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FINANCIAL SERVICES

LVMH leads luxury stocks rebound

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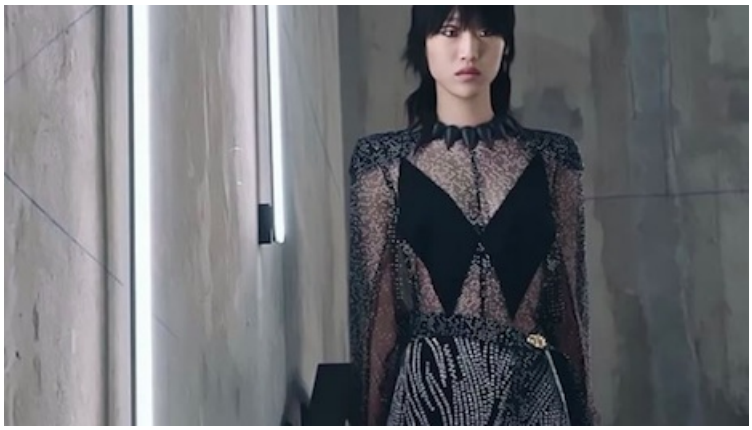

LVMH saw its stock prices grow in January. Image credit: Louis Vuitton

By SARAH RAMIREZ

Uneasiness around Brexit and U.S. trade tensions did not stop luxury conglomerate LVMH Mot Hennessy Louis Vuitton from enjoying a strong start to 2019, which helped push the overall sector in a positive direction.

The Savigny Luxury Index, which measures the share performance of 18 of the largest luxury companies including conglomerates Richemont and Kering, grew 7 percent in January, marking the first boost since August 2019. Although concerns about a slowdown of growth in China persist, some luxury leaders experienced a sales turnaround in the country.

"Investors should be reassured by the resilience of the sector stalwarts LVMH to name but one and continued luxury consumption in China," said Pierre Mallevays, managing partner at Savigny Partners LLP, London.

Bounce back

Luxury goods company LVMH saw share prices grow 8.3 percent in January, while Kering's stock experienced 6.3 percent growth during the month.

At the end of January, LVMH recorded revenues of 46.8 billion euros, or $53.4 billion at current exchange, for 2018. The group cited continued growth in Europe, Asia, Japan and the United States, as well as significant performance in wines and spirits, Louis Vuitton, flagship brands of perfumes and cosmetics and Sephora (see story).

There are also reports that LVMH is working with recording artist Rihanna to create a luxury fashion line, which has already generated excitement among investors.

While the future brand is shrouded in mystery, what experts do know is that it will likely see success if it follows in the footsteps of Rihanna's beauty brand Fenty, which has developed a cult-like following (see story).

Meanwhile, Kering has faced few consequences to-date from investors despite facing accusations of tax evasion from the Italian Tax Authority (see story).

Tiffany & Co. had double-digit growth in mainland China during the holiday season. Image credit: Tiffany

U.S. jeweler Tiffany & Co. saw its share prices go up 10.2 percent in January. After a lackluster holiday season, Tiffany continues to see growth in mainland China.

For the 2018 fiscal year, Tiffany expects that its sales will increase between 6 to 7 percent. Looking ahead, it is anticipating a more modest low single-digit sales growth for fiscal 2019 (see story).

Although British fashion brand Burberry only saw stock prices grow 3.8 percent in the month, investors remain confident of the direction of the label.

During the second half of 2018, chief creative officer Riccardo Tisci debuted his first runway collection for Burberry, as well as the rollout of a new logo and streetwear-infused aesthetic (see story).

Concerns over China

With China's economic growth rate slowing to a record low, the number of Chinese ultra-affluents who are "very confident" in the economy dropped more than 10 percent in 2018.

While one-third of respondents in Hurun Research Institute's "Hurun Chinese Luxury Consumer Survey 2019" still have great confidence in the economy, it represents the lowest percentage in the report's history. Most of China's ultra-wealthy accumulated their fortunes through investments and have a healthy appetite for luxury goods (see story).

Luxury brands saw their stock prices stumble amid concerns that weakening sales of iPhones in China could foreshadow slowed consumer spending in the world's second largest economy.

Among the luxury companies that saw their European stocks fall following Apple's announcement were Kering, LVMH, Burberry and Swatch.

With its upscale electronic offerings, Apple has long had ties to the luxury business. Over the years, a number of luxury brands have embraced Apple's technology with companion products (see story).