

The Stock Market Game™



Week In Review

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While most of downtown New York City is basking in the Yankees recent World Series win with the celebratory parade, a few short blocks away the rest of Wall Street is reviewing the unemployment stats released this morning. The unemployment rate rose above 10% for the first time since October of 1983, a much worse jump than many expected as employers continued to trim jobs from payrolls. Despite an overall growth in the economy during the third quarter, the unemployment reading is a sign of the continued weakness in the labor market. Perhaps the only good news for those out of work is the extension of unemployment benefits. Yesterday Congress voted overwhelmingly to extend benefits for the unemployed to 20 weeks. There are now a record 5.6 million people who have been unemployed for six months or longer, as the average time an unemployed person has been out of a job hit 26.9 weeks.

With the recent unemployment news, many investors are starting to reevaluate gold and bonds as safe investment havens especially after gold rose to \$1,110 an ounce this morning. Gold is benefiting from a “flight to quality,” said Adam Klopfenstein, senior market strategist at commodities brokerage firm Lind-Waldock. Investors expecting an economic recovery “threw in the towel” after the jobs report and “want to own something tangible,” said Klopfenstein. While Stock Market Game teams cannot trade commodities, they may be interested in researching companies that mine gold. Some worth taking a closer look include: Barrick Gold (NYSE: ABX); AngloGold Ashanti (NYSE: AU); and Newmont Mining Corporation (NYSE: NEM).

For those Stock Market Game students who would like to add a little stability to their portfolios, have them explore bonds. In essence, bonds are loans investors make to the issuers in return for the promise of being paid interest, usually but not always at a fixed rate, over the loan term. The issuer also promises to repay the loan principal at maturity, on time and in full. While bonds have a reputation as a dull investment in part because they are less volatile than stocks and produce a lower long-term return, their appeal has risen due to the current economic climate.

While all bonds share basic characteristics such as terms, rates, and par values (the face value, or named value of the bond – usually \$1,000), they are not all alike. One of the major differences is that they’re issued or sold, by four distinct entities in the U.S. Corporations issue bonds to raise money for expansion, research and development, and other expenses of doing business. While corporations can also raise money by selling new stocks, they may prefer bonds because the existing stocks lose value when new stocks are issued. Municipal governments, such as states and cities, sell bonds to fund projects for the public good like building bridges, sewers, roads, and schools. The U.S. Treasury also issues bonds to meet its regular and unusual obligations. And finally, government agencies issue bonds to raise money to do their work, such as provide mortgages as well as student loans.

For more information about bonds, check out our *What is a Bond?* lesson in the Teacher Support Center. To access the lesson, click *Lessons & Activities* (in purple), search by keyword “bonds,” and make sure to select “no” after “core.”

Also, as a reminder, the Fall semester of InvestWrite is underway. Now is the time to have your students begin crafting their responses. The essay prompts and questions can be found at www.investwrite.info. To assist your students in writing their essays, be sure to review the *How to InvestWrite* lesson in the Teacher Support Center. It’s accessible under the *Lesson Sequence* section – be sure to select “non core.”