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HP Cuts Jobs, Stock Price Rises

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JMDinvestments

Thursday, May 24, 2012

HP Cuts Jobs, Stock Price Rises

HP announced on May 23 that it will cut 27,000 jobs ([see article](#)). In class I asked students what they thought happened to the stock price. Most thought the price would drop since this is a negative indicator. However, the stock price actually rose 2.2% from its prior day close, while the market was flat. The issue is efficiency (and margin). If HP can sell the same amount with fewer employees, earnings will be higher--which translates to higher growth (and therefore market value).

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