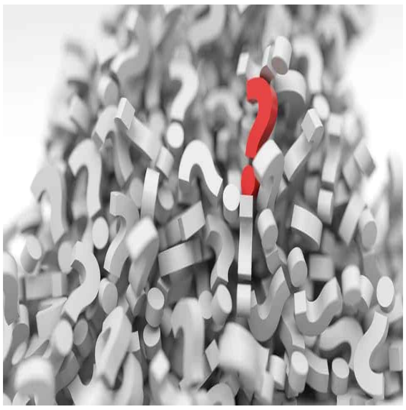

Are These 2 Clothing Stocks Buy-Low Opportunities Today?

Description

The S&P/TSX Composite Index gave up another triple-digit loss on December 17 — 232 points in total. The index has now declined 11% in 2018 so far. Major indexes in the United States have fared even worse, posting the worst December declines since 1931.

Retailers are often some of the hardest-hit companies during a recession. Today we are going to focus on two of the top clothing retailers in Canada. Statistics Canada recently released retail sales in September, which edged up 0.2% compared to a flat August. Sales at clothing and clothing accessories stores increased 0.4% and climbed 6.7% year over year.

Canada Goose (TSX:GOOS)(NYSE:GOOS)

Canada Goose stock fell 3.19% on December 17. Shares have now plunged 26.8% month over month. Canada Goose stock appeared to regain momentum after a mid-November Q2 earnings release, but external factors have wreaked havoc on shareholders in December.

The arrest of Huawei executive Meng Wanzhou has ignited a diplomatic crisis between Canada and China. In response, Chinese citizens have taken to social media to push for a boycott of specific Canadian and American products. Canada Goose was one such target which was publicized by Chinese state media. This is a concerning development as Canada Goose draws 10% of its global sales from China and had hoped to kick-off a significant brand push on the mainland in the coming quarters.

It is not time for investors to panic just yet, but Canada appears poised to distance itself from Huawei to placate its Five Eyes alliance partners. There should be little doubt that China would aim to respond by targeting Canadian interests in China. The precarious geopolitical situation makes Canada Goose too risky right now.

Aritzia (TSX:ATZ)

Back in July, I'd recommended Aritzia as my top clothing stock for the summer. The stock climbed steadily to an all-time high of $19.79 in early November but has since succumbed to broader volatility.

Aritzia stock fell 7.5% on December 17. Shares have dropped 12% over the past month. Aritzia is also removed from a very positive fiscal 2019 Q2 earnings report. Comparable sales rose 11.5% year over year and net revenue climbed 18% to $205.4 million. Adjusted EBITDA surged 59.6% to $33 million and adjusted net income increased 76.3% to $18.3 million. Aritzia is projecting mid-teens revenue growth for the remainder of fiscal 2019. Taking a glance at its technicnals, Aritzia stock is not quite a screaming buy in late December. Its RSI sits at 34, just outside oversold territory.

The company carries a good degree of momentum into the holiday season and launched e-commerce promotions during the typically busy Black Friday and Cyber Monday events. Its third-quarter fiscal 2019 results are expected to be released sometime in January, so investors can stack in what has been a brutal December. This bout of volatility has shown that it has staying power, so value investors may want to wait for a pullback into technically oversold levels before buying.

CATEGORY

1. Investing

TICKERS GLOBAL

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2. TSX:ATZ (Aritzia Inc.)
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1. Investing

Date
2025/07/08
Date Created
2018/12/18
Author
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