The Stock Market Game™

Week In Review

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Perhaps it's the merriment left over from Wednesday's Saint Patrick's Day celebrations or the anticipation of Spring's official arrival tomorrow, but Wall Street has been on a winning streak as yesterday's close marked the eighth day of gains for Dow industrials – the longest stretch since an eight-day string of gains ended on August 27, 2009. Will it continue? Unfortunately it appears the brakes have been applied as stocks have retreated today upon Palm's (Nasdaq: PALM) worse-than-expected profit report pummeled the tech and telecom sectors. The smartphone maker plunged 18% today with some analysts cutting its price targets on its shares to $0, making the company's stock essentially worthless. Palm has long struggled to make a dent in the smartphone market with Apple's iPhone and Research in Motion's BlackBerry faring much better with consumers.

In international news, reaction to India's rise in interest rates also put pressure on stocks today. India made the policy move to fight inflation, but markets are concerned that the withdrawal of stimulus dollars will slow the global recovery, and that the U.S. Fed may follow their lead with a rate hike. Oil dropped below $80 barrel indicating demand for oil may be weakening, sending the dollar higher, but also depressing oil and energy stocks across the board.

The other major topic on the Street as of late is the looming congressional vote to revamp the U.S. healthcare system. Boosted by estimates that their health care overhaul would cut the deficit by $138 billion over the next decade, congressional Democrats unveiled their final blueprint Thursday and set the stage for a House vote on Sunday. House approval of the package, would include the health care bill passed by the Senate last year along with a series of changes sought by House Democrats. With all the focus on the healthcare vote, health-sector stocks remain in focus, with the Morgan Stanley Healthcare Payor index up 2.1 percent. Aetna Inc.(NYSE: AET) and Cigna (NYSE: CI), both health insurance providers, are in the news as Aetna's stock has surged 4.4% to $34.70 in midday trading, while competitor Cigna has jumped 4.8% to $37.60.

In terms of your Stock Market Game students, we've received quite a few messages from teachers recently regarding the trading of bonds. For those students who would like to add a little stability to their portfolios, bonds are a perfect choice. 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.

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