

press release

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Christmas stock picks

As the cold weather sets in and Christmas is just around the corner, Graham Spooner, investment research analyst at The Share Centre, looks at what companies may benefit during this period.

Supermarkets

“It’s going to be a three horse race between Tesco, Morrison’s and Sainsbury’s during the Christmas rush and figures released in January will show who has performed the best. So far this year Morrisons has outperformed the main supermarkets and continues to gain market share from its main rivals. Last week retailing giant, Tesco, reported like-for-like sales were down by 0.9% for Q3, despite its “Big Price Drop” campaign. In comparison Morrisons had a record number of visitors in the same period and sales grew above the market.

“Poor economic conditions mean consumers seek value for money and are prepared to shop around, which has seen Morrisons benefit during the last 12 months. It will be interesting to see if this trend continues during the Christmas rush.”

Centrica

“The mild weather along with the higher cost of gas has hit Centrica recently. Interim results issued in November were disappointing, although it was expected, as UK consumers are cutting back on consumption. However, as the cold weather has started to set in, Centrica should benefit from the increased demand for gas. Operating profits at British Gas have more than halved in comparison to last year.

“The share price has suffered this year, falling by around 16%. However, this has pushed the yield close to 5%, which may be appealing to income seeking investors and it looks more attractive at current levels.”

Greggs

“Last year’s figures indicated that mince pie sales for the five week festive period reached 8m, with overall sales soaring by 16% the week before Christmas alone. After the recent launch of its festive range investors will be hoping to see the same demand this year as shoppers hit the high street for last minute gifts. Bad weather is unlikely to hinder Greggs’ performance as shoppers will tend to stay local in those conditions and even with snow last year the food retailer met its targets.”

Majestic Wines

“Majestic Wines has reduced its minimum in store purchase limit from 12 bottles of wine to six, which we believe could see an increase in demand as it becomes more attractive for consumers on tighter budgets. The company could also benefit from difficult economic conditions as consumers choose to stay at home. This could give the company a timely boost after a recent trading update announced a slowing in sales.”

ASOS

“As the online shopping trend continues retailers are seeing an increase in online sales. ASOS could benefit from this trend and higher demand during the Christmas period. However, fears in the market have seen ASOS weaker of late. The retail sector is under pressure and investors should recognise a strong online presence doesn’t mean ASOS is immune to prevailing economic pressures.”

Hornby

“Although there may be concerns over consumer spending, Christmas is a vital season for model railway and Scalextric maker Hornby and provides a major boost to revenues.

“The summer months could also see an increase in sales for the manufacturer this year as it has released a London 2012 Olympics collectibles range, which is reportedly gaining sales momentum. The range has also led to new relationships with retail outlets, which should lead to continued growth.”

International greetings

“Demand for Christmas gift wrapping and greetings cards provides a boost for the stationary supplier, who has recently reported a 6% increase in half year sales. This figure will include a significant amount of the Christmas manufacturing, which was carried out in China as part of the

company's streamlining process. However, higher demand during the festive season could see sales increase further."

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