

Jumpy investors help boost Wal-Mart

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June 27, 2012, 7:23 am

MSNBC.msn.com

Shares of Wal-Mart were enjoying some interest Monday, as investors, spooked by worries about the European debt crisis and the U.S. economy, sought a safe-haven in a company they are betting could thrive in a tough economic environment.

"There's no doubt the sentiment today is one of fear," said Wayne Kaufman, chief market analyst at John Thomas Financial. Last week, as well as in three out of the four weeks preceding that, investors have fled domestic equities, withdrawing more money than they deposited into mutual funds holding these stocks, according to Investment Company Institute data.

Just about the only stock they trust is Wal-Mart. "The stock's had very strong momentum," said Kaufman, adding that some investors could view it as "a safe haven, to some degree."

Wal-Mart's "long restructuring process... is finally paying off," Mitchell Goldberg, president of ClientFirst Strategy, Inc., said via e-mail. Despite a Mexican bribery scandal this spring, the stock has been on an upward trajectory. It was ranked as a "S.A.F.E. 25" stock by the site Dividend Channel on the strength of its 2.4 percent yield and consistent increase in its dividend payments.

"Investors are anticipating earnings growth above expected U.S. GDP," Goldberg said. "Combine that with low inflation, reduced costs, and its ability to negotiate with suppliers, then take into account the stock's low valuation and dividend, you have a cheap bluechip."

Wal-Mart can thrive in a harsh financial climate because a drop in consumer spending translates into negotiating clout. It can demand better terms from vendors and other partners when the economy is weak. It even benefits from minor economic slowdowns or crises of confidence among consumers, because people trade down and shop at less-expensive stores.

"Most other retailers are consumer-discretionary," said Edward Yardeni, president and chief investment strategist at Yardeni Research. Wal-Mart sells the indispensable items — groceries, toilet paper, cold medicine — consumers still buy, even if they switch to cheaper brands. "People are still going to have to spend on staples," he said.