

# FINANCIAL TIMES

## US stocks rebound after retail sales data

By Hannah Kuchler in New York

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US stocks edged higher after better than expected retail sales and business inventories became the latest data to ease fears of a double-dip recession.

US retail sales rose the most in five months. Consumers spent more in clothes stores and at petrol stations, pushing sales up 0.4 per cent in August. Analysts had forecast a rise of 0.3 per cent.

Core retail sales, which correspond best to the consumer spending element of the gross domestic product report because they exclude cars, petrol and building materials, rose 0.5 per cent, compared with a fall of 0.1 per cent in July.

A separate release said that business inventories increased by 1 per cent in July, the largest jump for two years and twice the 0.5 per cent rise projected.

“The consumer is healthier and gearing up to spend again,” said **Bernard Baumohl**, chief global economist at the Economic Outlook Group.

“Don’t be surprised if forecasters start to revise their GDP numbers upwards and closer to our projections,” he added. “We’re looking at GDP growth of 3 per cent in the fourth quarter and 3.5 per cent on average for all of next year.”

The S&P 500 retailers index rose 1.8 per cent, lifting the broader consumer discretionary sector by 0.6 per cent. JC Penney gained 7.4 per cent to \$23.98 and department store Macy’s added 4.3 per cent to \$21.95.

There were positive earnings results from retailers Best Buy and Kroger. Best Buy jumped 7.2 per cent to \$37.15 after it beat the earnings forecast for its second quarter and raised its full-year outlook for 2011 from between \$3.45 and \$3.60 to between \$3.55 and \$3.70. Net profit for the second quarter to the end of August was 60 cents per share compared with the 44 cents predicted. But the electronics retailer missed expectations on same-store sales, which are often seen as a better indicator of future profitability.

