

FINANCIAL SERVICES

Trade war, Hong Kong protests cause luxury stocks to slip in August

September 10, 2019



Prada's stock price fell 9 percent during August. Image credit: Prada

By STAFF REPORTS

Amid climbing tariffs, a falling yuan and political tensions in Hong Kong, the uncertain luxury outlook in China is impacting stock prices.

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The Savigny Luxury Index, which measures the market capitalization of 17 of the biggest public luxury companies, declined 4 percent in August. Around the globe, geopolitical tensions threaten to further impact investors' confidence in luxury firms.

Trending down

Back in June, a report from UBS warned that investors should brace for slips in luxury stocks' valuations if the Hong Kong protests persist. Political unrest, including demonstrations that have turned violent, has adversely affected the luxury sector in recent years ([see story](#)).

Now, after 12 weeks of protests, the impact of the demonstrations on luxury sales results is beginning to be felt.

Luxury companies saw mixed results in China, and specifically in Hong Kong.

In their most recent earnings reports, Prada and Tiffany & Co. both noted a slowdown in Hong Kong during the first half, despite growth in mainland China. For Prada, the protests in Hong Kong led to a 4 percent decrease in the Asian region ([see story](#)), while Tiffany's net Asia-Pacific sales fell 1 percent ([see story](#)).



Tiffany is among the brands that saw a Hong Kong slowdown. Image credit: Tiffany & Co.

The challenging Hong Kong retail environment, including declining foot traffic, has led landlords to cut rental prices.

Prada is moving out of its store in Causeway Bay. As the 15,000-square-foot store searches for a new tenant, the landlord is reportedly open to cutting the approximately \$1.15 million-per-month rent by 44 percent to make it more attractive.

Tied to their reliance on China, Tiffany's and Richemont's stocks both fell about 10 percent during the month.

U.S.-based firms Tapestry's, Ralph Lauren's and Capri Holdings' stocks saw the steepest drops in August, with their share prices losing a respective 33, 15 and 26 percent of their value.

Outliers Este Lauder, Tod's and Safilo all saw their stock prices rise during the month.

Este Lauder and Safilo both surpassed analyst expectations, leading to respective 8 percent and 12 percent stock price growths.

Meanwhile, Tod's founder Diego Della Valle raised his stake in the company to 81.2 percent, sending stock prices up amid rumors of a potential plan to take the company private. The company's chief financial officer Emilio Macellari has denied that a privatization move is in the works.

Outside of China and the U.S., geopolitical turmoil around Brexit also threatens to impact luxury brands.

The United Kingdom is turning to a new political head to help guide Parliament through Brexit, after Conservative party members elected Boris Johnson as their new leader and future prime minister.

A former mayor of London, Mr. Johnson served as foreign secretary under the previous Prime Minister Theresa May, until his resignation in 2018 over disagreements about Brexit. With the U.K.'s departure from the European Union yet to be finalized, leaders in the luxury sector remain concerned about the economic fallout ([see story](#)).