

## **Retail Fetish**

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On a recent trip to Macy's (NYSE:M), I couldn't help but notice the barrage of cologne, perfumes and designer clothing labels available to indulge customers' retail desires. I saw not only a variety of items to consume, but also a plethora of buyers searching for the right summer outfit. A similar scene can be witnessed at discount clothing stores like Ross Stores (Nasdaq:ROST). Let's examine what investors should be looking for if retail will be part of their investment portfolio.

### **Same-Store Sales**

Investing disclaimers constantly chant that past performance does not indicate future results. But when it comes to evaluating retail stocks, looking backward is a key indicator for determining the strength of a retailer. Macy's, for example, reported a 9% decrease in same-store sales for the first quarter, while total sales were down 9.5% to \$5.2 billion. If same-store sales are increasing year-over-year, investors can use the information as a sign of growth. Decreasing sales tell the opposite story. Investors will also want to pay attention to macro-economic influences like high unemployment and the negative effects they can have on retail stores' bottom lines. (For more, see [Analyzing Retail Stocks](#).)

### **ETF Diversification**

Searching for retail picks among the lineup of stocks on retail-focused ETFs, like the SPDR S&P Retail Fund (NYSE:XRT), can benefit investors by helping them see the retail sector from a broader standpoint than just clothing stores like J.C. Penney (NYSE:JCP), or just grocery stores like Whole Foods Market (Nasdaq:WFMI). The idea is to focus on diversification. For example, while Macy's stock is up 13% since the beginning of the year through April 30, J.Crew Group (NYSE:JCG) has doubled during the same time frame. J. Crew reported a 2% increase in revenues to \$345.8 million for its Q4 with only a 5% decrease in comparable-store sales.

### **Ask An Avid Shopper**

Do you happen to know a fashionista? This is a friend or confidant who would never wear white after Labor Day or just always seems to have the right combination of shoes, handbag and outfit up to the standards of this year's fashion season. If you do, your task is as easy as asking her where she likes to cruise for her latest fashions. If you don't, there's no need to despair. Simply spend some time, preferably on weekends, in retail clothing stores and note the amount of traffic you see in the store - and more importantly, at the checkout line.

### **Final Thoughts**

A combination of in-store visits, retail stores' quarterly results and a dash of data from fashionable friends can make a potent mix of information investors can use to build their retail stock portfolio. If the homework proves to be too much of a task, investors can immediately spread their risk with retail-focused ETFs.