

Resources: Internet access and/or newspapers

Objectives: You will learn that economic news and business events can change the price of a stock. They will see that the unexpected events that benefit or harm the company will in turn move the company's stock price up or down. Certain internal and external factors will affect share prices. By learning about the relationship between business events and share prices, you will be able to form a strategy in buying and selling stocks.

Background: A number of factors influence share prices.

Some internal factors include:

- Earnings growth
- Sales growth
- Product release
- Leadership changes
- Lawsuits pending

Also, some external factors change the share prices:

- New market competition
- Economic news such as interest rates and inflation
- Government policy changes

Activities:

1. Select news from newspapers or Web sites like Yahoo!, MSN, CBS Market Watch, and the Wall Street Journal interactive edition.
2. Next read the business news concerning a specific company or the general economy.
3. Ask questions about how these events would influence the share price of the company or the stock market in general. There will be four typical answers:
 - Share prices will likely increase
 - Share prices will likely decrease
 - Share prices will likely be unchanged
 - Not enough information to determine

Here are examples of news events and the likely responses.

1. After the meeting of the Federal Reserve's open market committee, Chairman Alan Greenspan declared an increase of 0.25% in interest rates. Share prices of the real estate companies and home builders will likely:

- increase
- decrease
- unchanged
- can't determine

• U.S. productivity sees 6.4% increase, the largest gain since 1992. Share prices of General Electric, IBM, and 3M will likely: increase

- decrease
- unchanged
- can't determine

3. Oil prices hit \$34 per barrel, the highest since the Gulf War. Share prices of United, South West, and Delta airlines will likely.

- increase
- decrease
- unchanged
- can't determine

4. Judge Jackson rules that Microsoft has a monopoly on PC operating systems. Share price of Microsoft will likely:

- increase
- decrease
- unchanged
- can't determine

5. AMD begins shipping a microprocessor that achieved an industry milestone with a clock speed of one gigahertz, processing one billion bits of information a second, the computer industry's equivalent of breaking the sound barrier. Share price of AMD will likely:

- increase
- decrease
- unchanged
- can't determine

6. Because businesses no longer fear Y2K, PC shipments are expected to rise 20% from the first quarter a year ago. Share prices of Dell, Intel, and Compaq will likely:

- increase

- decrease
- unchanged
- can't determine

7. Al Gore claims he invented the Internet. He is leading the polls and will most likely become the first president of the new millennium. Share prices of Yahoo!, AOL, and eBay will likely:

- increase
- decrease
- unchanged
- can't determine

8. Yahoo's surprise earnings news reported that Procter & Gamble, maker of Crest toothpaste and others, projected that earnings will be 21% below the Wall Street experts estimate due to higher expenses. Share price of P & G will likely:

- increase
- decrease
- unchanged

9. Can't determine AOL surprisingly announces the mega merger with media giant Time Warner, signifying the growing power of Internet companies. Share prices of Yahoo! and Earthlink will likely:

- increase
- decrease
- unchanged
- can't determine

10. The co-chairman of Citigroup, John Reed, announces his retirement. The successor, Sandy Weill, will become the sole CEO. Robert Rubin, former Secretary of Treasury, will likely take over the top job in 2 years when Weill retires. Wall Street experts think Reed's retirement is a positive to the company. Share price of Citigroup will likely:

- increase
- decrease
- unchanged
- can't determine

11. President Clinton announced that U.S. and Britain agreed to openly share data from a project to map human genes. Shares prices of the biotech stocks will likely:

- increase

- decrease
- unchanged
- can't determine

12. Yahoo! held talks with eBay about various forms of partnership and a possible merger. Share price of eBay will likely:

- increase
- decrease
- unchanged
- can't determine

13. Sears and America Online unveiled a wide-ranging strategic alliance that includes cross-marketing and promotional agreements. Share price of Sears will likely:

- increase
- decrease
- unchanged
- can't determine

14. The strike of Boeing's engineering and technical workers has delayed some testing and production of the F-22 fighter. Share price of Boeing will likely:

- increase
- decrease
- unchanged
- can't determine

15. Intergraph's antitrust suit against Intel was dismissed. Share price of Intergraph will likely:

- increase
- decrease
- unchanged
- can't determine