

# AN EDUCATOR'S GUIDE TO: **The Short Seller** By Elissa Brent Weissman

## **The Short Seller**

**By Elissa Brent Weissman**

**Atheneum Books for Young Readers, 9781442452558**

**Ages 8-12/Grades 3-7**

*The activities in this guide align with Common Core State Standards for English Language Arts and Math and fit into the curriculum for grades 6-7.*

## **Curricular Connections**

Social Studies / English Language Arts / Math



## **ABOUT THE AUTHOR**

Elissa Brent Weissman is not a stock-trading genius, but she is the author of *Nerd Camp*, *Standing for Socks*, and *The Trouble with Mark Hopper*. She lives in Baltimore, Maryland. Visit her online at [www.ebweissman.com](http://www.ebweissman.com).

## **ABOUT THE BOOK**

It all starts when Lindy Sachs is granted one hundred dollars and access to her father's online stock trading account to alleviate her boredom while she's home from school sick. Lindy learns something quickly--she is very, very good at e-trading. Her one hundred dollars soon becomes two hundred dollars. Then four hundred. Then more. With trading talent and access to her parents' savings, the opportunity to make some real dough is too tempting to pass up. In fact, with how well Lindy's own stocks are doing, it would be a disservice to not invest it all. Right?

Students will enjoy the humorous, suspenseful ups and downs of Lindy's story while educators can use the book and this guide to direct a variety of classroom discussion and activities for Social Studies (economics, the stock market, the legal system), English (creative writing, research, journalism) and Math (percent, ratio, graphs and charts).

## **PRE-READING**

Before assigning the book, lead a classroom discussion where students share whatever they know about the stock market and how it works. Do any students have parents who work in the financial sector? Have any of them done any online investing?

Ask students to keep a list of financial vocabulary words/phrases and their meanings (as gleaned from the story) while they read.

## VOCABULARY POSSIBILITIES

Diversification	Stop-loss	Plunge	Risk
Took a loss	Bonds	Volatile market	Cease and desist
Wall Street	Futures	Insider trading	Margin
Mutual fund	Reserve capital	Illegal short selling	Stockbroker
Day-trading	Capital gains	Temporary insider	
Closing bell	Limit order	Corporate insider	
After-hours trading	Portfolio	Hedge	

## POST-READING CLASS DISCUSSION

Ask students to refer to their vocabulary lists. Are there words that students don't fully understand? Was it easy to understand the basics of the stock market as experienced by Lindy? Make a classroom chart of words that require further definition and study these before moving on. There's some online help available at:

- <http://biz.yahoo.com/f/g/> - Yahoo financial glossary
- <http://www.investopedia.com/dictionary> - Investopedia stock dictionary

Lindy "lucks out" with Tracy's inside information about Dream Dry. Since it's helpful in trading to make educated guesses, do students think they know what the "next big thing" is? Would they be willing to invest their money based on their hunches?

In Chapter 39, readers find out a lot of information about the Securities and Exchange Commission. Do students agree with the need for the Commission, or do they believe investors should use any advantage they can find? Do they agree with the law, that it's wrong to use inside knowledge to make money?

Lindy's tutor, Mr. Margolis, tells her that playing the stock market is like gambling. Do students agree? If so, have them discuss why gambling is seen as a vice while investing in the stock market is a legitimate activity and career.

## SOCIAL STUDIES CONNECTIONS

### CLASSROOM PROJECT

#### Identify stocks, then track, graph and predict their performance.

Break the class into 4-6 small groups and have each group choose a company. First have them research the average annual price of that company's stock for each of the past 5 years, and for each of the past 5 months, and have them create a graph of this information. Have the groups share their graphs with the class, and predict what the stock will do over the next 5 days. Have the groups track their stock daily for the next 5 days and share their findings with the class.

Helpful websites:

- <http://www.marketwatch.com/tools/industry> Wall Street Journal's Market Watch. Students can search by industry (left column) to decide which stock(s) to follow.
- <http://money.msn.com/investing/stockscouter-stock-ratings.aspx> - MSN Money. Here you can enter a stock symbol and get a stock rating, to help determine risk and return.
- <http://finance.yahoo.com/> - Yahoo Finance.
  - Enter a stock symbol and click "Get Quote".
  - Click on "Historical Prices" in the left column, to search time frames.
  - Click on "Profile" in the left column, to see business info.

### Book references

In chapters 2 and 3, Lindy learns how to log on to her father's trading site. In chapter 5, she learns how to look up a symbol and a quote. In chapter 11, Lindy and Mr. Margolis have a discussion about predicting the fate of a stock.

## CLASSROOM PROJECT

### Virtual stock market trading

This activity can be done with small groups (as above) or individually. Students can set up a faux trading account and practice researching, choosing, buying and selling stock and measuring the performance of their portfolio.

Here are two suggested sites:

- <http://www.smgww.org/>  
The Stock Market Game, by the Foundation for Investor Education, a nonprofit organization.
- <http://www.howthemarketworks.com/>  
Online virtual stock exchange.

## INDEPENDENT PROJECTS

### The power of the press

In chapter 16, Lindy reads the news headlines to see if there is any big economic news that might affect the stock market. She also watches TV and reads the newspaper to keep up with trends. Have students find 3 financial news sites and 3 newspaper financial sections and read them for a week, then summarize what they've learned: about specific stocks, about the general movement of the market up or down, or about any events that, in their opinion, might affect the market in future.

### The U.S Securities and Exchange Commission

Chapters 31-32 and 38-42 give readers an inside look at this important government institution. Have students research and write a report on the SEC, using 3 library and 3 internet sources. Alternatively, you could have students give an oral report. SEC websites: <http://www.investor.gov> and <http://www.sec.gov>.

Possible directions:

- History of the SEC
- Important cases
- Acts enforced by the SEC
- Divisions
- Current commissioners

### Careers in the financial sector

One of Lindy's quizzes says that she will become a business tycoon, and after her SEC hearing she considers becoming a securities attorney. Have students research at least 6 careers and summarize their research, giving an oral report to the class about what they've learned. Research should include:

- Title/description of job
- Pay expectations
- Schooling needed
- Useful skills
- Work environment

## ENGLISH CONNECTIONS

### CLASSROOM PROJECT

#### **Elevator pitches**

New companies who are looking for investors often create a brief statement of what their product or service is about. Break the classroom into 4-6 small groups and have them brainstorm a new product or service. After deciding, they will craft an “elevator pitch” and then present it to the class. Lead a discussion about the pitches. Do students think any of the groups had a good idea? If so, would any of the students invest in the new venture?

### INDEPENDENT PROJECTS

#### **The power of the press, part 2**

During Lindy's hearing, and after it is over, reporters are eager to interview her about her very unique case. Have students write a newspaper article about Lindy's experience, including a “mock” interview with Lindy, her sister Tracy, and/or her parents.

#### **From zero to zillionaire**

Using Lindy's experience in the book as a guide, have students delineate the steps they would take in order to begin (and continue) as an online trader. Have them write up these steps as a mock “how-to” online article. Alternatively, they could craft a script for an online “how-to” video and for extra credit, they could actually record the video.

#### **Attorney's argument**

In chapter 40 of the book, Ms. Hawthorne presents an argument to the SEC on behalf of Lindy and her dad. Have students take the brief description of what Ms. Hawthorne says and expand on it, writing their own detailed argument on Lindy's behalf. Have them present the argument to the class.

#### **Are you an active or a passive investor?**

In chapter 5, Lindy and her dad have a discussion about short-term investing, with lots of risk, vs. long-term investing, with less risk. After researching the difference between “active” and “passive” investors, have students write a summary of both and then decide which type of investor they would be. Have them “argue their case” for why theirs is the best choice.

#### **Author word play**

The author of *The Short Seller* decided to give the book's chapters names that are stock-trading terms – but she also chose names that have another, more literal meaning that applies to something that happened in that chapter. For example, Chapter 18 is called “Margin Emergency,” and in that chapter, Lindy starts trading on margin – but she also finds the conversation between Steph and Howe in the **margin** of Steph's class notes. Have students choose 5 chapters and identify the multiple meanings of their names.

## MATH CONNECTIONS

### INDEPENDENT PROJECTS

#### Create a word problem

In chapters 25 and 32 Lindy, her family and Ms. Hawthorne all discuss the concept of short selling. Ask students to re-read these sections and then craft a word problem that mathematically illustrates short selling.

#### The ups and downs of percentage

One of Lindy's first stock purchases is FGY. She buys some at \$3.15/share and then she falls asleep. By the time she wakes up, FGY's price is \$4.09. What percent increase was this? Find the percentage of increase or decrease for these stocks:

- |   |   |
|---|---|
| • LUV<br>Purchase price = \$12.19, Current price = \$15.43  | • NOK<br>Purchase price = \$7.76, Current price = \$3.34    |
| • WOOF<br>Purchase price = \$27.55, Current price = \$22.32 | • CAKE<br>Purchase price = \$37.67, Current price = \$52.87 |

#### Charting the path of Dream Dry

In chapter 12 of the book, Lindy is researching the market and refers to line charts, bar charts and candlestick charts. Have students research all three, and then have them create a simple line chart/graph of the change in price for DDRY (Dream Dry) stock between when Lindy decides to put in her short order and when she sells the stock. Have them use the data below, plotting time (days of the week) on the horizontal (x-axis) and price on the vertical (y-axis).

- Day 1 price: \$51.73 (Lindy puts in her order)
- Day 2 price: \$47.12 (the price drops but not yet due to any big news)
- Day 3 price: \$32.32 (the price really begins to drop after the salon owner is interviewed)
- Day 4 price: \$19.50 (when Lindy sells)

#### Rate of return

Have students calculate Lindy's rate of return on DDRY (Dream Dry) if the blow-dryer had performed as promised and brought success to the company. If Lindy bought DDRY at \$51.73, and then the price rose to \$75.61, what her rate of return be? Steps:

- Subtract 51.73 from 75.61
- Divide the answer by \$51.73
- Multiply by 100.

**Reading » Literature Grades 6-7**

**Craft and Structure**

RL.6.4 Determine the meaning of words and phrases as they are used in a text, including figurative and connotative meanings; analyze the impact of a specific word choice on meaning and tone.

**History/Social Studies Grades 6-8**

**Key Ideas and Details**

RH.6-8.3 Identify key steps in a text's description of a process related to history/social studies (e.g., how a bill becomes law, how interest rates are raised or lowered).

**Craft and Structure**

RH.6-8.4 Determine the meaning of words and phrases as they are used in a text, including vocabulary specific to domains related to history/social studies.

**Science/Technical Subjects, Grades 6-8**

**Craft and Structure**

RST.6-8.4 Determine the meaning of symbols, key terms, and other domain-specific words and phrases as they are used in a specific scientific or technical context relevant to grades 6–8 texts and topics.

**Integration of Knowledge and Ideas**

RST.6-8.7 Integrate quantitative or technical information expressed in words in a text with a version of that information expressed visually (e.g., in a flowchart, diagram, model, graph, or table).

**Writing, Grade 6**

**Text Types and Purposes**

W.6.1 Write arguments to support claims with clear reasons and relevant evidence.

W.6.1a Introduce claim(s) and organize the reasons and evidence clearly.

W.6.1b Support claim(s) with clear reasons and relevant evidence, using credible sources and demonstrating an understanding of the topic or text.

W.6.1c Use words, phrases, and clauses to clarify the relationships among claim(s) and reasons.

W.6.2 Write informative/explanatory texts to examine a topic and convey ideas, concepts, and information through the selection, organization, and analysis of relevant content.

W.6.2a Introduce a topic; organize ideas, concepts, and information, using strategies such as definition, classification, comparison/contrast, and cause/effect; include formatting (e.g., headings), graphics (e.g., charts, tables), and multimedia when useful to aiding comprehension.

W.6.2b Develop the topic with relevant facts, definitions, concrete details, quotations, or other information and examples.

W.6.2c Use appropriate transitions to clarify the relationships among ideas and concepts.

W.6.2d Use precise language and domain-specific vocabulary to inform about or explain the topic.

**Research to Build and Present Knowledge**

W.6.7 Conduct short research projects to answer a question, drawing on several sources and refocusing the inquiry when appropriate.

W.6.8 Gather relevant information from multiple print and digital sources; assess the credibility of each source; and quote or paraphrase the data and conclusions of others while avoiding plagiarism and providing basic bibliographic information for sources.

W.6.9 Draw evidence from literary or informational texts to support analysis, reflection, and research.



**Understand ratio concepts and use ratio reasoning to solve problems.**

- 6.RP.A.3 Use ratio and rate reasoning to solve real-world and mathematical problems, e.g., by reasoning about tables of equivalent ratios, tape diagrams, double number line diagrams, or equations.
- 6.RP.A.3b Solve unit rate problems including those involving unit pricing and constant speed. *For example, if it took 7 hours to mow 4 lawns, then at that rate, how many lawns could be mowed in 35 hours? At what rate were lawns being mowed?*
- 6.RP.A.3c Find a percent of a quantity as a rate per 100 (e.g., 30% of a quantity means 30/100 times the quantity); solve problems involving finding the whole, given a part and the percent.

**Apply and extend previous understandings of numbers to the system of rational numbers.**

- 6.NS.C.6 Understand a rational number as a point on the number line. Extend number line diagrams and coordinate axes familiar from previous grades to represent points on the line and in the plane with negative number coordinates.
- 6.NS.C.6c Find and position integers and other rational numbers on a horizontal or vertical number line diagram; find and position pairs of integers and other rational numbers on a coordinate plane.

**Analyze proportional relationships and use them to solve real-world and mathematical problems.**

- 7.RP.A.2 Recognize and represent proportional relationships between quantities.
- 7.RP.A.2a Decide whether two quantities are in a proportional relationship, e.g., by testing for equivalent ratios in a table or graphing on a coordinate plane and observing whether the graph is a straight line through the origin.
- 7.RP.A.2b Identify the constant of proportionality (unit rate) in tables, graphs, equations, diagrams, and verbal descriptions of proportional relationships.
- 7.RP.A.2c Represent proportional relationships by equations. *For example, if total cost  $t$  is proportional to the number  $n$  of items purchased at a constant price  $p$ , the relationship between the total cost and the number of items can be expressed as  $t = pn$ .*
- 7.RP.A.2d Explain what a point  $(x, y)$  on the graph of a proportional relationship means in terms of the situation, with special attention to the points  $(0, 0)$  and  $(1, r)$  where  $r$  is the unit rate.
- 7.RP.A.3 Use proportional relationships to solve multistep ratio and percent problems. Examples: simple interest, tax, markups and markdowns, gratuities and commissions, fees, percent increase and decrease, percent error.

**ADDITIONAL STANDARDS**

**This guide aligns to the below social studies themes as set out in the National Curriculum Standards for Social Studies, from the National Council for the Social Studies.**

*Social studies programs should include experiences that provide for the study of:*

- *Interactions among individuals, groups, and institutions.*
- *How people create, interact with, and change structures of power, authority, and governance.*
- *How people organize for the production, distribution, and consumption of goods and services.*
- *Relationships among science, technology, and society.*
- *Global connections and interdependence.*

**This guide aligns to the below standards from the Voluntary National Content Standards in Economics, from the Council for Economic Education, providing a framework and benchmarks for teaching economics to K-12 students.**

- Standard 2: Decision Making
- Standard 7: Markets & Prices
- Standard 8: Role of Prices
- Standard 9: Competition and Market Structure
- Standard 10: Institutions
- Standard 11: Money and Inflation
- Standard 12: Interest Rates
- Standard 15: Economic Growth
- Standard 16: Role of Government Market Failure

**This guide aligns to Standard V: Financial Investing, from the National Standards for Financial Literacy.**

<http://www.councilforeconed.org/resource/national-standards-for-financial-literacy/>

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