

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 # 6 at April 6, end of trading Week 8

**Coordinator Comments**

U.S. stocks finished mostly lower as the week saw a string of three-straight winning sessions be preceded and followed by two selloffs. Skittishness toward the tech sector festered and global trade war concerns ebbed and flowed as the U.S and China traded proposed tariff blows and the markets grappled with whether negotiations could thwart a trade war from coming to fruition. This stock market “Tariff Tantrum” sent the indices into Correction mode, meaning a 10 % drop in the indices from their annual highs achieved in January. Tariffs have not historically been successful at erasing trade deficits or stemming the secular decline of industries— and have come at a cost. That cost is the unintended economic consequences and looming threat of a global recession.

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.

| <b>Index</b>                 | <b>Reading at Feb 5 (open)</b> | <b>Reading at Apr 6 (close)</b> | <b>Up or Down %</b> | <b>Index Portfolio Value *</b> |
|------------------------------|--------------------------------|---------------------------------|---------------------|--------------------------------|
| Dow Jones Industrial Average | 25,338                         | 23,933                          | -5.5 %              | \$ 93,500                      |
| Nasdaq Composite             | 7,166                          | 6,915                           | -3.5 %              | \$ 95,500                      |
| Standard & Poor’s 500 Index  | 2,741                          | 2,604                           | -5.0 %              | \$ 94,000                      |

\* 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 8:

| <b>Division / Number of teams (n = 196)</b> | <b>Portfolio Value</b> | <b>School</b> | <b>Teacher or Student</b>    |
|---|------------------------|---------------|------------------------------|
| High School / 142                           | \$ 108,025             | Philip        | Brigitte Brucklacher         |
| Middle School / 39                          | \$ 105,865             | St Joseph's   | Steven Rounds                |
| College / 15                                | \$ 114,139             | BHSU          | Raven Jorgensen,<br>Acct 480 |

### **Economic News impacting the stock markets:**

**Nonfarm payrolls** rose by 103,000 jobs month-over-month in March, compared to the Bloomberg forecast of an 185,000 increase. The rise of 313,000 seen in February was revised to a gain of 326,000 jobs. The unemployment rate remained at 4.1% in February, versus estimates calling for a dip to 4.0%, while average hourly earnings were up 0.3%, matching projections and versus February's unrevised 0.1% increase. Year to year, wage gains were 2.7% higher, in line with estimates and compared to February's unrevised 2.6% increase.

### **Classroom Discussion Question:**

*Why is the monthly Non-Farm Payroll (New Jobs) report so important to stock market investors?*

According to the Labor Department latest report, 155.3 million workers are employed in the USA and 6.6 million are unemployed. Of the workers employed, 122.7 million are private sector employees, 23.7 million are government (federal and state) employees and 8.9 million are self-employed. Of the workers employed, 127.5 million are full-time jobs and 27.8 million are part-time jobs. Each month, the Labor Department releases a series of reports on the national labor force.

Students should remember that consumers like us purchase about 70 % of Gross Domestic Production in the USA. To keep consumers buying these goods and products, they need to be employed and their wages and salaries need to keep pace with the annual rate of inflation. Retirees collecting social security are protected from inflation because these benefits are increased each year by the annual increase in inflation as measured by the Consumer Price Index.

When employment is rising and wages and salaries are increasing, consumers will continue to fuel GDP growth with their buying power. Investors watch this report to see if consumers will continue buying goods in services. If job growth comes in too low, a pending recession or negative GDP growth can happen. If job growth is too high,

inflation can be triggered. The Federal Reserve is charged with the balancing act of keeping inflation low and unemployment low; they have been successful of late.

The Non-Farm Payroll report is only one of several Employment Reports released by the Labor Department each month. The monthly Employment Report is issued by the U.S. Department of Labor and actually consists of two separate reports from two separate surveys. The first survey is called the **Household Survey** and surveys 60,000 households. This survey produces the **Unemployment rate**.

The second survey, called the **Establishment Survey**, is a survey of 375,000 businesses. This survey produces the **nonfarm payroll report or the New Jobs report**, the Average Workweek report and the Average Hourly Earnings (wage growth) report. Because of its larger sample size, the establishment survey is deemed more important to economists than the household survey. Both surveys cover the payroll period that includes the 12<sup>th</sup> day of each month.

Other important information in the monthly Employment Report:

**Labor Force Participation:** This measures the share of working-age people who are either employed or unemployed but looking for a job. An unemployed person not looking for work is no longer considered jobless and will actually make the unemployment rate fall.

**Part-time Workers:** The report includes the number of people working part-time for “economic reasons.” That means they are considered employed but want full-time work but are forced into part-time jobs due to a lack of full-time opportunities.

**Wage Growth:** In a normal economic recovery, wages tend to rise and unemployment tends to fall as employers start to compete over a shrinking field of job seekers by boosting compensation.

If you have any questions, please email me at [donaltmyer@bhsu.edu](mailto:donaltmyer@bhsu.edu)

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