Canada Goose (TSX:GOOS) Stock Is Getting Killed Today: Which Retailer Wins in This Difficult Retail Environment?

Description

As a general rule, we should always ensure that our portfolios are well diversified so that as a whole, our money can be well-protected and provide acceptable returns through all market and economic cycles.

Of course, retail stocks are part of the diversification effort and as such, they have a part to play within a portfolio.

I've been writing about the risks to retail stocks in past articles, as elevated debt levels naturally means that weaker consumer spending had to eventually come.

Especially spending on non-essential products.

Retail stocks tumbling

Retail stocks are increasingly struggling in this new world of weaker consumer spending and a general slowing sales environment.

We can see this today, with **Canada Goose Holdings Inc**. (TSX:GOOS)(NYSE:GOOS) plummeting more than 21% as the company reported weaker-than-expected sales and a weaker-than-expected outlook.

Canada Goose's product offering is narrow, premium-priced, and as such, this company is naturally vulnerable to a consumer spending slowdown. Plus, it has been priced for perfection for a long time now.

Another company reporting a weaker sales and consumer spending environment is **Indigo Books and Music Inc.** (TSX:IDG). While lesser known than Canada Goose stock, Indigo stock is also plummeting today, and is down almost 12% at the time of writing.

Selling non-essential products, it is natural that this Indigo would also see slowing sales in this difficult environment. Total revenue in the latest quarter decreased 3%, and same-store sales decreased 1.1%.

The difficult retail environment that's hitting retailers is much more difficult on those who provide non-essential products, premium-priced products.

In contrast, **Dollarama Inc**. (TSX:DOL) sells a variety of essential products, a diversified set of products that range from essential to non-essential, all at low prices, which shelters this Dollarama stock from excessive downside and makes it a better pick at the right price.

Dollarama is trading at increasingly attractive historical valuations, and also has a dividend to pay investors to be patient.

Dollarama is flat today, but has already gotten killed back in 2018 and is down 23% from its 2018 highs.

Final thoughts

At this time, I would continue to avoid most retail stocks in general, with a focus on the defensive retailers for some exposure, as high debt levels and a weak consumer certainly do not bode well for these stocks.

Metro Inc. (TSX:MRU), a high-quality retailer with a strong history of dividend increases and shareholder value creation would be a good defensive stock to add for portfolio diversification. The grocery and pharmacy businesses are pretty much immune to the ups and downs of the economy and consumer spending.

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4. TSX:IDG (Indigo Books & Music)
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Date
2025/08/16
Date Created
2019/05/29
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