



## Activity Sheet 1: The Ripple Effect

**Directions:** After reading each of the three news articles selected, answer the following questions and attach the answers to the article.

1. How will this event affect the earnings of the company?
2. How might the event affect the future of the company?
3. How do you think this event will affect the price of the company's stock?
4. How might this event impact other companies in the same industry?
5. How might the event impact the overall economy?

## ANSWER KEY

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***This serves as an example for the teacher to show the class. Answers will vary.***

Articles chosen:

<http://www.msnbc.msn.com/id/13991020/site/newsweek/>

<http://www.msnbc.msn.com/id/14171553/>

<http://www.msnbc.msn.com/id/13915288/>

**Directions:** After reading each of the three news articles selected, answer the following questions and attach the answers to the article.

1. How will this event affect the earnings of the company?  
*All three of these events mean that fuel prices will be going up and that electricity will be more expensive. This means that consumers in general will have less money to spend on consumer goods like clothes and cars. This means that our investments in Personal Product companies like Yankee Candle and Elizabeth Arden or in Home Furnishings like Bed, Bath and Beyond will not be doing well, but Automobile companies like Toyota and Honda which have invested in fuel efficient and alternative fuel cars will do better.*
2. How might the event affect the future of the company?  
*If the cost of fuel continues to increase, these trends will continue and consumer spending will continue to drop which will cut into all but the most necessary consumer purchases. Also people may put off big purchases like buying cars to pay their electric and gas bills.*
3. How do you think this event will affect the price of the company's stock?  
*The stock of the Personal Product and Home Furnishing companies will go down but the stock in Toyota and Honda should maintain its price or even go up.*
4. How might this event impact other companies in the same industry?  
*All the Home Furnishing stocks will be affected but some companies in the Personal Product companies like Colgate Palmolive may not drop because people have to buy necessities like soap and toothpaste. Also the Automobile companies which have been slow to build and market more fuel efficient or alternative fuel cars will not do as well as Toyota and Honda.*
5. How might the event impact the overall economy?  
*Overall, these trends could cause the entire GDP to drop since consumer spending is such a big part of the United States economy.*