The Stock Market Game™  
Week In Review  

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Dear Stock Market Game Teachers and Participants:  

Happy Fall and welcome to the first edition of the SIFMA Foundation’s SMG Week in Review for the 2014/15 school year. For those of you new to the program, this weekly e-newsletter will tie current events to the SMG program and highlight appropriate SMG curriculum materials. I will also discuss basic economic principles helpful to you and your students during participation in the program. Be on the lookout for the newsletter in your inbox each Thursday or Friday over the next ten weeks.  

As your students engage in the program, they will quickly come to realize the importance of current events and the impact on the economy (and their SMG portfolio). While many SMG teams are just getting started with their investments, a great way for your students to stay abreast of market news is to view the “News Feed” section of their portfolio. Portfolios are provided with a Reuters feed which provides up-to-date stock market and mutual fund news allowing students to view the major economic events impacting the markets.  

One such event included in this section was the recent initial public offering (IPO) of Alibaba (NYSE: BABA). On Friday, September 19th, the Chinese e-commerce giant officially “went public” soaring 38% from its opening price to close at $93.89 per share. Its IPO ranks as the world’s biggest at $25 billion after the company sold an additional 48 million shares. As its current share price has fallen to $89.18 at the time of this writing, have your students determine where or not it’s a smart investment or not for their portfolio. It’s sure to be an interesting ride during their SMG session.  

To help better explain the current events related to Alibaba, it’s important for your SMG students to know the basics about an IPO. If a company’s product or service is in great demand, demand may outstrip the ability of banks and venture capitalists (who privately supply funding) to provide money for the company’s expansion to meet that demand. At that point company leaders may decide to “go public.”  

Company management goes to investment bankers to negotiate an agreement to underwrite a stock offering known as an IPO. The investment bankers buy all the shares that will be offered to the public at a set price (primary market). In other words, they underwrite the IPO. The investment bankers then sell the stock to the general public (secondary market) in the hopes of making a profit.  

In addition to finding underwriters, company management must register its stock with the Securities and Exchange Commission (SEC) before “going public.” Generally, companies can offer two types of stock, common and preferred. Common stock entitles the owners (called stockholders or shareholders) to collect dividends, if the company declares them. It also entitles the owners to vote in company elections and decisions. Stockholders who purchase common stock share in most of a company’s profits and losses. Stockholders who purchase preferred stock are usually guaranteed a dividend payment. This payment is made before any payments to common stock holders. If a company fails, preferred stock
holders are repaid before common stock holders. Preferred stock holders do not share in most of a company’s profits or losses. Preferred stock holders also do not have any voting rights.

To review the IPO concept with your students, please be sure to check out the “Shares of Sharing” edition of the In the News newsletter. The issue discusses Facebook’s IPO and how companies rely on investment banks to sell their shares to the public. You can find the edition in the “Publications” section of the Teacher Support Center.

And finally, did you know the SIFMA Foundation works with leading financial firms across the country and their financial professionals want to visit your classrooms? Invest It Forward connects you with local volunteers, who will visit your class or host a field trip to their office. This is an exciting way to bring the Stock Market Game to life – combining real world experience with real classroom learning. Registration is easy and takes only a few minutes:

Select "Create Account Here." Choose "SIFMA Invest It Forward" in the Region box. Select "Teacher" in the User Type and proceed to register your first class.