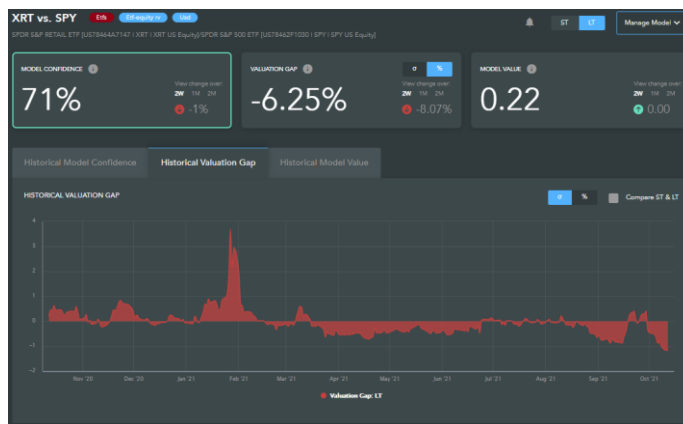




## Black Friday starts now

- Supply chain disruptions are re-defining the traditional holiday shopping season. Last week Amazon declared “the holidays have officially begun” as it announced discounts earlier than normal. It, & other retailers, are looking to appeal to those consumers eager to move ahead of potential shortages.
- Increased freight & warehouse costs could yet compress margins but, for those anticipating decent volumes in the months ahead, it is worth noting that, on Qi, **US retailers (XRT) currently screen as cheap versus the broader market (SPY).**
- The [XRT vs. SPY](#) ratio is 6.25% below macro-warranted model value. That’s the biggest deficit to macro fair value in the last year.



- It is also a statistically significant level. There have only been 10 instances since 2009 where XRT vs. SPY has been this far below model fair value when in regime. **Buying the dip at that level elicits a 60% hit rate for an average return of +0.8%.**
- The macro regime is all about domestic & global reflation. Retailers outperform the broader market when US real rates are rising, the yield curve is steepening & when global growth (China GDP plus commodities) are robust. A strong Dollar is the biggest single negative.
- For those who believe in US consumers & their appetite to fuel a robust shopping season, this looks like an attractive entry level to play upside amongst US retail stocks.

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Quant Insight Limited  
50 Liverpool Street  
London EC2M 7PR

Tel: +44 20 3865 1940  
[www.quant-insight.com](http://www.quant-insight.com)