Bulls & Bears BOOMS & BUSTS!

Markets are swooning! The Chinese stock market crashes! Oil prices plummet! Russian ruble hits record low!

January 2016 was the worst start to a year for the stock market since 2009, as these and other calamities hit the market. Do you know what all of this means and why it happened? Do you have any idea why some news events send the markets into a tailspin, while others have no impact or boost them? Most important, do you know how to protect your investments in good times and in bad?

Check out our celebrated new educational board game, Bulls & Bears, and the connected gamified course - Bulls & Bears Online.

Learn the ropes of what moves financial markets and how to build a solid portfolio for the long run. We may not have all the answers - but we'll sure teach you how to ask the right questions!

Bulls & Bears is an exciting, interactive game that teaches the basics of economics and investing in a way that is both fun and accessible to all. It is based on news events to which players have to respond by buying or selling investments they believe will be affected by the news, and then finding out what actually happened.

In addition to basic economic laws and principles, **Bulls & Bears** teaches the value of sound personal habits, such as living within your means, avoiding unnecessary debt, planning for the future, and diversifying your investments.

EXAMPLES:

To illustrate how Bulls & Bears works, here are some typical New Flash cards based on real-life, recent events. Do you know how the market responded to these events, and why? Nobody can forecast the future, but understanding what happened and why it did can help you avoid making the same mistakes in the future...

News Flash 1:

The Fed raises interest rates for the first time in 8 years as the economy picks up speed and the labor market starts to tighten!

Market Response:

S&P 500:	- 1,000
T-bond:	- 500
US dollar:	+ 500

Explanation: While faster growth is generally good for business, inflation is a concern as a tight labor market may lead to rapid wage increases. This will hurt company profits; it may also force the Fed to tighten monetary policy, as it has just started to do. Higher interest rates will deter consumption and investment. They also boost the dollar vis-à-vis other currencies, as investors earn more on dollar deposits.

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News Flash 2:

Chinese growth disappoints! The Chinese Government reports an annual growth rate of less than 7%, as exports and investment slow while consumption and services take up some (but not all) of the slack.

Market Response:

Shanghai Composite:	- 1,000
DJIA:	- 500
Emerging Markets:	- 1,000
Commodities:	- 1,000

Explanation: While some slowdown in Chinese growth is normal, markets fear that the real numbers may be worse than reported, and that the phenomenal growth China has enjoyed over the past decades is coming to an end. They are particularly worried that the high debts in the Chinese financial system will turn sour. This has negative effects on other countries, who rely on demand from China. Emerging markets, especially energy and commodity exporters, are particularly affected; as are Western producers of goods that China imports, such as German machinery and luxury cars.

News Flash 3:

The US and European Union lift sanctions on Iran in exchange for promises to restrain its nuclear weapons program.

Market Response:

Whatever one may think of the value of such promises, one thing is certain: it will bring more oil to the market! Oil prices and producers will suffer, as will alternative sources of energy. At the same time, western firms salivate at the prospect of more business in Iran:

Crude oil:	- 1,000	Saudi stocks:	- 1,000
US shale oil producers:	- 500	European aircraft & arms producers:	+ 500
Solar & wind energy:	- 500		

Conclusion: Lessons for ordinary investors:

- Follow the news, but don't overreact and don't panic
- Keep a balanced and diversified portfolio at all times
- Use periodic rebalancing and dollar-cost averaging to smooth out fluctuations over time
- Don't try to time the market, but you should make a judgment on whether markets seem fairly valued with regard to indicators such as Cyclically Adjusted Price-Earnings ratios (CAPE) or dividend yield; if blatantly out of line, adjust your asset mix
- After all is said and done, the key is to stay the course whatever happens in the short run! Nobody can predict the future, but everyone can apply sound rules and discipline when building their portfolios

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