

The Stock Market Game™



Week In Review

May 7, 2010

Written By: Elizabeth Reidel, SIFMA Foundation for Investor Education

The Socratic Method... involves an oppositional discussion in which the defense of one point of view is pitted against the defense of another. Such a discussion between bulls and bears this week seems to be giving the bears the upper hand as the Greek debt crisis caused many market participants to sell stocks and buy safer assets such as short term U.S. Treasuries, gold and other commodities. Riots in the streets of [Athens](#) after the Greek Parliament approved an [austerity plan](#) spooked investors.

The situation helped cause a decline in the value of the Euro against the US Dollar, which is seen by many investors as potentially slowing the US economic recovery as US exports become more expensive and less competitive. And what appears to be a computerized trading glitch that caused a 1,000 point drop in the [Dow](#) only added to the fear on the Street.

Thursday's anxiety bled into Friday with the Dow off sharply in the morning session. Never mind that the Labor Department reported a gain of [290,000 jobs](#) in April, the Nasdaq and S&P were down significantly as well. Later in the day, the Dow climbed briefly into positive territory only to be smacked down by a bear paw once again, closing down 139 points. But [volatility](#) seems to be the name of the game this week and the chief cause of high volatility is uncertainty. And what are investors uncertain about? Well, just about everything. We seem to be in the middle of a perfect storm of bad news, which is great news for owners of gold and investment grade bonds...for stocks... not so much. So let's unpack the various tribulations leading to this uncertainty and high volatility.

Despite the German Parliament agreeing today to bail out the Greeks along with the IMF and others, much doubt remains about the ability of the Euro to hold up against other currencies over the medium and long term. Indeed there are worries that the Northern [European](#) countries may at some point abandon Southern European neighbors and return to issuing their own currency and that the Euro will die. The Greek bailout was about as popular with the German people as the [TARP](#) (a.k.a., the bank bailout) was with Americans. So if the current actions don't stop the Greek contagion, the Germans and others are unlikely to lend a helping hand to the [PIIGS](#) going forward. This is causing global credit markets to tighten and the specter of the Lehman Brothers collapse of fall 2008 seems to be looming over market psychology yet again.

Added to this ongoing crisis are growing fears about U.S. [debt](#) levels, slowing Chinese [growth](#), financial regulatory reform, Thursday's computer glitch, an oil well in the Gulf of Mexico that continues to threaten coastal [fisheries](#) and you've got many causes for concern. Not to mention two wars, [terrorism](#), Iran's nuclear weapons thumb nosing, and Pakistan's unending instability. It all adds up to good reasons for investors to leave the market, which helped cause the volatility we've seen this week.

To help explain this to your Stock Market Game students, we have a project on volatility in the [Teacher Support Center](#). It's titled "Volatility: The Ups and Downs." You can find it by choosing the Projects link on the In the Classroom section of the Teacher Support Center homepage. In the first dropdown choose *Overarching* and in the "Grade" dropdown choose *High School*. Then hit the "Next" button. The project is fourth on the list. It's designed for high school students but may be adapted for younger grades.

Also, if you're looking for an educational and exciting professional development experience this summer, consider the New York Stock Exchange's *Teacher Workshop*. It's conducted in partnership with the Securities and Exchange Commission and you can learn more about it [here](#).