3 Retail Stocks with Strong Momentum to Buy This Summer

June 18, 2021 7 min read

This story originally appeared on StockNews

Retail stocks have been surging lately, given their improving financials and bullish market sentiment amid the economic recovery. This trend is likely to continue in the near term, backed by continued progress on the vaccination front and rising consumer spending. Shares of The Gap (GPS), DICK'S Sporting Goods (DKS), and Urban Outfitters (URBN) are poised to maintain this momentum in the near term.

The fast-paced revival of the US economy and ease of social distancing mandates with continued progress on the vaccination front have been resulting in rising foot traffic in retail stores, as people are preferring physical stores over online platforms for their shopping needs. National Retail Federation (NRF) expects retail sales to grow between 10.5% and 13.5% to an estimated total of $4.44 trillion to $4.56 trillion in 2021.

The macroeconomic trends are driving investors to bet on retail stocks lately, as the pent-up demand and rising consumer spending are driving revenues of retailers. The strong investor interest in the retail industry can be observed from the S&P Retail Select Industry Index's 45.4% gain year-to-date. This compares with the broader S&P 500 index's 12.4% return.

As the country is on track to vaccinate at least 70% of its population within July 4, retail stocks should continue to rally. Shares of popular retailers The Gap, Inc. (GPS), DICK'S Sporting Goods, Inc. (DKS), and Urban Outfitters, Inc. (URBN) have gained strong momentum lately and we don't expect their

momentum to end anytime soon.

The Gap, Inc. (GPS)

GPS is a leading global retailer of apparel, accessories, and personal care products for men, women, and children. It offers a wide collection of brands including Old Navy, Gap, Banana Republic and Athleta. The company operates through company-operated stores, franchise stores, Websites, and third-party arrangements.

On May 27, GPS and Walmart (WMT) announced a strategic partnership to launch Gap's new home collection on Walmart's retail platform. Leveraging WMT's position as the world's largest retail company should provide GPS with a prominent growth opportunity.

On April 13, GPS announced its new credit card program agreement with Barclays PLC (BCS) and Mastercard Incorporated (MA) to provide higher reward points to respective cardholders for purchases made at GPS. This should increase the GPS' sales volume significantly, while improving customer engagement and frequency.

GPS's net sales increased 89.4% year-over-year to $3.99 billion in the fiscal first quarter, that ended May 1. Its operating income grew 119.3% from the year-ago value to $240 million. Net income stood at $166 million, up 117.8% from the same period last year. The company's EPS increased 117.1% year-over-year to $0.43.

Analysts expect GPS's revenues to increase 24% year-over-year to $17.11 billion in the current year. The consensus EPS estimate of $1.75 for the ongoing year indicates a 182.9% rise compared to last year. EPS is also expected to increase 341.2% year-over-year to $0.41 in the current quarter ending July 2021. The company has an impressive earnings surprise history as well, as it has beaten the consensus EPS estimates in three of the trailing four quarters.

Shares of GPS have gained 200.9% over the past year, and 60.4% year-to-date. The stock is currently trading above its 200-day moving average of $27.36, indicating an overall uptrend. Also, it is currently trading 16.2% below its 52-week high of $37.63.

GPS has an overall grade of B, which equates to a Buy rating in our proprietary POWR Ratings system. The POWR Ratings are calculated considering 118 different factors, with each factor weighted to an optimal degree.

The stock has an A grade for Momentum, and a B grade for Value, Growth, Sentiment, and Quality. GPS is ranked #12 out of 65 stocks in the A-rated Fashion & Luxury industry.

To see additional grades for GPS, click here.

Click here to check out our Retail Industry Report for 2021

DICK'S Sporting Goods, Inc. (DKS)

DKS is a leading omni-channel sporting goods retailer offering an array of sports goods, fitness equipment, golf equipment, and hunting and fishing gear products. The company operates through brick-and-mortar stores as well as its e-commerce platform.

On June 1, DKS announced its plans to open seven new and relocated stores across the country. This expansionary initiative should attract more customers and expand the company's market reach significantly. Earlier in May, DKS also announced the opening of four new stores in four states.

DKS's revenues increased 118.9% year-over-year to $2.92 billion in the fiscal first quarter, which ended on May 1. Its operating income grew 355.6% from the year-ago value to $475.81 million, while its net income improved 352.2% year-over-year to $361.76 million over this period. The company's EPS increased 299.4% year-over-year to $3.41.

The consensus revenue estimate of $10.81 billion for the current fiscal year indicates a 12.8% improvement from the last year. Analysts expect the company's EPS to come in at $8.70 in the ongoing year, indicating a 42.2% rise from its year-ago value. Also, DKS surpassed the Street EPS estimates in each of the trailing four quarters.

DKS gained 73.4% over the past six months, and 62.7% year-to-date. It is currently trading above its 50-day and 200-day moving averages of $91.10 and $75.36 respectively, indicating an uptrend. DKS is currently trading 11.9% below its 52-week high of $102.33.

DKS has an overall grade of B, which equates to a Buy rating in our proprietary ratings system. DKS has a grade of A for Momentum and Quality, and a grade B for Value. It is ranked #13 out of 34 stocks in the A-rated Athletics & Recreation industry.

Beyond what we've stated above, we also provide grades for DKS for Sentiment, Growth, and Stability. Click here to view all DKS Ratings.

Urban Outfitters, Inc. (URBN)

URBN is a specialty retail company that operates two segments: Retail and Wholesale. The company offers a wide range of lifestyle products operating through Urban Outfitters Anthropologie stores, Free People retail stores, BHLDN stores, Terrain, Menus & Venues, and subscription rental services under the brand name Nuuly.

On April 19, URBN partnered with FABSCRAP such that URBN will facilitate FABSCRAP's expansion in Philadelphia. This partnership demonstrates URBN's commitment towards sustainable development.

URBN's net sales increased 57.6% year-over-year to $927.42 million in the fiscal first quarter, which ended on April 30.

Its income from operations grew 137.1% from the year-ago value to $73.50 million. Net income stood at $53.55 million, up 138.7% from the same period last year. The company's EPS increased 138.3% year-over-year to $0.54.

Analysts expect URBN's revenues to increase 27.10% year-over-year to $4.38 billion in the current year. The consensus EPS estimate of $0.77 for the ongoing quarter indicates a 120% improvement year-over-year. The EPS is expected to come in at $2.68 for the current year, an increase of 26,700% compared to last year. The company has an impressive earnings surprise history as well, as it has beaten the consensus EPS estimates in each of the trailing four quarters.

URBN gained 49% year-to-date, and 41.5% over the past six months. It is currently trading above its 50-day and 200-day moving averages of $37.45 and $33.38, respectively, indicating an uptrend. Moreover, the stock is currently trading 10% below its 52-week high of $41.95.

It is no surprise that URBN has an overall grade of B, which equates to a Buy rating in our proprietary POWR Ratings system. URBN has a grade of A for Momentum, and a grade B for Sentiment and Quality. It is ranked #17 in the Fashion & Luxury industry.

Click here to view additional grades for URBN.

GPS shares were trading at $31.43 per share on Friday afternoon, down $0.95 (-2.93%). Year-to-date, GPS has gained 56.93%, versus a 11.68% rise in the benchmark S&P 500 index during the same period.

About the Author: Subhasree Kar

Subhasree’s keen interest in financial instruments led her to pursue a career as an investment analyst. After earning a Master’s degree in Economics, she gained knowledge of equity research and portfolio management at Finlatics.

More…

The post **3 Retail Stocks with Strong Momentum to Buy This Summer** appeared first on **StockNews.com** https://www.entrepreneur.com/article/375062