

The Stock Market Game™

Week In Review

February 5, 2010

Written By: Wayne Marks, SIFMA Foundation for Investor Education



Confused by the numbers... The labor department reported today that the economy lost 20,000 jobs in January, but the unemployment rate dropped from 10% to 9.7%. Huh? How can unemployment drop if we're still losing [jobs](#)? Some believe the [disconnect](#) between these numbers has to do with a new formula the government is using to calculate the unemployment rate. Whether the new formula is valid or not, Wall Street was having none of it, sending stocks lower today with the Dow below 10,000 at midday. News that consumer credit declined less than expected sparked a late day rally that fizzled at the close, leaving the Dow down 51 points at the end of the session.

Why does the unemployment rate matter so much to stock investors? It's because companies need a growing economy to grow their profits and growing profits is the lifeblood of increasing stock prices. With so many people out of work, the stock market is predicting there won't be enough demand to grow the economy, because there aren't enough people with jobs buying goods and services. Therefore, until there's more evidence of a recovery, many investors are getting out of stocks today into safer investments such as bonds. This is known in Wall Street jargon as "sitting on the sidelines."

So what will it take to get investors off the stock market sidelines and back in the game? Employment really is the key, which is why you're starting to hear the [President](#) and [Congress](#) talk more about creating jobs. Whether they can do that or not remains to be seen, but as students choose investments this semester, they should keep a close eye on the monthly jobs report. If they believe unemployment will get better, right now could be a buying opportunity for stocks. However, if they think unemployment will get worse or stay the same, they should proceed with caution. One fun way to help your students form an opinion about the direction of unemployment is to encourage them to ask the businesses their families frequent, "How's business?". They can ask managers and owners if they plan to hire people. They can ask their parents and other adults the same questions about their workplaces. This isn't scientific and will vary by region, of course, but it will reinforce to students that the economy isn't some abstract concept; it exists in the world around them and they are a part of it.

Recessions, recoveries, expansions and employment numbers are all part and parcel of what's known as the business cycle. It is an important concept your students need to understand as they learn about saving and investing for long-term goals. In SMG's [Teacher Support Center](#), there are two great resources you can use to help your students with this concept. Our *In the News* newsletter entitled, "The Ups Win" can help you get started. It can be found in the Publications section. Also, SMG has a project for middle and high school students in the [Teacher Support Center](#) entitled, "What Goes Around". To find the project, click on "Projects" after you login, then in the first dropdown select "Overarching" then in the third dropdown, select middle or high school. You can ignore the other dropdowns and click "Next". The "What Goes Around" project will be the last file on the list that appears.

The SIFMA Foundation for Investor Education, the national provider of SMG, has negotiated a discounted price for the Wall Street Journal Classroom Edition. Normally \$100 per school year, SMG teachers can get the WSJ Classroom Edition for \$79 by clicking [here](#). Also, you may want to check out the online version at <http://classroomedition.com/cre/>. It's an excellent resource and a great companion to the Stock Market Game.