Dear Teachers and Stock Market Game Participants:

This Sunday marks the anniversary of Black Monday which is typically remembered as one of the worst days in stock market history. On October 19, 1987, the Dow Jones Industrial Average fell by 508 points to 1739 or 22.6% and similar market drops occurred around the world. The Black Monday decline was the largest one-day percentage drop ever. The event marked the end of a five-year “bull” market that had seen the Dow rise from 776 points in August 1982 to a high of 2,722.42 points in August 1987.

Despite growing concerns regarding the spread of Ebola, stocks are rallying at the end of a roller coaster week on rising consumer sentiment and solid corporate earnings. According to a Thomson Reuters/University of Michigan survey, U.S. consumer sentiment rose in October to the highest in more than seven years. The main market benchmarks were also boosted by upbeat earnings reports from heavyweights, such as General Electric (NYSE: GE), Honeywell (NYSE: HON) and Morgan Stanley (NYSE: MS) with each company topping expectations. For an additional list of companies reporting earnings check out Yahoo Finance’s Earnings Calendar.

With the current focus on company earnings, it’s important that your Stock Market Game students are familiar with the basics. In essence, a quarterly earnings report is much like a student’s report card except it’s for publicly traded companies. These reports, usually filed in January, April, July, and October, let shareholders know how well the company has performed over the past three months. Included in these reports are net income, earnings per share, earnings from continuing operations, and net sales. Most often, the key metrics – net income and earnings per share, are compared to the previous year’s numbers. Analysts and investors then gauge the financial health of the company and whether or not to invest. One question you may want to pose to your students is whether or not they feel a quarterly earnings report will accurately predict the company’s future.

To further your discussion of quarterly earnings, be sure to check out the Dividends and Earnings lesson as well as the What Causes Stock Prices to Change lesson located in the Teacher Support Center. The Innings and Earnings edition of the In the News newsletter will also be beneficial to your students. The two lessons are accessible by logging in and clicking on “Lesson Sequence” and then selecting “Display a Complete Outline of All Lessons.” To access the newsletter, click “Publications,” select “Show All Publications by Name,” and then select “In the News.”

Also, as a follow up to last week’s discussion of Alibaba’s highly publicized IPO, the first issue of In The News for the fall semester is now available in the Publications section of the Teacher Support Center. A MA-Ketplace for China uses the recent Alibaba IPO as a springboard for a discussion of speculation and investing when buying stocks. It also introduces the concept of an American Depository Share (ADS). If you are interested, Investopedia offers an explanation of the differences between an ADS and an ADR: http://www.investopedia.com/ask/answers/06/adrvsads.asp. You can access it by logging into the Teacher Support Center and clicking the “Publications” link under the In The Classroom section. Next, select “Show All Publications Listed by Name.” In the News is the first link on the page and the latest newsletter is the first link on the following page.