

Sell-off resumes in retail stocks

Retail stocks came under renewed heavy selling pressure on Wednesday, 30 January 2013, with some analysts pointing to Cashbuild's trading update as the main trigger behind the sell-off.

The general retailers index fell to its lowest point in more than three months, with Mr Price (MPC) and Truworths (TRU) shedding more than 4% and 3% respectively while Cashbuild tanked over 9% after reporting slow revenue growth in its second quarter to December.

The drug retailers index, which includes Shoprite Holdings (SHP) and Clicks, was down more than 3%.

"The (retail) sector still looks expensive. As far as I'm concerned there is still plenty of weakness ahead. Cashbuild trading update provides further proof that the sector is still overly priced," said Reuben Beelders, portfolio manager at Gryphon Asset Management.

Cashbuild's revenue in its second quarter to December was up 1% from a year earlier. In the past three years, revenue growth for the company has been above 8%.

Retail shares have been under constant pressure throughout this month following the release of their December quarter trading updates, which largely fell below market expectations. By 2.30pm, Mr Price had tumbled 4.67% to R118.07, The Foschini Group (TFG) had given up 3.82% to R117.36, Truworths (TRU) was down 5.13% to R99.61 and Woolworths (WHL) was off 3.71% to R62.49.

Shoprite (SHP) was down 3.64% to 170.56 and Spar (SPP) shed 3.49% to R116.59.

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