

WEEKLY HIGH SCHOOL LESSON

#KEEPLearning



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Week Five: What is the Stock Market and How Does it Work?

Overview: This lesson is intended to help students understand what the stock market is and how it works, learn key phrases associated with the stock market, and give the current world economic situation more context.

Preparation: Review the activity and session materials. Make sure your student has all the needed materials to complete the lesson.

Recommended Time: 30-45 mins

Materials:

Computer/Tablet with Internet
Printer (recommended but not required)
Paper
Writing Utensil

A note before you get started: You are going to spend some time talking to your students about what the stock market is and how it works. You can explain that the stock market and stock exchange are complicated and not easy to understand for those not entrenched in the financial or trades world. The market itself is unpredictable. Lots of people and entities are involved, many confusing terms and acronyms are used, and there are many other factors at play that make the stock market seem inaccessible to the average person.

Even as a teacher, if you are feeling confused or overwhelmed by the information you're reading and sharing with your students; don't worry as it is confusing to many people. The complicated systems that keep the market running are designed for use by large corporations, investors, and those specialized in the field, meaning everyday people can feel left out. Learning more about it and being more familiar with the terms can alleviate some of that confusion. We hope that both you and your students find this lesson helpful in a greater understanding of how the stock market works.



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High School
Week Five

1) Presentation:

Tell your students that Amazon and Walmart are two of the largest retailers in the world today. While both started out as small businesses owned by one person, today they are large corporations owned by many investors. How can that be possible? Explain that most corporations started out as small businesses with owners who have a bigger vision for the future. Amazon, for example, was started at the beginning of the technology explosion and was one of the first companies to take advantage of online sales. Walmart began as a local store in the town square in a small, rural area of Arkansas and gradually expanded into other small towns. It was one of the first companies to use technology to manage its inventory, allowing it to buy and sell at lower prices than its competitors. Ask your students, "Why would anyone want to buy stocks?" You can also ask them if any of them own stocks. Tell them that stocks are a common type of long-term investment that can help people from all socioeconomic backgrounds gain wealth to meet their future goals, such as retirement.

Suppose one of your students want to start buying stocks. Ask them, "How would they know where to start?" Stocks are bought and sold in markets called stock exchanges. There are two major stock exchanges in the United States: the New York Stock Exchange and NASDAQ. Historically, the stock market has been a symbol of the economic strength of the United States. The markets also provide opportunities for investors to increase their wealth and, more recently, have become an important tool for earning retirement income. While the stock market is generally best for long-term investment, some people have attempted to use it to "get rich quick." Those attempts are high risk and not recommended for the average investor. Getting started in the stock market is relatively easy for an investor. A basic starting point, however, is understanding the language of the market. Knowing the terms and concepts associated with the market will increase the potential for making good decisions about buying and selling stocks.

2) Watch:

Have your students watch the video *How does the stock market work?* - Oliver Elfenbaum.

[Click here to watch video](#)

After you watch the video, discuss with your students what the stock market is, how large companies use investors' money, what stock values indicate, and what they learned from the video.

3) Activity: Build your Stax

Students will now play a game to learn more about the stock market and help them work on their investment strategy. They will be given a fictitious scenario to save and invest money and try to beat the computer doing the same.

Directions:

- Select the button below to launch the game.
- Students should select "Play Alone" (vs. play in a group).
- Students will have 20 years to invest their money (one year = one minute).
- Every 6 months (30 seconds in the game), they will receive pocket cash to invest. Pocket cash represents 10% of their salary that they are saving. Students' pocket cash starts at \$2,000 and increases over time as they get raises and bonuses!
- There are 7 different types of investment opportunities that will be explained in the information boxes.
- For extra help during the game, students can click the question mark at the top right of the asset box.
- When the game ends, have students take a screen shot of their portfolio so you can review their choices.

[Click here to Play Build Your Stax](#)

4) Discussion:

After the 20 minutes is up, ask your students the following questions. You can ask them verbally or have students write out their answers.

- How much money did you make in 20 years?
- If the interest stays the same, how much will have you in the next 20 years?
- What was your highest performer? Lowest performer?
- What was your investment strategy?
- If you played again, would you choose a different strategy?

5) Presentation: What is a recession?

Explain to your students that the current situation we are living through is not only difficult on many people because of public health, but also because of the economy. Stocks values and the stock market can be used to gauge what the economy is like, but they are not the only thing that makes up the economy. Ask your students if they know what is a recession is.

Tell them that a recession refers to a significant decline in general economic activity in a designated region. It has been typically recognized as two consecutive quarters (3 month periods) of economic decline, as reflected by GDP (Gross Domestic Product: monetary measure of all goods and services produced) in conjunction with monthly indicators such as a rise in unemployment.

6) Watch: Have your students watch the video What Causes a Recession?

[Click here to watch video](#)

7) Discussion:

After after the video, discuss with your students how the stock market and recessions are connected. Often times, volatility (quick increases and decreases) in the stock market indicates that an economic recession could be coming or has started. Drastic decreases in stock values can also indicate when a recession could be coming. Sometimes shifts in the stock market can result in changes to the economy at large, and sometimes shifts in the economy at large can result in changes to the stock market. The stock market is often a good indicator of how the economy is doing, but the stock market and the economy are not the same thing. In general, a simplified way to think about the stock market is a measure of people's confidence in how the economy is doing and if they will make or lose money in the coming future.

When the stock market is not doing well, things like individual retirement accounts, personal investments, and loan interest rates are directly impacted. More broadly, it indicates that companies may have less money to spend or are not likely to have as prosperous financial futures (at least in the short term). In addition to these direct impacts, the worry caused by poor stock market conditions can have even greater impacts: people to spending less money, investors selling off large amounts of stocks quickly, companies laying employees off, etc. This often leads to a compounding effect: worrying about the stock market being bad leads to the stock market being even worse.

So what does that mean for the world right now?

In the crisis the world is facing right now, the economic impacts have been significant. Since this period of decreased economic activity has not lasted for 2 quarters yet, it cannot be considered a recession. However, most financial experts agree that our country and the world is entering a recession.

One of the most direct economic effects of the COVID-19 pandemic has been record high levels of unemployment (almost 40 million people without jobs in the US at the peak of unemployment rates). So many people don't have work, and don't earn a paycheck. Since they don't earn a paycheck, they aren't spending as much money. This downturn in economic activity has also been mirrored by volatility and downturn in the stock market. As the stock market worsens, economic factors worsen yet again. This compounding effect is why economic downturns and poor stock market conditions can be devastating and sudden.

8) Discussion:

Ask the following questions. You can ask students verbally or have them write out their answers.

- Are the stock market and the economy the same thing?
- Is investing in individual stocks a good way to get rich?
- Do you think investing money in stocks or in the stock market is a good idea?
- Over time and on average, does the stock market go up or down?
- Who benefits from the stock market existing?

The Money JAR - With technology and this information age, we always hear “the world is changing faster than ever.” But is it? Listen to this week's podcast episode on Is Productivity Slowing Down? [Click here](#) to listen to this week's episode of the Money JAR Podcast - **Is Productivity Slowing Down?**

Bonus Activity! The Stock Market Explained

Extended Activity: 20 min

Activity: Watch "Explained | The Stock Market"

[Click here to watch video](#)

After watching, discuss with your students what they learned. You can ask the questions below verbally or have students write out their answers.

- What new ideas have you heard of that you think are worth investing in?
- What large companies do you know of that you believe will succeed in the long term?
- Name an industry that will be more important to your generation than it was to mine. What do companies do with the money they get from investments?
- In general, does the stock market benefit individual people or large companies more?
- Do good stock market conditions always indicate good economic conditions?