

# WWD

April 1, 2009

## **Retail Stocks Rise, Consumer Confidence Steadies**

by Arnold J. Karr and Vicki M. Young

Retail stocks bounced back on Tuesday as word of stabilizing consumer confidence helped the S&P Retail Index end the month and quarter with beefy increases.

On the final day of March and the first quarter of the calendar year, the index rose 2.54, or 0.9 percent, to 293.66, below its 301.52 closing from last Thursday but up a robust 16.6 percent for the month and 5.2 percent for the quarter. It began the year at 279.26, but closed out February at 251.79.

The S&P Retail Index hasn't generated such a strong result since before the recession officially began in late 2007. Prior to March's lionlike exit, the index's strongest performance since late 2007 had been the 12.7 percent advance last August, followed by the 6.3 percent rise last December. The largest monthly decline of the recession was the 17 percent contraction of last October, followed by a 12.6 percent fall in November and a 12.2 percent swoon in June.

Rebounding from Monday's sell-off, the Dow Jones Industrial Average finished the day at 7,608.92, up 86.90 or 1.2 percent, and up 7.7 percent for the month, its largest monthly advance in more than six years, but still off 13.3 percent for the year.

The S&P 500 was up 10.33, or 1.3 percent, for the day and ahead 8.5 percent for the month, but is still down 11.7 percent since 2008 trading ended on Dec. 31. The Nasdaq Composite was up 26.79, or 1.8 percent, to 1,528.59, 10.9 percent ahead of its Feb. 27 close and 3.1 percent behind its 2008 finale.

The positive results on Wall Street were seen as much as a reaction to the absence of bad news, such as Monday's sense of the growing likelihood of a bankruptcy by General Motors, as to the presence of anything indisputably positive.

For instance, the Conference Board said Tuesday that its Consumer Confidence Index remained essentially flat in March, as consumers seem to be taking time to digest what's next for the economy despite persistent concerns over the job market.

With mixed results for the two components of the index, it finished March at 26, inching up slightly from a revised reading of 25.3 in February. The Present Situation Index, a gauge of current conditions, dipped to 21.5 from 22.3 in February. The Expectations Index, the more forward-looking gauge as it measures the outlook going out six months, showed a slight gain to 28.9 from 27.3 last month.

"Consumer confidence was relatively unchanged in March, after reaching an all-time low in February," said Lynn Franco, director of The Conference Board Consumer Research Center, who went on to say, "Apprehension about the outlook for the economy, the labor market and earnings continues to weigh heavily on consumers' attitudes."

**Doug Himmel, managing director at Melville Capital, said, "People are digesting and figuring out what is next. The market rallied 800 to 1,000 points in the last couple of weeks, and whether we've seen a bottom in consumer confidence remains to be seen."**

**Himmel said the key will be when companies start to hire again, but so far he's hearing**

**more about companies proactively laying off workers to stay solvent because lenders are constraining credit lines.**

Maury Harris, economist at UBS, said the "Conference Board measure remains exceptionally weak," but that is probably because it reflects the labor market conditions to a greater degree than other indexes.

Consumers in March who said overall present-day conditions are "bad" rose to 51.1 percent from 50.5 percent. Their appraisal of the labor market remained pessimistic, with those saying jobs are "hard to get" rising to 48.7 percent from 46.9 percent last month.

However, looking ahead, there were a few signs of mild optimism. Consumers expecting business conditions will worsen over the next six months fell to 39.1 percent from 40.7 percent, while those expecting fewer jobs in the months ahead declined to 42.6 percent from 47 percent.

While several real estate investment trusts (REITs) registered strong gains, led by General Growth Properties Inc.'s 29.1 percent advance as it continued to hammer out a path around bankruptcy, retailers posted mixed results in Tuesday trading.

G-III Apparel Group Ltd. shares fell 5.3 percent, to \$5.52, in advance of disclosure of a bigger-than-expected fourth-quarter loss after the close of the markets.

Macy's Inc. shares fell 1 cent, to \$8.90, during the trading day. After the close of the market, the company reported it would record a \$5.4 billion pretax goodwill impairment charge for 2008, within but at the high end of its earlier projection of a charge of \$4.5 billion to \$5.5 billion.

WWD Copyright ©2008 Fairchild Fashion Group. All rights reserved.