

## **National 8<sup>th</sup> Place and Maryland High School State Winner Spring 2022**

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This year, I took my first ever economics class having little prior knowledge of the stock market, investing, or the complexities of the American and world economy. My experience participating in The Stock Market Game has given me the opportunity to learn how to invest ethically and profitably, and has taught me the importance of diversification and research in my investments. The stock market, I've learned, is a powerful tool that can be used to both evaluate the world economy and make money, and reflects current national and global events. Consistently investing money into the stock market is a way to gradually build personal wealth while also protecting this money from inflation and showing support for companies with shared values.

The first thing I learned while playing the Stock Market Game was how to differentiate and decide between a high-risk, fast-growth stock and a more long-term investment, which helped me make money quickly without taking on too much risk. Amazon is an example of a long-term investment, which produces slow, gradual growth over time. While the growth may not be as fast, it is more reliable than a risky investment with potential for quick, large growth.

Being able to make this distinction is important for investors and prevents them from being too hasty to buy or sell a stock. I bought Facebook after the stock crashed in early February with the hope that the now-cheap stock would climb back rapidly to its previous position. After a few weeks, seeing nothing but losses, I sold all of my shares. Since then, Facebook has risen consistently. Had I identified Facebook as a long-term investment, I could have held it and made money instead of selling it as soon as I saw a loss.

The second thing I learned while playing the Stock Market Game was the importance of diversifying your portfolio to protect against drops in specific sectors. When I began investing, oil was experiencing a significant rise in price, both per barrel and in shares on the stock market. I invested in some oil stocks, and they did well, so I continued to invest in that sector. Pretty soon, oil stocks began to falter and seemed more unsure of a continued rise than they had when I bought them. Because of this, I lost a lot of money. I quickly deduced that I had to own shares in sectors other than oil, so I bought renewable energy stocks and stocks in other industries, like restaurant stocks and defense stocks. On days when my oil stocks all plummet, my renewable energy or defense stocks might do well to counter that loss. Diversification of one's portfolio protects the investments from overall losses because on a day when one sector underperforms the market, another may outperform the market and allow investors to make this money back.

Possibly the most important thing I learned about investing by playing the Stock Market Game was that it is vital to thoroughly research a stock before buying it or selling it. The first stock that I did thorough research on before investing was Chipotle, before they announced their Q4

earnings. After doing my research, I decided that these earnings would likely be favorable, and invested a large portion of my money into Chipotle stock. Chipotle outperformed their expectations in the earnings report, causing the stock to jump. This taught me how important research is in investing in the stock market, so I continued to research my stocks before I bought them. I did research on one particular coal stock and it turned out to be more profitable than any of my previous investments, so I let it sit and continue to grow. Because of this, I stopped researching the stock, and it began to lose up to 20% on some days. Had I done more research, I would have known when to sell the stock to keep my profits high. This is what I've been doing for my defense stocks, since they depend so much on current world events — researching a stock is important both before buying and while holding, because stocks are influenced by global events and countless other factors and can change for better or worse in an instant.

If I was investing \$100,000 to perform well over the next 30 years, I would likely invest in renewable energy and communicative technology. First Trust NASDAQ Clean Edge Green Energy Index Fund (QCLN) has the potential for growth over the next 30 years as people phase out fossil fuels and turn to more renewable energy. Space transport, like Virgin Galactic and Astra, also have the potential for some serious growth over the next 30 years because technology is advancing at an exponential rate, and soon we may be able to travel more efficiently to space and to other planets. It seems unrealistic, but three decades is plenty of time for growth in that area.

Investment can build personal wealth, because as your money grows, it counters the effects of inflation that would affect your wealth if you kept it all in a bank account and didn't touch it. This is why investing in the stock market, or having someone invest for you, is a smart decision if saving money for long-term goals like retirement. Investment can also fund the impact that companies want to make, whether that means environmental change or helping certain communities. When you invest in a company, you are supporting these goals, so your investments can often reflect your values. Investing in the stock market can build wealth for yourself while also helping companies with shared values achieve their goals, giving investors a larger role in the economy.