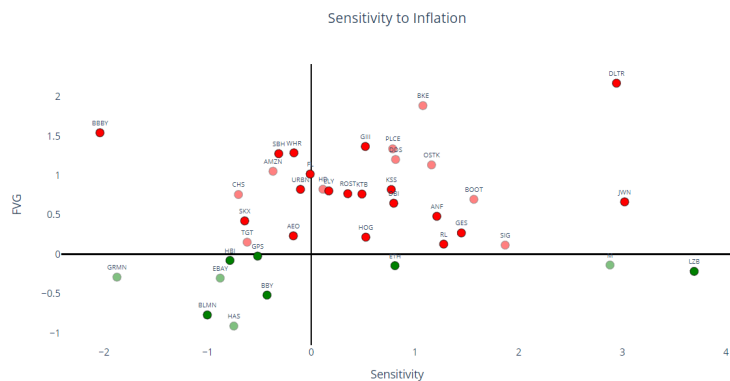




19.11.2021

Black Friday

- Black Friday is a week today. It had already become more than a one-day event but that is especially true this year with supply constraints prompting a flood of early shopping.
- That was the message from “[Black Friday starts now](#)” where RETINA flagged that US Retail was cheap to the broader market back in mid-October ahead of an early & more protracted shopping season. Retailers subsequently outperformed the S&P500 by 7.5% & now Qi’s [XRT vs. SPY](#) model now sits 0.7 sigma (2.5%) rich to macro.



- During earnings season several retailers have referred to the threat from inflation. Bottom-up analysis looks at companies pricing power; Qi looks at a stock price’s relationship with inflation expectations.
- The chart shows those retail Consumer Discretionary stocks that benefit (suffer) from rising inflation to the right (left) of the vertical bound. We also add a valuation overlay. Red (green) stocks above (below) the horizontal bounds are rich (cheap) to macro model value.
- The majority of retailers still want reflation but a sizeable minority now have a negative relationship where rising inflation is a headwind; presumably a function of margin compression.
- [Bed, Bath & Beyond](#) is an example which also screens as 30% rich to model. Note though inflation is not a significant driver versus other macro factors. [Garmin](#) however has just started a new macro regime with inflation the top driver & the relationship is negative. The macro perspective suggests it is a stock that, on current patterns, has little pricing power.

