Retail Investing: 5 Stocks and 1 REIT to Watch in 2021

Description

Retail investing has been a weak thesis this year. However, e-commerce has driven speculation, sending certain tech stocks into high-growth territory. Investing in the brick and mortar version is another ball game altogether, though. Pitting names like **Hudson's Bay** against **Shopify** only serves to widen the gulf between these two consumer asset types. Let's explore a few options.

Weighing tech stocks against brands

Tech momentum has been explosive this year, there's no doubt about it. One stock in particular emerged as a major force to reckoned with. Consumer discretionaries met tech stock momentum in Shopify this year, driving shares up 175% in the last 12 months. But the momentum has dropped away in recent weeks, largely due to hopes of a recovery.

The mall shopping thesis, as typified by Hudson's Bay stock, has been weakened by a fresh round of lockdowns. However, while this strengthens the case for growth in home shopping, vaccine hopes also weaken the latter thesis. Investors could find themselves squeezed by a situation in which upside is thwarted on all sides by the complexities of the market.

Vaccines breakthroughs have both fuelled recovery hopes and dented the lockdown growth thesis. But recovery in real-world retail could still be some time coming as the pandemic grinds on. Investors can also compare and contrast the likes of **Aritzia** with **Loblaw**, for instance. Aritzia has become a somewhat speculative choice in the current economic climate. Loblaw, contrastingly, has become much more of a defensive choice.

Buying stocks for long-term safety

Alimentation Couche-Tard is another strong example of how different retail stocks can do different things in a portfolio. For a lower risk play, investors may wish to pick up shares in this affordable consumer staples pick. Canadian Tire satisfies a range of investing strategies. It's also diversified. It's worth noting here that these names also pay dividends. Loblaw pays a 2% yield, for instance, while

Canadian Tire dishes out 2.8%.

Alternatively, investors can plump for a real estate play. One of the best ways to buy exposure to real estate is through an investment trust. **Slate Retail REIT** has been a fairly toxic pick for the majority of the year. But it has star potential, and plenty of built-in comeback charisma — another speculative play, to be sure, but this time with a rich dividend yield of 12%.

But as Laurence Olivier's character in *Marathon Man* likes to ask, "Is it safe?" The answer will likely be revealed next year. Rich yields can sometimes be red flags – especially in the pandemic market. Until 2021, though, the low-risk investor may want to stick with the defensive names mentioned above. Loblaw and Alimentation Couche-Tard represent some of the strongest retail names for passive income on the **TSX**.

Investors may also want to build a mini barbell portfolio out of retail stocks. By buying shares in near-term retail recovery stocks such as Aritzia, stakeholders can cream some quick upside. The risk of capital loss can be counterweighed by picking up shares in longer-term dividend stocks, such as Loblaw, helping to spread the risk while investing in a broader swathe of retail names.

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