

Written Report

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FIN4018 Financial Software Application and Trading Workshop

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12 December 2022

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Calvin Klein

T O M M Y  H I L F I G E R

Section A: Overview of Trades

Company Name	Phillips-Van Heusen Corporation
Stock Ticker	PVH
Simulation Period	3 October - 18 November 2022

Trade History (in US Dollar)

	Open Position	Close Position	Quantity	Net P/L	% Return
1	Long at \$49.21 on 4 Oct 2022	Sell at \$46.61 on 13 Oct 2022	200	-\$520	-5.2835%
2	Long at \$47.52 on 13 Oct 2022	Sell at \$49.17 on 14 Oct 2022	800	\$1,320	3.4722%
3	Long at \$47.92 on 21 Oct 2022	Sell at \$51.80 on 25 Oct 2022	500	\$1,920	8.0968%
4	Long at \$53.06 on 1 Nov 2022	Sell at \$55.31 on 10 Nov 2022	400	\$900	4.2405%
5	Long at \$60.24 on 14 Nov 2022	Sell at \$60.05 on 18 Nov 2022	400	-\$76	-0.3154%
Total				\$3,544	

Section B: Stock Analysis

Introduction of Phillips-Van Heusen Corporation

Phillips-Van Heusen Corporation (PVH Corp.) is one of the most famous and admired fashion companies in the United States. The company has several sub-brands, including Tommy Hilfiger, Calvin Klein, and True & Co (PVH, 2022). PVH aims to create its core value and strengths, such as delivering sustainable growth and developing a talented workforce through providing aspirational products and services (PVH, 2022). PVH offers wearing products, including sportswear, jeanswear, outerwear and more. The company also manufactures home furnishings, luggage products, and accessories (yahoo, 2022). PVH has established over 6,000 retail stores in more than 40 countries worldwide. During the post-pandemic period in 2022, the retail industry suffered from weak market demands and high inflation rates in the United States. This report aims to find out how PVH handled the stress of interest rate increase, analyse PVH's stock performance in the market, and develop some recommendations for trading strategies.

Fundamental Factors

Ratio Analysis

PE Ratio (CNBC, 2022) retrieved on 5 December 2022

Ticker	PVH	ROST	VFC	TPR	RL
P/E Ratio	11.57	28.81	12.33	30.87	15.99
Fwd P/E	9.32	26.43	10.79	13.24	14.59

Price-Earnings (P/E) ratio is usually used to determine the relative valuation of a stock, whether it is undervalued or overvalued. The ratio also is applied for benchmarking one stock's performance against other stocks in the same industry (Fernando, 2022). A stock with a higher PE ratio can be overpriced based on its past 12-month historical prices (Gallant, 2021).

PVH has the lowest P/E and forwards P/E ratio among the five stocks on the watchlist, which indicates that the PVH stock may be relatively undervalued compared to the other four.

Hence, opening long positions to buy PVH shares currently should be a good spot for gaining profits for the mid-long term.

PS Ratio (yahoo finance, 2022) retrieved on 6 December 2022

Ticker	PVH	ROST	VFC	TPR	RL
P/S Ratio	0.55	2.44	1.10	1.51	1.26

Price-to-Sales (PS) ratio is an investment valuation ratio which indicates a company's capitalisation divided by the company's sales for the previous year or 12 months (Maverick, 2022). PS ratio is often used to evaluate how efficiently a stock gains profit by comparing the ratio with the other stocks within the same industry. In other words, the ratio is a crucial indicator for measuring how much equity investors need to invest for the stock to generate \$1 of revenue (Maverick, 2022). According to the table above, PVH has the lowest PS ratio compared with the other four stocks, meaning that investors can invest nearly half of a dollar for every dollar the company earns in its revenue. Hence, PVH's stock is a profitable and favourable investment since the stock with a lower PS ratio generally would be attractive and generate more revenue with less equity invested.

Trend Analysis

Time Frame: 6 months (June 2022 - December 2022)



From the chart, there is a clear downward trend of PVH, indicated as a red line in the chart, starting from August 2022 and ending around October 2022, which led PVH underperformed against the S&P 500. The negative trend may be due to the macroeconomic challenges in the United States when the inflation rate was relatively high, at around eight to nine per cent, pressuring the stock price to fall. Furthermore, the company suffered from supply-chain shortages in North American units (Zacks, 2022).

After that, an upward trend with a smaller slope started in October, indicated by a green line in the chart. The upward trend remained until a massive jump due to the US inflation rate cooling to 7.7% in November 2022, down from 8.2% in September and below the 7.9% increase that economists expected (CBC, 2022). After the simulation period ended, PVH released its earnings report, showing that the company's revenue beat expectations by 2.1% (SimplyWallSt, 2022) and boosted the stock price to \$75.6 at the peak. Therefore, it was reasonable for investors to open several long positions at the time shown in the MACD chart and hold them during this period.

Peer Analysis

Fundamental Factors (yahoo, 2022) retrieved on 6 December 2022

Ticker Name	EPS Est. Next Year	Div/Share	Price/Book	Forward P/E
ROST	5.01	1.22	9.68	23.43
TPR	4.18	1.05	3.97	8.89
VFC	2.75	2.00	3.72	10.73

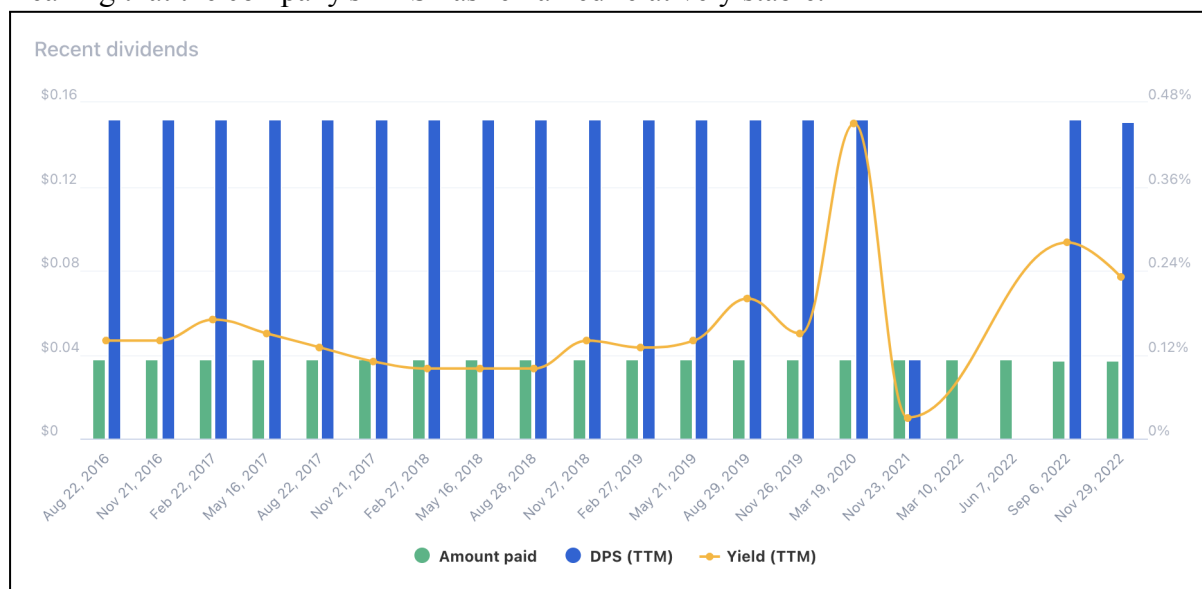
RL	8.90	2.88	3.26	12.47
PVH	8.07	0.15	0.96	8.07

EPS Estimation in Next Year

Earnings-Per-Share (EPS) is used to measure the profitability of company stock. EPS is calculated as a company's net profit divided by the number of shares outstanding (Fernando, 2022). Hence, a company stock with a higher EPS is considered more profitable than other stocks. As shown in the table, PVH has the second highest EPS, 8.07, compared to the other four stocks, meaning that PVH has adequate potential to generate a considerable profit in the following year.

Div/Share

Dividend-Per-Share (DPS) reveals the amount of dividend attributed to each company share outstanding, and it shows how much dividend an investor earns on a per-share basis (CFI Team, 2022). The DPS change trend, rising or declining, can signify whether the company's earnings growth is sustainable (Chen, 2021). By comparing, PVH has the lowest DPS among the five. However, as shown in the chart below, the DPS over the quarter is mostly the same, meaning that the company's DPS has remained relatively stable.



Price/Book

Price-to-Book (P/B) ratio is used to identify the potential of a stock or an investment. The ratio measures the market's valuation of a company relative to its book value (Fernando, 2022), in which the book value is the company's net assets. The P/B ratio is also a significant indicator to determine whether a stock is undervalued, but analysts should consider other factors and ratios before making the judgement. In the table, PVH has a relatively low P/B ratio, 0.96, compared to the other four stocks. Traditionally, a value under 1.0 is considered a good P/B for value investors (Fernando, 2022), implying that PVH stock is potentially underpriced among the five stocks.

Stock Performance

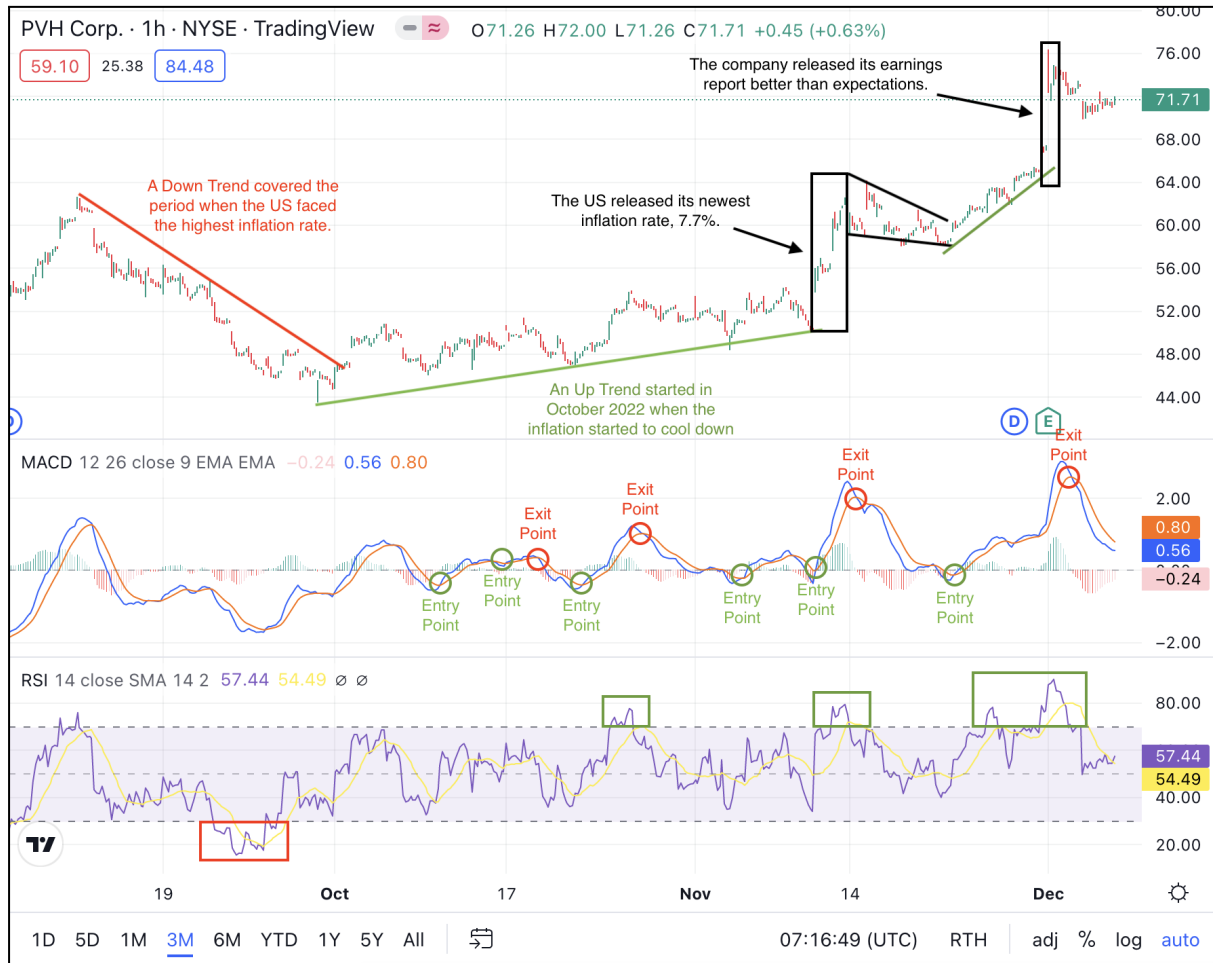
Long Term 5-year



In a 5-year time frame, the PVH stock did not perform well, and it experienced two prominent downward trends shown in the above chart. The stock price fell from the highest point, \$160.00, to the lowest, \$37.64, and the current price on December 6 was \$71.63. Through these five years, the stock is nearly 55% down compared to its price five years ago. The chart shows that the first downtrend began in June 2018 and stopped at the end of 2020. During this period, the stock price tried to create breakout points several times. PVH's most significant drop occurred at the beginning of 2020 when COVID-19 was widely spread from China. After that, the price started to recover as the United States struggled to come out from the COVID pandemic's impact. There were also some entry points followed by exit points shown by the MACD indicator.

As the price went up, there was a faint "Double Top" formation in 2021, indicating a resistance level, and the stock was facing a solid selling power at that price level. Another downward trend started in November 2021, when the United States experienced a high inflation disaster and the interest rate increase by the Fed.

Short Term 3-month



In a 3-month time frame, the PVH stock started to recover in October. The chart showed an upward trend or an ascending channel with a slight slope since the US inflation cooled down from the peak. There were two main events happened that boosted the company's stock price, the US inflation rate and the company's earnings report. From the MACD, investors may keep opening long positions on PVH and hold these positions.

Recent News, Events, and Impacts

Company News

In the 3-month period, PVH has had an outstanding performance on the share market, with its stock price has gone up by around 37% and even 41% over the last month. The company stock is going strong, but the price movement is still fluctuating because some fundamental factors are mixed. In December 2022, PVH's revenue came in at 2.28 million dollars, beating analysts' estimated 2.23 million dollars (Ballard, 2022). Analysts are evaluating the earnings beat as a vital sign that PVH is establishing solid momentum heading into 2023. As some essential manufacturing countries like China have lifted their COVID curbs and supply chains have gradually recovered, the company may record more revenue growth worldwide (Ballard, 2022).

Market News

However, PVH is still struggling with high inflation and suffering from interest rate headwinds (Ballard, 2022). The company expects the year's revenue in 2022 to decrease by 3% compared to previous years. According to the latest news from CNBC, while retail payments surged 11% so far in 2022 to nearly \$4 trillion, that increase obscures a slowdown

that began in recent weeks (Son, 2022). The US stock futures were down slightly as Wall Street weighed the possibility of a recession happening in 2023 (Min, 2022). Therefore, PVH may have satisfactory revenue growth as its internal optimisations on its supply chain and manufacturing issues, but there are also challenges when the US market begins to recess.

Section C: Trading Strategies

As the price keeps increasing within the simulation period, the trading strategy for investors may be to keep open long positions and hold them. Refer to the chart within the simulation period.



Market and Company Performance

In the chart, PVH shows a good performance in its stock. The simulation period started when the peak of the US inflation rate passed, and the US market began to recover. The inflation rate in the US had dropped from the highest, 9.1%, to 7.7% in October. The stock market rallied because investors were expecting that the Fed would slow the pace of increasing the interest rate. Hence, opening long positions would be safe for investors to generate profits from the stock market. According to the chart, investors may open the position when two moving average lines cross, and the 9-day line crosses above the 26-day line.

There was also some news showing that the revenue of each PVH's sub-brand improved in Q3 of 2022. For example, Tommy Hilfiger's revenue rose 7% yearly on a constant-currency basis, and Calvin Klein turned in slightly better growth of 9% in the entire year (Ballard, 2022). The company also performed better than expected, as the earnings per share were \$2.60, which was \$0.43 higher than the expectation of \$2.17 (yahoo, 2022).

Trade Decisions

I opened several long positions on PVH because I believed that the stock was relatively undervalued at the time. As analysed in **Fundamental Factors**, the stock has met its bottom line and strong resistance level. My first strategy was to enter at a relatively low point and take the profit after the stock rallies. For example, in the second trade, I used a market buy order to long the stock at \$47.52. After one day, when the stock rallied, I used a limit sell order to close the position at \$49.15, and the order was executed at \$49.17. The biggest earning was at the third trade I opened on PVH, where I long the stock at \$47.92 and set a limit sell order to close the position at \$51.8. I believe that PVH met its immediate support level when the price was around \$47.5 to \$48, which may not fall in a short period. After I took a long position, some analysts had their evaluations that the company overcame some of its weaknesses in internal management and executed a new growth strategy by replacing a new COO who has solid business development experience (Zaheer, 2022). Hence, I set the limit sell order on the next trading day. I kept this trading strategy for PVH stock for the rest of the simulation period.

Long-Term Trading

Back to the **Stock Performance** in 5 years, PVH has passed a breakout point, indicating a turnover in the downward trend. Investors should be optimistic about the US market since many analysts predicted a great stock gain in 2023, even in a double-digit rise. In the long term, the Fed could change its tone after inflation peaked in the US. In a recent survey held by Bloomberg to those fund managers in famous investment companies, 71% of respondents expect equities to rise (Barnert, Jaisinghani, & Yu, 2022). Especially in the retail market, manufacturing and distribution issues gradually improve since China, a giant manufacturer, has moved away from the zero-COVID policy. Therefore, the risk of PVH and the retail industry crash has become smaller. Back to **Peer Analysis**, the company's EPS estimated in the next year is compared to be relatively high with other companies in the watchlist. Hence, the investment in PVH for the long term may probably enter now.

Section D: Conclusion

Wrong Decisions and Mistakes

PVH

I made some mistakes during the simulation. When I opened the first position, I thought the price would probably go up after the stock's downtrend. However, the stock was not yet at its lowest point, while the US market had not recovered. I wrongly estimated the bottom line of the stock price. At the fourth trade, I opened the long position based on the news saying that the Fed would lower the pace of increasing the interest rate. However, I made a mistake because I was too hurried to enter the market. I bought the stock at the peak of the trading day. I also wrongly interpreted the news because the inflation rate in the US is still at a high level, and the Fed would still increase the interest rate to lower inflation in the foreseeable future. The news predicted long-term investments, which was not applicable to my case.

VFC

For other stocks in the watchlist, I also miss-estimated their trend in some trades. For example, I bought VFC before its earnings report came out. Some analysts confidently said that the VFC might outperform the expectation since the retail sales data has recovered from Q2. However, the result merely met the expectation and did not go as well as analysts predicted. Then, the Fed increased the interest rate by 75 points, pressuring the stock price lower. I faced a large amount of unrealised loss in that week by holding VFC.

ROST

The last position I opened on ROST was the biggest mistake I made during the simulation. I opened the short position for ROST on the day the Fed announced the increase of 75 points interest rate. I missed the chance to open before the announcement. Hence, I wrongly shorted the stock at around \$92, which was at nearly the bottom on November 2. The stock was not heavily affected by the increase, and it recovered soon, leading to an unrealised loss. I shorted 594 shares, and the short position used up all my buying power for other stocks.

I had two chances to close this short position on November 8 and 9 to stop the loss and even gain a little profit. I did not set up a limit sell order for ROST when the price was down to an ideal level. I also became greedy and thought the stock price would go down further since ROST had reached its 6-month high, and the RSI showed that the stock was likely over-bought. However, the stock had a satisfying earnings report and a strong sales record in Q3, pushing the stock price to rally.

Trading Improvements

Throughout the whole simulation period, I found that I am so easy to be affected by different market news and price fluctuations. I got panic when the stock price went down, and all I wanted was to stop the loss as soon as possible. I missed many opportunities to keep opening positions and wait for the stock to rally. The main reason would be the information asymmetric in the market, as I could not retrieve enough latest news and information for my trading decisions. I sometimes also only relied on one indicator to make the decision without further analysis.

After learning in FIN4018, I understood that investors should try to combine as many statistical indicators as possible before making a decision in the stock market. I should try to be less sensitive as the stock price moves and set a clear earning target and a stop-loss level before entering. Finally, I should always plan ahead and do more analyses, knowing the stock trend, support levels, and resistance levels.

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