocks at once but in small amounts

**What are portfolios?**

* A portfolio is a report of all your stocks, bonds, mutual funds.
* What is the relationship between risk and reward?
* 🡪More Risk=Higher Reward but also Higher Losses
* Idea is to have a balanced portfolio (a little bit of everything)

**What is a stock market?**

* An organization that allows companies to sell stock.

Ex: Nasdaq or NYSE

🡪Each country has their own stock market.

**How is a trade made?**

* ->You go through a brokerage Company
* Ex: Wells Fargo, Charles Swab, Edward Jones

**Characteristics of a perfect product**

Widgets, Inc. makes a product that…

* + everyone needs (or thinks they need)
  + no one has
  + is used daily
  + cannot be duplicated
  + will be needed in the future
  + costs little to produce and ship
  + Examples?

**What’s good news and what’s bad news?**

BAD NEWS

Decreased Products Sales= Decreased Profits = Decreased Interest in Stock = STOCK PRICES GO DOWN

Good News

**What determines the price of stock?**

* -Supply and Demand, What people “think” about the stock.

**How to read the stock page?**

**The Stock Market Game Basics**

* + You will be on a team
  + Each team begins with a hypothetical $100,000 and may buy or sell stocks, bonds, and mutual funds listed on NYSE or NASDAQ that have traded in the last 7 days.
  + Teams may “buy on margin” (take out a loan) $100,000 for a total of $200,000 for investing. A 7% interest rate is charged on the loan (cash \* interest (decimal) / 365).
  + $100,000 X .07 / 365 = $19.18/day

If you buy on margin you better make sure it is a “sure thing.” or you will be “naked” and unable to payback the loan.

* Teams should keep their passwords very safe – if a password is stolen and fraudulent transactions submitted, there is no undo.
* Remember IDs and passwords are sensitive.
* Do Not change passwords
* Must buy a minimum of 100 shares.
* A 1% broker’s fee is charged for each transaction.
* Stocks and mutual funds valued at less than $5 per share may not be purchased.
* Weekly 7% interest charged on negative cash balance, 5% credited on positive cash balance.
* Game week runs Monday-Friday. Teams may trade on any day the participating stock markets are open. Orders may be entered 24-7.
* The game takes 24 hours to update.
* Team with the highest portfolio equity (value) at the end of the game wins!

**Teams compete regionally and statewide:**

* Local Awards reception at VCU in May
* Top 3 portfolios in VA are invited to Annual State Awards Luncheon in Richmond in May

**Game Tips:**

* Play for the short-term and take a lot of risks -- opposite strategy when investing real money – buy NASDAQ growth stocks vs. NYSE blue chips
* Spend time doing research -- buy stocks that are likely to go up and down a lot (i.e., newer companies)
* Spend all your $$$$$ -- leaving cash balances cannot match the return available in the market
* Invest in what you know!