The Stock Market Game™

Week In Review

March 5, 2010

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Welcome to March – the "light at the end of the tunnel" month, where the old saying goes…if March comes in like a lion, it will go out like a lamb. For much of the country who has seen more than enough snow for the season, spring cannot come fast enough and our fingers are crossed the weather forecasts are correct and our first glimpse of warmer weather this weekend will ring true! The stock markets are responding in a similar positive manner upon the news that U.S. employers cut fewer jobs than expected last month, offering relief to investors braced for bad labor market news. Analysts were concerned the severe winter weather that affected large areas of the country would cause a larger drop in payrolls. "We had been bracing for bad news, and what we got was much better than expected, which suggests we could potentially rebound further in March and April," said Marc Pado, market strategist for Cantor Fitzgerald & Co. "This was the number people were fearing, and that we got through it like this is very positive for the long run."

Good news for stocks often means bad news for bonds, so bond prices fell on the job news. However, despite worries about Greece's debt crisis and how European governments, the European Union and the European Central Bank will respond, Greece had a successful bond sale, giving hope to markets.

U.S. stock markets were boosted by Apple (Nasdaq: AAPL) which surged to an all-time high of $218.69 in intraday trading after it said the first iPad computers will be in U.S. stores in early April. The jobs data also provided a boost to commodities, with crude oil prices hitting a seven-week high and the energy sector rose 1.6 percent – the strongest performing sector in the S&P 500 index.

In terms of your Stock Market Game students, if they are like the majority of teams participating in the program, they are probably still being drawn to companies well known to them such as Google, Nike, and Apple. If they have chosen to invest in Aeropostale, they will be introduced to a new concept this week – a stock split, as the company's stock officially split on Friday.

First off, what is a stock split? A stock split refers to a corporate action that increases (or decreases) the number of shares in a public company. A 2-for-1 stock split, for example, doubles the number of outstanding shares and divides the price by two. If you own 100 shares of a stock selling at $50 a share, for a total value of $5,000, and the company`s directors authorize a 2-for-1 split, you would own 200 shares priced at $25, with the same total value of $5,000. While 2-for-1 splits are the most common, stocks can be also be split 3-for-1, 10-for-1, or any other combination. In addition, a company can reverse the process and consolidate shares to reduce their number by authorizing a reverse stock split.

Below are three companies that have recently announced stock splits as well as a short description of each:

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Gafisa (NYSE: GFA): 2-1 stock split: a builder, developer, and manager of residential buildings throughout the country. NetLogic Microsystems (Nasdaq: NETL): 3-2 stock split: a designer and seller of knowledge-based processors to optimize Internet speed and search capabilities. Owens & Minor (NYSE: OMI): 3-2 stock split: a leading distributer of medical and surgical supplies.

So what is the purpose of a stock split? It's basically an accounting procedure. Instead of a $20 bill in your wallet, you now have two $10 bills. But if a stock split simply rearranges the numbers, why do companies do them? The usual reasons include: making the stock appear cheaper than it really is (to encourage more buyers); to increase liquidity; to meet stock exchange listing requirements; and to express a bullish management attitude.

For more information on stock splits, be sure to take a look at the *Stock Talk* issue "Anna and the Banana." The edition is accessible in the **Teacher Support Center** under the *Publications* section.

Have a great week!

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