

# The Stock Market Game™



## Week In Review

October 23<sup>rd</sup>, 2009

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Dear Teachers and Stock Market Game Participants:

While many be bleary eyed from the late night baseball games this past week, quarterly earnings and the Dow's continued straddling of 10,000 occupied market headlines. Apple (Nasdaq: AAPL) was the big newsmaker at the beginning of the week shattering Wall Street forecasts by posting its earnings on Monday calling the fiscal quarter its "most profitable ever" due to record Mac and iPhone sales. Another company beating earnings expectations is Microsoft (Nasdaq: MSFT). While its revenue fell from the same period last year, the company earned 40 cents a share on net income, well above what analysts expected.

Also spending a lot of time in the news this week was the discussion of winding down the Troubled Asset Relief Program (TARP) as well as curbing executive pay for the top executives receiving federal bailout money. On Tuesday, Treasury Secretary Timothy Geithner announced the White House will start closing out programs at the heart of the TARP program but will instead focus on "more-targeted programs directed at what are the principal areas where there's still weakness in access to credit," specifically citing housing and small businesses. The Obama administration will also order deep pay cuts for the 25 highest-paid executives at companies that received TARP money. The companies involved include AIG, Bank of America, Chrysler, Citigroup, General Motors and the financing units of Chrysler and GM. The cash portion of the executives' compensation will be cut by an average of 90%, to be replaced by stock that must be held for several years before it can be sold. Companies that did not receive TARP money or that have repaid their capital injections are not included in the pay cut.

With the spotlight on executive pay and Wall Street in general due to the economic downturn over the past year, the concepts of corporate governance and ethics may be of interest to your Stock Market Game students. Corporate governance quite simply poses the question "what's the best way to run a public corporation?" While some define the question in terms of a corporation's responsibility to its shareholders, others define it much more broadly to include the corporation's responsibility to the larger society. Regardless of whether it's defined narrowly or broadly, one of the central issues of governance is how to ensure that the people who run a company act in the interests of the people who own it (its shareholders). The issues of executive compensation, honesty in accounting, board of director responsibilities, and shareholder rights all relate to this fundamental goal.

One of the most well known policies established after a number of high profile failures including Enron and WorldCom is the Sarbanes-Oxley law, establishing new rules to police and restore public trust in corporate America. The "Matching SOX" issue of *In the News* tackles the topic of corporate governance and the Sarbanes-Oxley law. The newsletter is located in the Publications section of the Teacher Support Center. Also be sure to check out "Ethics in the Stock Market," an overarching project accessible by searching for "high school" and "math."

PNC Bank's Christmas Price Index will be released the Monday after Thanksgiving and there will be a webinar on November 2, 2009 on how to use it in your classroom with SMG. Instructions on how to join the webinar are included below:

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Where/How: To join the webinar, go to:

<https://pncu.webex.com/pncu/k2/j.php?ED=129697742&UID=1086484552>

Enter your name and email address.

Enter the session password: Web123

Click "Join Now".

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To join the teleconference only: Phone (866.217.6359); Passcode 4650617599

Have a great week!

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