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Verizon Communications Inc. Company History Reasons for Price Changes in the Stock Market By: Junior A. Espinal ECO 101 Economics Robert Khory
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History

Verizon communications Inc is an American telecommunication company and also a constituent of the DOW 30. It was formed in the year 2000 when Bell Atlantic Company merged with GTE. It had been founded in 1983 as Bell Atlantic Corporation which later took over seven Bell operating companies from American Telephone and Telegraph Company following its break up. After the GTE and BELL Atlantic Merger it changed the name to Verizon communications INC with effect from June 30, 2000 having an exchange ratio of 1.22 shares of Verizon for each GTE share. It then began trading on the NYSE under its new symbol on July 2000. (Plunkett 67)

. On Feb 2005, Verizon approved to acquire MCI Company. The acquisition was to benefit it in terms of economics of scale and access to a wider base of customers. By the year 2006, MCI was already integrated into Verizon thus adopting the name verizon business. It then became the largest telecommunication company in the U. S In terms of its sales i. e. 75.11 billion; assets added up to 168.13 US dollars and the company had a profit of 9.4 billion US dollars. Later with the mergers of Bell South and AT and TINC, It became the largest telecommunications company based on its profits and assets in the world. (Plunkett 68)

The company principally operates in the US with its headquarters in New York. It offers wireless and wireline services such as voice, network access, data services, broadband video and global internet protocol networks.

Verizon communications Inc operates in more than 150 nations worldwide.

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Verizon voice messaging services is offered for both businesses and residences. Verizon's Cell co partnership operates the second largest wireless telecomm network in the US In terms of the number of subscribers and revenue. It is also one of the major US carriers to utilize the CDMA technology and uses 8 billion US dollar annually in its maintenance and expansion. It offers both voice and 3G data services for example, text and picture messaging, over the air downloadable applications and wireless broadband based on EV-DO Rev A. It also carries various mobile services and phones eg LG, Motorola and Samsung. (Lutz 138)

Verizon's video services was launched in September , 2005 and uses optical fibre network to distribute more than 330 channels, 180 digital videos and music channels and 1800 video on demand titles. DSL internet services are offered to the same areas where phone services are provided. It is known to have the largest number of spammers of all networks globally. Verizon's yellow pages business is known as superpages and it's a Texas based sales and publishing and other related services. It has 1200 directory titles and a 121 million copies circulation in 41 states and the website has about 17 billion visitors per month. Superpages is linked up with Google in order to provide search advertising services for its numerous listed businesses. (Plunkett 137)

Some of the factors that could significantly affect the company's operations and its expected results include: general economic and construction business conditions, relationship with key customers, materials and maintaining cost; technological developments; increased competition, government and business conditions in countries of operation; changes in the company strategies objectives or intentions' financial conditions of customers,

suppliers and also risks and uncertainties indicated in the company's filings with the US securities and exchange commission.(Blaug 55)

The trading economic works through looking at different currencies and what is happening to their exchange rates and then choosing which currency to invest in. For example one may buy at a lower rate then sell it later when its exchange rate appreciates. It is therefore possible to trade a currency back and forth various times daily or weekly dependency on the market. One needs to look at the exchange rate over a notable period of time taking into consideration the economic situation of the country. This enables one to note how each of the economic factors affect the currency . This also applies for the opposing country . One is therefore able to evaluate the stability of the currency. The forex market calls for substantial research about the countries and their economic conditions that would affect the value of the currency in question.(Lutz 122)

Verizon Communication Inc. Stock Prices at Every Tuesday's Close. 2008

4/15

4/22

4/29

5/06

5/13

5/20

5/27

6/03

6/10

\$35. 11

\$35. 73

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\$38. 21

\$38. 89

\$38. 11

\$37. 83

\$37. 38

\$37. 36

37. 52

Reasons for Changes in Prices in The Stock Market

Date: 04/15/2008 Price: US\$ 35. 11

Reason:

Fundamental: The share price of Verizon Communication Inc. came down 23 cent. The reason behind this downward movement is shares of all telecommunications service providers in the US were seen downward due to low sentiment from buyers on Tuesday. The mixed worries of a rebound in New York manufacturing as well as signs of rising inflation force the investors to keep them away from the telecom shares.

Technical: If we look at the Bollinger band we can find out that the share was overbought on April 3, 2008 so to bring the price at the normal level the share price dropped to the level of US\$35. 11 on April15 2008 which was an oversold condition as per the Bollinger band. Whereas according to the RSI (Relative strength Index) the company share was over bought on 1st April 2008 and hence to maintain it normal level the share price came down.

Date: 04/22/2008 Price: US\$35. 73

Reason:

Fundamental: The Verizon Communication price share fell down by 23 cent to drop down at a level of US\$35. 73. The reason behind this downward

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movement is the investor concern over earnings of the telecommunication companies as well as the skyrocketing oil prices.

Technical: The share fall due to correction in the market and it dropped to its support level of 10-day moving average. Also as we can see from the graph at (www.finance.yahoo.com) the 10 day moving average just cut down the 50 days moving average on 17 April, 2008 and forced the share price to come down accordingly.

Date: 04/29/2008 Price: US\$38. 21

Reason:

Fundamental: The Verizon Communication share price jumped 26 cent to the level of US\$38. 21. The reason behind this jump is the solid earning from the company for the first quarter, this solid earning control the investor worries towards slowing down economy.

Technical: If we look at the graph we would be able to find out that the 10 days moving average crossed the 50 ay moving average in upward direction which is a sign of bullish pattern for the share. Also the higher volume on 28th April, 2008 pushed the share price up on 29th.

Date: 05/06/2008 Price: US\$38. 89

Reason:

Fundamental: The Verizon Communication share price dropped down by 1 cent. The reason behind this drop is the poor show by telecom companies, the quarterly earning of some low cost wireless carrier seen as a disappointment from the investor and resulted into 1 cent down for the company.

Technical: It can be seen from the graph that the share price for the company was overbought hence to keep it at the track a small correction

bought the share 1 cent down.

Date: 05/13/2008 Price: US\$38. 11

Reason:

Fundamental: The Verizon Communication share price jumped 5 cent to US\$38. 11. the reason behind this rise is a mixed response from the telecom sector which wavered along with the broader market.

Technical: The higher volume at the end of 12th May, 2008 pushed the share price up by 5 cent.

Date: 05/20/2008 Price: US\$ 37. 83

Reason:

Fundamental: The share price of Verizon Communication Inc. went down by \$1. 27. The reason behind this downward movement is shares of all telecommunications service providers in the US were seen downward movement as record oil prices and inflation worries sank the buyer sentiment and stop them to buy telecom share on Tuesday.

Technical: If we look at the Bollinger band we can find out that the share was overbought since May 2, 2008 so to bring the price at the normal level the price dropped to the level of US\$37. 83 on May 20 2008 which can be seen as an oversold condition according to the Bollinger band. Whereas if we look at to the RSI (Relative strength Index-14 day) and ROC(Rate of Change-12 day) it also says that the company share was over bought since 2nd May 2008 and hence to maintain it normal level the share price had to come down.

Date: 05/27/2008 Price: US\$37. 38

Reason:

Fundamental: The Verizon Communication price share went up by 30 cent to

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come up at a level of US\$37.38. The reason behind this upward movement is the telecommunications stocks traded mixed on Tuesday (27 May 2008) as Wall Street headed higher following a report of an unexpected increase in new home sales last month.

Technical: The share price went up from its support level of 10-day moving average on May 23 2008. Also as we can also see from the Bollinger band (graph) that the share price for the company had crossed the lower band of the Bollinger band which is an indication of an oversold condition for its period 20 days. Also if we look at the ROC (Rate of change-12 day) we can find out that the share price was in oversold state since (21 May 2008) i. e. at -1.67 far lower (in oversold zone) than the normal level of Zero.

Date: 06/03/2008 Price: US\$37.36

Reason:

Fundamental: The Verizon Communication share price went down by 50 cent to the level of US\$37.36. The reason behind this drop is Telecom services stocks slipped along with the broader market Tuesday after Federal Reserve Chairman Ben Bernanke signaled further cuts to interest rates are unlikely. So the fear of interest rate cut forced the market to keep their hand tight.

Technical: If we look at the graph, the downward movement can be seen as an effect of volume price mismatch. As we know according to the theory of technical analysis if the volume of trade for the share is low the price has to remain low. So looking to the theory and the technical graph we can find out that since May 28 2008 the change in the volume was low while the price was picking up, hence to bring this to the normal level the price had to come down.

Date: 06/10/2008 Price: US\$37.52

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Reason:

Fundamental: The Verizon Communication share price dropped down by 42 cent. The reason behind this drop is due to the news that the company must sell its assets to complete its acquisition of Rural Cellular Corp at \$757million. Also most of the telecom share went down due to the lower investors sentiments.

Technical: It can be seen from the graph that the 50 day moving average just crossed the 100 day moving average which is an indication for the investor to start selling its share. Also lowering down volume can be seen as one among the other reasons for the downward movement.

Conclusion:

Verizon communication share is looking to be volatile in nature. If we look at the share prices the company share prices in the year 2008 were seen as US\$ 35. 11, 35. 73, 38. 21, 38. 89, 38. 11, 37. 83, 37. 38, 37. 36, 37. 52 on 15th, 22nd, 29th of April, 6th , 13th 20th , 27th of May and 3rd, and 10th of June respectively. Looking towards these fluctuations we can say that the company does not look good for the short term investors due to its volatility. The fundamental reason behind this volatility is the concern over oil prices and the fear over interest rates fluctuations. As we know that the skyrocketing oil prices has become a cause of concern throughout the world and is not only affecting the telecommunication industry but it has a highest impact on the world economy. Increasing oil prices has created a fear factor in the mind of investor and this is one among the reasons for this fluctuation. Also an interest rate worry has made the stock price volatile throughout the world stock exchanges. In recent times the Federal Reserve have made some tough decisions to bring the economy on track this includes some

interest cuts and injection of money in the banking system. These interest rate cuts have a high impact on the investors' sentiments and hence are creating volatility for the share price. Also some other factors like merger and acquisitions by the company made the share price to fluctuate.

Technically if we look at the 50-day and 100 day moving averages the two are looking to be converging where the 50 day moving average cuts the 100 day moving average on June 3, 2008. This could be the reason for the share price to climb up from US\$35.11 on 15th April 2008 to the level of \$37.36 on 3rd June, 2008. Looking to this moving average it is expected that the price could go further up in the coming future. If we look at the rate of change (ROC-12days), we can find that the share price was overbought but now it has come into the over sold zone and hence it can be expected that the price will go further up in the future.

Overall we can conclude that the share price for the company has entered into the over sold zone and it is expected that the price could go up in the coming month. If we talk about investors the Verizon communication shares can not be recommended for short term investors because of recent micro and macro economic factors but for the long term investors the company shares could give a handsome return.