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 # 3 at February 23, end of trading Week 3

Coordinator Comments

The stock market has bounced back after a rough start to the spring session. Both the Dow and the S & P 500 have recovered their losses while the Nasdaq composite not only recovered but gained back over 2 %. Students should be reminded to not panic and sell during a stock market correction (a 10 % drop from the 52 week high price) that we had at the end of Trading Week 1.   The "Buy and Hold" strategy requires patience and confidence in the markets and the economy.

The final participation numbers for Spring 2018 are as follows:

Division	Teams	Students	Schools
High School	142	317	17
Middle School	39	121	5
College	15	15	1
Total	196	453	23

Last week, the economic calendar was mostly positive, with the Federal Reserve's minutes being accompanied by business activity reports showing growth accelerated this month and Leading Indicators continued to grind higher, overshadowing an unexpected decline in existing home sales. A mostly positive earnings season continued to wind down, highlighted by Dow member Home Depot Inc's (HD $187) stronger-than-expected results, but headlined by Dow component Walmart Inc's (WMT $93) tumble after posting earnings and issuing guidance that missed forecasts.

So far, 453 companies in the S&P 500 companies have reported results for the 12/31/17 quarter and thus far company revenues reported that beat expectations is near 77% and the earnings positive surprise rate is about 79%, per data compiled by Bloomberg. Crude oil prices rallied for a second-straight week, bolstered by some bullish inventory data.

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.

Index	Reading at Feb 5 (open)	Reading at Feb 23 (close)	Up or Down %	Index Portfolio Value *
Dow Jones Industrial Average	25,338	25,310	0 %	$ 99,000
Nasdaq Composite	7,166	7,337	+ 2.4 %	$ 101,400
Standard & Poor's 500 Index	2,741	2,747	0 %	$ 99,000

* 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 3:

Division / Number of teams (n = 196)	Portfolio Value	School	Teacher or Student
High School / 142	$ 109,757	Philip	Brigitte Brucklacher
Middle School / 39	$ 103,155	Edison	Gretchen Doyle
College / 15	$ 111,816	BHSU	Danny O'Dea, Acct 480

Economic News impacting the stock markets:
Next week's economic calendar will likely continue to garner added attention. Key reports due out include: preliminary January **durable goods orders**, February **Consumer Confidence**, the second look (of three) at **Q4 GDP**, January **personal income** and **spending**, the February **ISM Manufacturing Index**, February **auto sales**, and the final February **University of Michigan Consumer Sentiment Index**. However, the headlining event will likely be Fed Chairman Jerome Powell's first **semi-annual Congressional monetary policy testimony**.

Classroom Discussion Question:

Topic: Gross Domestic Production: The broadest measure of a country's economic health

What is Gross Domestic Production (GDP) and why is it an important economic indicator?

Gross Domestic Production (GDP) is the broadest measure of economic activity. Annualized quarterly percent changes in GDP reflect the growth rate of total economic output. In the USA, it is estimated that one million jobs would be created by a 1 % increase in annual GDP.

According to http://www.usdebtclock.org/ the GDP of the USA is $ 19.8 trillion.

Dividing our $ GDP by the population yields **Per Capita GDP** a measure of a country's standard of living and quality of life. This calculation is $ 60,550 ($ 19.8 trillion divided by 327 million) making the USA one of the richest countries on the planet!

In 2017, GDP grew at + 2.3 % for the year. The 2017 Q3 GDP increased + 3.2 % and the 2017 Q4 GDP increased + 2.6. With the last two quarters averaging 2.9 % GDP growth, it looks like the economy is starting to pick up steam and this broad national economic gage usually translates into solid stock market performance.

How are the GDP reports released?

Quarterly GDP reports are broken down into three announcements: **advance, preliminary,** and **final.**

The Advance Report is released in the third or fourth week of the month following the close of the quarter, with the Revised and Final revisions released in the second and third months of the following quarter. The GDP report is prepared by the Bureau of Economic Analysis under the U.S. Department of Commerce.

The figures can be quite volatile from quarter to quarter. Inventory and net export swings in particular can produce significant volatility in GDP. The final sales figure, which excludes inventories, can sometimes be helpful in identifying underlying growth trends as inventories represent unsold goods, and a large inventory increase will boost GDP but might be indicative of weakness rather than strength.

The broad components of GDP are: consumption, investment, net exports, government purchases, and inventories. Consumption is by far the largest component, or 2/3rds of GDP, meaning that consumers like you and me buy nearly 70 % of GDP!

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

Don Altmyer, South Dakota Stock Market Game Coordinator
Director, Center for Economic Education at Black Hills State University
Professor, College of Business & Natural Science