Will Canada Goose (TSX:GOOS) Bounce Back to $70?

Description

Canada Goose Holdings (TSX:GOOS)(NYSE:GOOS), for the bulk of the past year, has had no trouble staying above $60 a share. However, since recently posting a very disappointing quarter, the stock's support now seems to be a lot closer to $50. Investors weren't pleased with the company's sales or its earnings numbers, and all-out-panic ensued, causing the share price to crash.

Now that the smoke has cleared and it's been a month since the company released its results, it may be time to take another look at Canada Goose. After Tuesday's close, the stock was back up around $52 a share, and it has shown some modest improvements since the massive sell-off that sent it to a new 52-week low.

Will this be the start of a much bigger rally?

Although Canada Goose has picked up a little bit of momentum in the past month, it's going to be a challenge for the stock to be able to get to the levels it was before its last earnings release. With no major news fueling the stock's recovery, there's nothing that investors can get excited about to drive the share price up. The danger is that there are factors that could actually work against Canada Goose.

The biggest concern I'd have as an investor relating to Canada Goose is the tension that exists with China, in particular, surrounding Huawei and its CFO, who is in Canada facing extradition to the U.S. It was that news, after all, that sent the stock into a tailspin back in December, as fears that Chinese consumers would boycott the company for no other reason than it being a very iconic Canadian brand.

While those fears have died down, for the time being, the problem is, the issue hasn't gone away. And as we get closer to the extradition hearing, I wouldn't be surprised if China again puts pressure on Canada and Canadian brands in an effort to have the case dropped. That could mean renewed calls for a boycott of Canada Goose, which could prove disastrous for a stock that's still picking up the pieces.

Even if the company comes out with a positive news release that drives up the value of its stock, that could be undone if concerns around China become legitimate.

Bottom line

In order for Canada Goose to recover, it's going to need to show investors that last quarter's results were an anomaly and that it can get back to producing much stronger results. Until then, I wouldn't expect to see much more than speculative trading taking place on the stock.

However, regardless of how much momentum Canada Goose's stock is able to generate, until the situation with China improves, it may all be for naught. It's a key market for Canada Goose, and Chinese customers are definitely important to the company's long-term growth. For those reasons, it might be safer for the time being to watch the situation unfold from the sidelines and wait for a resolution to the Huawei case before buying shares in Canada Goose.

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Date
2025/08/26
Date Created
2019/07/04
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