

Selling of retail stocks continues

Retail stocks came under renewed heavy selling pressure on Wednesday (30 January), 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 and Truworths shedding more than 4% and 3% respectively while Cashbuild fell by over 9% after reporting slow revenue growth in its second quarter to December.

The drug retailers index, which includes Shoprite Holdings 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 over-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.

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