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Retail

Why Retailers Will Shine This Holiday Season

By [Wayne Burritt](#)

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Retail

BULLISH

- September retail sales were mostly bullish.
- Consumers will spend more on gifts vs. last year.
- Online sales should soar.

About this time of year, I can't help but get excited about the holiday season. The leaves have turned and fallen, and the crisp, fall air is getting that little sting to it. FM radio stations are starting to play holiday music 24/7.

And I simply can't stay away from television shopping channels.

On Sunday night, I was watching the Indianapolis Colts and the New England Patriots battle it out in one of the premier quarterback matchups of the year. And what was I doing? Flicking between QVC, HSN and just about any infomercial out there.

I'm simply amazed at how much product these channels pump out, day in and day out, in spite of pessimism about the consumer. I'm not talking chump change, either. I had my eye on one set of cookware that fetched \$200 a pop, and the too-perky host constantly reminded me that "only" 1,000 units were left of the 5,000-unit allotment -- and if I don't hurry, they'll all be gone within the hour!

Let's see, 5,000 units of a \$200 cookware set in one hour; that's a cool million in top-line sales, which isn't bad for an hour's worth of work. And we're not even close to the peak in the holiday shopping season.

Sure, my TV shopping analysis isn't scientific or comprehensive. But I'm interested in these shows because they mirror what I've been thinking and hearing. Namely, aren't we supposed to *not* be buying anything right now? Though gas prices have come down, they're still at nosebleed levels. The housing market is taking a dive, interest rates are climbing, and the world is filled with geopolitical uncertainty.

Nevertheless, it looks like it's going to be a robust holiday shopping season in spite of the negatives. Here's why.

- Although September retail sales posted their biggest decline since June -- down 0.4% compared with August -- the real story is downright bullish. If you strip out the thrashing that gas-station sales took, it's clear that restaurants and apparel, sporting goods and general-merchandise stores -- among others -- all clocked strong gains.
- In a year-over-year comparison, the news is even better: Retail sales jumped 5.5% in September. Set aside volatile gas and auto sales, and they increased a whopping 7.3%. And that's on top of the 7.1% hike in August. I'm happy with anything over 5%.
- Although retail gas prices ballooned to more than \$3 a gallon this past summer, retail sales were humming along nicely. So despite the shellacking our wallets took at the pump, we weren't shy about opening them back up when we stepped into the mall. Consumers have sturdy buying resilience now, and gas prices have come down -- a big plus going into the holiday shopping season.

- The National Retail Federation says that the average consumer is going to shell out \$791 this holiday season. That would be a solid 7.2% improvement over last year's \$738.
- While we're planning on spending more on each other, we're going to take advantage of sales and dole out an additional \$99 on ourselves, a solid 14% improvement over last year's \$87. That's not enough to cover that \$200 cookware set, but it's a darn good start.
- According to Forrester Research, U.S. online retail sales will reach a mind boggling \$27 billion this holiday season. That's a stunning 23% increase over last year's numbers, and it sends a clear signal: Online retailers and shoppers aren't about to back off buying anytime soon.

Sure, there are caveats to those online numbers, such as potentially lousy product fulfillment, late orders and hassles over returns. But no matter how you look at it, the online retail space is looking sweet indeed.

How to Play It

In next week's column, I'll drill down into some attractive retail groups from a macro perspective. Then I'll give you a peek into a handful of companies that -- both fundamentally and technically -- are poised to take advantage of this holiday season's big push.

But remember, not all retailers are created equal. Some will shine, while others are going to get stomped. I'll try to help you sort out the potential winners from losers.

In the meantime, if you're itching to buy into the retail sector right now, check out the **Retail HOLDRs** (RTH) . This is a collection of the sector's biggest hitters, and it includes such brands as **Gap** (GPS) , **Home Depot** (HD) and **Target** (TGT) . However, I wouldn't be a buyer until it closes above \$102 on a weekly chart. That's slightly above stubborn resistance at \$101, a level the RTH has had trouble with for over a year.

At the time of publication, Burritt had no positions in any of the stocks mentioned in this column, although positions may change at any time.

Wayne Burritt is president and director of equity research for Burritt Research, which operates BurrittResearch.com. Under no circumstances does the information in this column represent a recommendation to buy or sell stocks. Burritt appreciates your feedback; [click here](#) to send him an email.
