

# Stock Market Simulation

**A Little Stock Market Background:** In 1929, the stock market experienced a crash based on the over-speculation of investors. **Over-speculation** is when investors buy stocks with borrowed money with the promise to buy more based on the idea the market will continue to rise. However, when buying stocks with borrowed money, if those stocks fail, it leaves the market (and you!) in big trouble! Stockbrokers' loans went from less than \$5 billion in mid-1928 to \$850 billion in September of 1929. Since the market's boom was based on borrowed money and optimism rather than real value, it left the market in real trouble when prices dropped. If stock prices go up, everything is great! If prices drop, and people are buying with borrowed money, it leaves them in danger of losing their entire investment – and since it's already borrowed money, their loss also means the lender has lost too.

**How to play:** Let's try it out! To simulate a stock market investment, you will be given a loan of \$10,000. Use your \$10,000 to invest in the stock market at current prices with the hope of turning it into more money as the market changes. One idea is to invest in companies you love and believe in! However, beware that just because you like something it does not mean the rest of the world does too. Do your research!

We will revisit your investments throughout the course of the simulation. Your loan will be repaid to your borrower on your assigned due date. Hopefully, your investments were profitable, allowing you to pay back your broker and save some money for future investments. If you haven't made money, you will owe your broker from your own pocket!

**Rule 1:** You can invest your \$10,000 in as many or few stocks as you like.

**Rule 2:** Each transaction (buying or selling) costs you \$10. If you buy 10 stocks that would cost \$100 – and if you sell all 10 stocks that would cost another \$100. So be thoughtful and careful about your investments! Trading often can work but it will also cost you.

**Rule 3:** Every transaction must be recorded on your ledger for the trade to be valid.

**Rule 4:** You may only make trades while the trading floor is open – research ahead of time so you can make wise trades while the trading floor is open. Your teacher will give you specific trading floor times. You will make trades based on real market prices at the moment of your trade.

## Helpful tips:

*Diversification*—If you invest all your money in one stock and it does poorly, you will lose all your money. It's always a good idea to invest your money in different places to avoid losing it all if one stock fails.

*Make wise trades* – Each trade costs \$10, so consider the number of shares you want to purchase. Adding to a purchase later or quickly deciding you want to trade the stock you just purchased will cost you money. Make each dollar count!

**Research your purchases and trades at the following websites:**

<https://finviz.com>

[www.finance.yahoo.com](http://www.finance.yahoo.com)

[www.google.com/finance](http://www.google.com/finance)

Your Due Date is: \_\_\_\_\_

Name \_\_\_\_\_ Class \_\_\_\_\_ Date \_\_\_\_\_

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