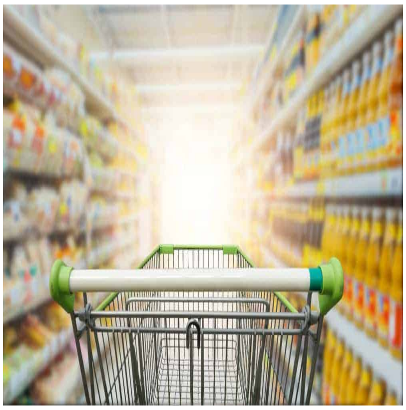

Retail Stocks Are Benefiting From the Market Crash Panic Buying

Description

The analysts are almost unanimous — we are on the verge of a global recession. Say what you will, but it is hard to argue with the fact that COVID-19 is having an unprecedented impact on the global economy. On the bright side, retail stocks are holding up better than most.

Countries are closing their borders, major sports have stopped play, and major retailers are shutting their doors — all in an effort to contain the spread of the coronavirus. Despite unlocking emergency powers and releasing funds to stimulate the economy, there is no question the economy has been damaged.

Last week, the markets officially entered correction territory. Despite a significant rebound on Friday, the carnage may not yet be over. It is nearly impossible to predict where the market will go, but what investors can do is pay attention to what is currently happening.

In Canada, the federal and provincial governments have taken unprecedented steps to curtail the spread of COVID-19. The initiatives have inadvertently led to “panic buying.” Across the country, Canadians are invading local stores and emptying shelves. They are preparing for the worst and irrationality is ruling the day. Toilet paper, anyone?

There is a silver lining to this phenomenon. As rates drop, investors are emptying their pockets and retailers are benefiting. With that in mind, here are two retail stocks investors should consider adding to their portfolios.

Canada’s largest discount retailer

Over the past month, **Dollarama** (TSX:DOL) has held up better than most, losing only 8.18% of its value. In comparison, the S&P/TSX Composite Index has lost 23.03% over the same period. This is not surprising.

Consumers are flocking to Dollarama's stores as they stock up on everyday essentials. Dollarama is the country's largest dollar store operator with 1,271 stores across Canada. Given this, it is one of the best-positioned retail stocks to benefit from the panic buying.

Recently, the company expanded outside its home country in a big way. It bought a controlling interest in Dollarcity, a leading discount store operation in Latin America. It operates over 180 stores and has plans to expand the store count to 600 by 2029.

The company is trading at a cheap 16.72 times earnings and is expected to grow earnings by an average of 13% annually. Analysts have a one-year price target of $51.38 per share on Dollarama's stock. This implies 28.61% upside from today's price of $39.95 per share.

Canada's largest retail stock

As countries close their borders and limit movement, have you noticed the one trend? Grocery stores and pharmacies are the only stores that consistently remain open. People need to eat and need access to medical supplies and medication.

Although Canada has not yet implemented such extreme measures, it is worth noting. Which company is best positioned to benefit? **Loblaw Companies** (TSX:L) is the logical choice. It is Canada's largest retail stock with over 2,500 stores nationwide, and processes more than a billion transactions each year.

Considering the lineups I've witnessed this week, expect that number to tick upwards. To put their size into perspective, almost a third of Canadian get their groceries at one of their stores, and they have a store within 10 km of 90% of Canadians. Loblaw's reach is unmatched.

It is also the parent company of Shopper Drug Mart, one of Canada's top pharmacies. As social distancing becomes the norm, its PC Express service, which offers pick-up and delivery services to almost 70% of Canadians, will set itself apart from the competition.

Over the past month, Loblaw stock has only lost 6.14% of its value. Trading at only 14.92 times forward earnings, investors can expect continued outperformance. This is especially true, as it stands to benefit from the current COVID-19 initiatives ramp up.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)
2. TSX:L (Loblaw Companies Limited)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/08/23
Date Created
2020/03/16
Author
mlitalien