

# [Stock performance trends](https://assignbuster.com/stock-performance-trends/)

Stock Performance Trends Stock market is the first one to react on getting the sniff of any merger or acquisition news. Depending upon the stock price variation the public at large gets an idea about the positive or negative implications that are apparent from this news. MPC is considering acquiring MedImmune Inc., a company producing drugs and medicines on the areas of infectious diseases, cancer and inflammatory diseases. With more than 2, 400 employees worldwide, the company is headquartered in Maryland.
Year 2006
The company is listed at NASDAQ. Closing price of its stock on Nov. 7, 2006 is $33. 43, with 52 Week High / Low as $ 37. 58 / $ 24. 87, with high volume transactions taking place in May and July 2006. One disturbing figure as of now is that the company's EPS has gone down to negative figure ($ -0. 38). But seeing the kind of activity visible in the stock, it still appears to be a favorite stock, thanks to strong fundamentals. The stock experienced very high levels of volatility during the previous 12 months. The stock kept following the NASDAQ-100 index till about April this year, but thereafter it has been consistently underperforming. That has to be slight cause of worry for my company MPC. Similar trend was seen in its performance as compared to S&P-500. After April 2006 the stock is yet to catch up with the index. After August 2006 though the stock is making consistent progress while the market has been more or less stagnant. Particularly the last three months (Sept-Oct 2006) have shown some encouraging trends in the stock price.
Year 2005-06
If we analyze the stock during the last 24 months, we find that the share traded at prices even less than $24 during February and March 2005, but therefore the stock discovered a smart recovery and rallied all the way to touch the latest 52 week high. The stock has been experiencing some amount of volatility though, but that is quite commensurate with the overall share market trend. In fact as compared to NASDAQ 100 the stock has shown good maturity. While during the period of December 2004 to August 2005, the stock kept following the index, after August 2005 and till July 2006 the stock even outperformed the NASDAQ 100 index. Similar trend has been observed while comparing the stock price variations with S&P 500 index.
Year 2004-05
The stock had been following the NASDAQ-100 quite consistently even during the period of 2004-05, touching the lowest point in January 2004. Thereafter MEDI stock price has been consistently on the rise, at times following the NASDAQ-100 and many a times leaving the index behind. This trend appears to be a healthy one for acquiring the company. Similar comparisons with S&P-500 reveal that the index has been an average of fluctuation experienced by the stock price of MEDI.
Having studied its consistent performance over the years stock analysts consensus recommendation appears to be 'go for the stock', with a 12 month price target of about $37. Actual P/E ratio for the year 2005 is 257. 15. Analysts see a continuous reduction in its P/E ratio in near future with EPS going down. It is estimated that if corrective action is not taken immediately than the company may touch the bottom as far as P/E ratios are concerned.
Additional Notes (in response to ur query):
Your first query
This expresses the current share price (P) as a multiple of the earnings per share (E). The P/E ratio is used as a measure of how much the investor is being asked to pay for the investment. It is a means of assessing both the value of the company and also its comparative value and attraction compared to other companies.
In general, a high P/E suggests that investors are expecting higher earnings growth in the future compared to companies with a lower P/E.
Ref: http://www. investopedia. com/terms/p/price-earningsratio. asp
Your second query
Please observe the variations in the share price as compared to the index. You'll find that both the lines are running almost neck and neck till about August 2005. Thereafter the share price kept increasing even when the index was going down. Subsequently after around July 2006 it both the lines started following each other.
All this information you can have from the NASDAQ website, as I told you earlier.
I hope now both the things are clear to you.
Regards
Writer