

THE CENTER FOR ECONOMIC EDUCATION AT BLACK HILLS STATE UNIVERSITY, THE SECURITIES INDUSTRY AND FINANCIAL MARKETS ASSOCIATION (SIFMA) AND THE SOUTH DAKOTA COUNCIL ON ECONOMIC EDUCATION PRESENT:

The South Dakota Stock Market Game (SDSMG)

Team/Teacher log in page: <http://www.stockmarketgame.org>

Spring 2018 Trading Session: February 5 to April 20

Coordinator Newsletter # 5 at March 23, end of trading Week 7

Coordinator Comments

Stocks crashed this week as President Trump's tariff plan combined with the Fed's interest rate hike and scary technology news sent investors to the sidelines as fears of a global trade war and resulting recession sent the three major market indices negative for the seven week trading period to date. Investors sold shares in heavy stock trading volume as the potential ramifications of the recent steel and aluminum tariffs imposed on China continued to weigh on investors' minds. China has imposed tariffs on imported US soybeans in retaliation.

Stocks were bogged down throughout the week, but Thursday's headlines of tariffs and a potential trade war sent shares sharply lower with the Dow plunging over 700 points on the close. Stocks have now finished three of the past four weeks lower. Stocks also dropped on Wednesday, as the Federal Reserve under recently appointed Chairman Jerome Powell, raised its target range for the federal funds rate to 1.75 %.

Further bad stock market news opened the last trading week as technology issues came under intense scrutiny following news of data misuse surrounding Facebook and a political analytics firm. Facebook (FB) shares dropped 14 % last week closing at \$ 159.

On Friday, the stock markets sank in unison as The Dow Jones Industrial Average (DJIA) declined 425 points (1.8%) to 23,533, the S&P 500 Index fell 55 points (2.1%) to 2,588, and the Nasdaq Composite decreased 174 points (2.4%) to 6,993.

Next week, all domestic markets will be closed on Friday and the bond market will close early on Thursday, in observance of the Good Friday Holiday.

Here are the three Major Market Indices and their respective Returns on Investment; Student teams should compare the Index Portfolio Values with their team's Total Equity Value. Professional investment managers receive bonuses if their stock picks beat the indices over specified time periods.

Index	Reading at Feb 5 (open)	Reading at Mar 23 (close)	Up or Down %	Index Portfolio Value *
Dow Jones Industrial Average	25,338	23,533	-7.1%	\$ 91,900
Nasdaq Composite	7,166	6,993	-2.4 %	\$ 96,600
Standard & Poor's 500 Index	2,741	2,588	-5.6 %	\$ 93,400

* Hypothetical \$ 100,000 investment in each Index at start of game, minus the 1 % commission (\$1,000) charged to teams when buying or selling stocks.

Top Teams in Each Division

Here are the Top Teams in each Division at the end of Trading Week 7:

Division / Number of teams (n = 196)	Portfolio Value	School	Teacher or Student
High School / 142	\$ 107,229	Philip	Brigitte Brucklacher
Middle School / 39	\$ 105,289	St Joseph's	Steven Rounds
College / 15	\$ 113,146	BHSU	Raven Jorgensen, Acct 480

Economic News impacting the stock markets:

New home sales unexpectedly dipped 0.6% month-over-month in February to an annual rate of 618,000 units, versus the Bloomberg forecast calling for 620,000 units and the upwardly revised 622,000 unit pace in January. The median home price was up 9.7% year to year at \$326,800.

February preliminary **durable goods orders** increased 3.1% month-over-month, compared to the Bloomberg estimate of a 1.6% gain, and January's 3.6% decrease was revised to a 3.5% decline.

Classroom Discussion Question:

Why should students be concerned about the United States Public Debt and the on-going annual Budget Deficits?

The Federal or Public Debt is the sum of all annual Budget Deficits. A Budget Deficit happens when the government spends more in expenditures than it collects from tax revenues during its fiscal year that begins on Oct 1 and ends on Sept 30.

The current federal public debt is \$ 21 trillion or about \$ 64,220 for every U.S. Citizen. The public debt is the cumulative result of annual federal budget deficits but has ballooned in the last decade. The public debt now exceeds the annual Gross Domestic Production of \$ 19.85 trillion.

A budget deficit occurs when a government spends more than it collects from its citizens. The current fiscal year budget deficit is currently at \$ 731 billion. This amount is calculated by subtracting US government spending to date of \$ 4.1 trillion from US tax revenues of \$3.37 trillion.

The following three (3) sources of government spending account for 68 % of total spending.

- Social Security spending was \$ 962 billion or 24 % of total spending to 51.8 million retirees.
- Medicare/Medicaid spending was \$ 1.17 trillion or 27 % of total spending to 57.3 million Medicare enrollees and 75.1 million Medicaid enrollees.
- Defense Spending was \$ 648 billion or 16 %.

The following three (3) main sources of government revenue account for 93 % of revenues.

- Income taxes raised \$ 1.65 trillion collected from 121.2 million tax payers or 48 % of total revenues
- The FICA tax raised \$ 1.18 trillion or 35 % of total revenues.
- Corporate taxes raised ONLY \$ 316 billion or 9 % of total revenues.

How did the Public Debt grow so fast?

The U.S. government ran up several annual trillion-dollar deficits over the past decades financing on-going wars, rescuing the economy from the Great Recession (2007-2009) and by providing accommodating fiscal policy (lower tax rates and higher government expenditures and monetary policy (lower interest rates).

How can we stop the annual increases in the Public Debt?

The federal debt limit or “ceiling” sets the maximum amount the federal government can borrow by law. The first debt limit was enacted in 1917 during WW1 as part of the Liberty Bond Act. The federal debt limit level has been raised more than **70 times since 1967**. Last spring, the House of Representatives agreed to allow the U.S. Treasury Department to raise the debt limit to pay federal bills until April 30 of this year.

What's the current news on the Public Debt?

Last Friday, the President signed the FY 2018 Omnibus spending bill so that the government can pay its bills till Sept 30. The bill will add to the public debt with defense spending rising to over \$ 700 billion per year and near matching increases in domestic spending.

President Trump's Tax Cut plan recently enacted is projected to add \$ 1.5 trillion to the public debt over the next 10 years.

If you have any questions, please email me at donaltmyer@bhsu.edu

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