LEVEL 5 OF 5 OF THE CAPITAL VALLEY GAME

Inflation, the central bank and interest rates: the cycle that moves the value of every investment

Class	From higher education: vocational colleges, bachelor's programmes, business and engineering schools
Duration	1 session of 55 minutes
Prerequisites	Levels 1 to 4 finished and their reviews seen
Materials	A web browser. Nothing to install, no student account, no personal data collected.

A level runs for 12 turns, about 30 minutes of play, and covers a year in the life of an investor. This sheet covers level 5, the last one: it closes the Complete course with the final review and the investor profile.

Place in the curriculum

Curriculum fit: **economic policy, monetary policy and inflation** (Grade 12 (US) / Year 13 (UK), ages 17-18). Also financing and interest rates (Grade 11 (US) / Year 12 (UK), ages 16-17), and a first look at asset allocation in banking and bachelor's programmes.

Concepts covered: inflation and monetary policy, the inverse relationship between interest rates and bond prices, how it reaches the real economy, real assets and protection against inflation, signal and noise, market expectations, the long horizon, investor profile.

Objectives of the session

By the end of the session, students can:

1. Describe the cycle: inflation rises, the central bank raises its rates, the economy slows, inflation eases, the central bank loosens again.
2. Explain why the price of an existing bond falls when rates rise, and climbs back when they fall.
3. Explain the path by which a central bank decision reaches companies and the price of their shares.
4. Spot a news item that changes nothing, and describe their own investor profile by how consistent it is rather than by what it earned.

How the game works

Each student looks after a virtual portfolio. Every turn brings one or two news items (official announcements, rumours and so on), an investment decision, and then, on the following turn, the consequences, explained by an "Understand" sheet. A virtual adviser, a character in the game, introduces everything new and comments on the results. Nothing in the game is left to chance: the world is the same for every student in a game, only their decisions differ, and that is what makes a rigorous debrief possible.

What level 5 makes students live through

These moments are guaranteed in every game, but this sheet says neither when they come nor how they turn out: the teacher can build the debrief on them, and a student who reads it gains nothing.

- Arrival in London. Prices rise fast, inflation sets in, and the central bank acts: several rate decisions over the level, one way and then the other, each announced by a news item.
- On the third turn of the level, the results season: the accounts of the level of the storm, and everything listed reacts.
- Bonds react the opposite way to rates, while their coupons do not change: the virtual advisor explains why nobody buys an old bond at the same price when new ones pay more. The savings account's rate follows the rates, and everything listed ends up following the cost of credit.
- Revelations and reversals, and more surprises than at the previous levels: close to one story in three ends otherwise than the news suggested. This is the level where what was learned gets tested.
- A story where the price moves ahead: a rumour lifts a share, then the facts confirm or deny it.
- Sometimes, a news item that changes nothing: no price moves. The test to apply: even if it were true, would it change profits?
- The last turn: the private equity subscribed at level 4 returns its capital, increased. The final review: the investor profile named, the best decision and the costliest decision of the whole journey.

Minute-by-minute plan (computer room)

1. Picking up (5 min). Each student reopens their game. A one-sentence reminder of the level 4 review: what held during the crisis, and what that had cost.

2. Guided opening turns, the first two turns (5 min). On the projector: the arrival in London, then the inflation news. A quick question before everyone confirms their decision: "when prices rise fast, what does a central bank do, and who will be affected?"

3. Independent play up to the final review (25 min). Students move at their own pace. Two freeze-frames, in one sentence: at the first fall in bonds ("they fall while the coupon on new bonds rises: write down your explanation") and at a story that ends otherwise than expected ("what had made you believe it?").

4. Class debrief (12 min). Working from the final review and the profiles on the students' screens, a discussion guided by the questions below. Show of hands: who sold their bonds at their first fall, who acted on a news item with no effect, who had subscribed to private equity, who kept shares after their story had ended.

5. Summary (8 min). Four lines to write down: inflation rises, the central bank tightens, the economy slows, inflation ebbs; the value of bonds moves the opposite way to rates; the whole economy follows the cost of credit; an investor profile is judged by its consistency, not by the amount.

Flipped classroom

What to set at the end of the previous session: "play level 5 for next time, about 30 minutes; write down what happened to your bonds at each central bank decision, and the name of your investor profile". In the next session, 20 minutes of debrief with the same questions, then the summary.

Questions for the class

- Bonds lost value even though the state did not default and the coupon on new bonds went up. Explain to a classmate why the value of bonds falls when rates rise.
- A rate rise ended up hitting everything listed, not just bonds. By what path does a central bank decision reach the sales of a sneaker company?
- A news item produced no move at all. Who acted anyway? What test should you apply before acting on a news item?
- Private equity returned the capital, increased, on the last turn: who had subscribed? Was that return possible with an investment available at any time? What do you pay when you demand liquidity?
- Over the five levels, who kept shares after their story had ended? Did they earn more than a fund, or only shake more? And who put a lot on a single story: how much did the surprise cost?
- The review gave you a profile. Do you recognise yourself? Can two students with different results both have played well? What first question would you ask a bank advisor, and what answer would make you walk away?
- An honest sentence to give the class: in the game, the news tells the future far more often than in real life; outside, what everybody knows is already in the price. What is left of the game's lessons, then?

Ways to take it further

- Previous session: level 4. The course is over: students can play a new game, in a different world, and compare their two profiles.
- Research activity: find the latest decision of the European Central Bank on its rates, and write the game news item that would match it, along with what it should do to bonds and shares.
- Taking part in Global Money Week (March) with a tournament between classes.

Practical information

- Access: https://capitalvalley.app/education
- The student version needs no account, no email address and no personal data. Suitable for use in school, in the computer room or on a smartphone.
- Teacher contact: education@capitalvalley.app