

The Stock Market Game™



Week In Review

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Dear Teachers and Stock Market Game Participants:

From the freak snow storms experienced on the East Coast to the strange “Balloon Boy” story that has already spent too much time in the news, it’s been an interesting week both on and off Wall Street. The big news on the Street was Wednesday’s return of [the Dow](#) – hitting the 10,000 level on surprisingly robust company results and better-than-expected retail sales. When the Dow first closed higher than 10,000 in March 1999, traders celebrated with sparkling wine. This time, market participants were much more cautious and subdued. “People don’t believe it, they don’t trust it, they are nervous, they are anxious,” said Andy Brooks, head of stock trading at T. Rowe Price.

Investors have reason to be cautious as we enter into earnings season where companies report on their financials from the previous three months. These reports have the potential to push the markets both into positive as well as negative territory. This has been the case this past week as quarterly result from JP Morgan Chase & Co (NYSE: [JPM](#)) and Intel Corp (Nasdaq: [INTC](#)) posted strong profits helping to push the Dow towards 10,000 on Wednesday. Just as quickly, Wall Street fell after Goldman Sachs (NYSE: [GS](#)) and Citigroup Inc. (NYSE: [C](#)) failed to live up to analysts expectations when the companies reported their earnings Thursday. Other well known companies reporting earnings Friday/late Thursday night include: Google (Nasdaq: [GOOG](#)) – revenues grew 7% from last year; [IBM](#) (NYSE: [IBM](#)) – reported earnings up 14% from a year ago; Bank of America (NYSE: [BAC](#)) – monopolizing the current headlines as it posted a sizable loss; and General Electric (NYSE: [GE](#)) – reported third-quarter decline of 45% due to the company’s widespread cost cutting.

With the current focus on company earnings, let’s take a step back and focus on the basics. What are they? In essence, a quarterly earnings report is much like a student’s report card except it’s for publicly traded companies. These reports, usually filed in January, April, July, and October, let shareholders know how well the company has performed over the past three months. Included in these reports are [net income](#), [earnings per share](#), [earnings from continuing operations](#), and [net sales](#). Most often, the key metrics – net income and earnings per share, are compared to the previous year’s numbers. Analysts and investors then gauge the financial health of the company and whether or not to invest. One question you may want to pose to your students is whether or not they feel a quarterly earnings report will accurately predict the company’s future. Many on Wall Street are questioning just that as banks remain plagued by fundamental uncertainties (i.e. toxic assets they have been unable or unwilling to shed as well as the repayment of TARP money).

To further your discussion of quarterly earnings with your Stock Market Game* students, be sure to check out the *Dividends and Earnings* lesson as well as the *What Causes Stock Prices to Change* lesson located in the [Teacher Support Center](#). The *Innings and Earnings* edition of the *In the News* newsletter will also be beneficial to your students. The two lessons are accessible by logging in and clicking on “Lesson Sequence” and then selecting “Display a Complete Outline of All Lessons.” To access the newsletter, click “Publications,” select “Show All Publications by Name,” and then select “In the News.”

Have a great week!

1

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