December Retail Sales Disappoint: Is it Bad News for These Stocks?

Description

Statistics Canada released its retail trade numbers for December 2017 on February 22. The numbers surprised analysts, as sales dipped 0.8% to $49.6 billion. This in comparison to the rock-solid numbers reported for three consecutive months previous, including an impressive November. However, retail sales were still up 1.5% in the fourth quarter and 6.7% for 2017.

The S&P/TSX Index has fallen 4.3% in 2018 as of close on February 22. Stocks have sputtered in response to rising interest rates and bond yields. The Canadian dollar also dropped in response to the retail numbers that disappointed experts and analysts. Let's look at a few stocks that are worth a second look in light of the December numbers.

Dollarama Inc. (TSX:DOL)

Dollarama stock fell 2.08% on February 22. Shares have dropped 3.5% in 2018 thus far. In the December report, retail sales at general merchandise stores fell 5.3%. Dollarama saw a boost in its third-quarter results after it began accepting credit card payments. Moneris Solutions Corporation, a Canadian processor of debit and credit card payments, reported a 4.26% increase in activity in the final quarter of 2017.

Dollarama is projected to release its 2017 fourth-quarter and full-year results in late March or early April. In the third quarter, the company saw sales rise 9.7% to $810.6 million and maintained its outlook to open 60-70 new stores in both fiscal 2018 and fiscal 2019. The company also delivered a modest dividend of $0.11 per share, representing a 0.3% dividend yield. Dollar store performance has been extremely robust in recent years, and even with weaker retail numbers to finish the year, Dollarama remains an attractive long-term hold.

Canadian Tire Corporation Limited (TSX:CTC.A)

Canadian Tire stock has climbed 7.8% in 2018 thus far. In the 2017 third quarter, Canadian Tire hiked its dividend by 38% to $0.90 per share, representing a 2% dividend yield. Shares dropped steeply in early February, coinciding with a global stock market rout. However, the release of its 2017 fourth-quarter and full-year results curbed the decline and saw shares rebound.

The company reported full-year diluted earnings per share of $10.67, which represented a 15.7% increase. Annual revenue also climbed 5.9% to $13.4 billion. Automotive parts, accessories, and tire stores dropped 0.7% in December, and electronics and appliances stores fell 9.1%. Canadian Tire had a banner 2017, but it is worth monitoring retail sales to start the year if the trend persists.

AutoCanada Inc. (TSX:ACQ)

AutoCanada has dropped 7.2% in 2018 as of close on February 22. New car dealers reported a 2.9% increase in December, while used car dealers saw sales fall 1.3%. AutoCanada owns and operates both new and used car dealerships.

In the third quarter, AutoCanada saw revenue jump 10.8% to $834.6 million. Canada posted record auto sales in 2017, led by a surge in sales of light trucks. AutoCanada offers a dividend of $0.10 per share, representing a 1.9% dividend yield. Investors should be cautious, as the auto sector should face downward pressure due to heavy consumer debt in Canada and rising interest rates.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ACQ (AutoCanada Inc.)
2. TSX:CTC.A (Canadian Tire Corporation, Limited)
3. TSX:DOL (Dollarama Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date
2025/07/01
Date Created
2018/02/25
Author
aocallaghan