

BLACK FRIDAY

by [Steve Brown](#)

Now that Thanksgiving is out of the way, it is time to be thankful for one more thing - namely, you are at work reading this and not out shopping. Today is, of course, Black Friday - one of the most intense shopping days of the year and the day that law enforcement reports the most fights over parking. Started in 1966 by the same group that came up with "Grandparent's Day" and "Valentine's Day" for Hallmark, Black Friday is the day that consumers, whipped into a frenzy by months of advertisements, will buy anything including cars, small children and figurines of both Edward and Jacob. We are not sure what Target was thinking putting the creepy, crazy lady in their advertisements (above), but multiply that by 10mm people and you have a feel for what it is like to be out shopping today.

If Black Friday sounds somewhat manufactured, it's because it is. Traditionally, Thanksgiving was either celebrated on November 30th (in some states) or when the President would declare it by proclamation which was usually the last Thursday in November. However, in 1939, the Retail Dry Goods Association warned Franklin Roosevelt that they were going to lose a week of shopping because of how the days fell. Wanting a post-Depression economic headline boost, Roosevelt solved the problem by moving Thanksgiving up a week to the next-to-last Thursday of the month in order to help the data. Soon after, retailers started promoting that Friday after Thanksgiving as a way to get consumers to buy early.

This year, Black Friday holds particular significance as the holiday season is said to hold the key to consumer sentiment. Because inventories have been kept lean, strong consumer buying will provide the catalyst for businesses to start stocking up, which in turn will mean they need to hire which in turn will keep us from sliding back into a recession. Before we get to our forecast, first we need to dispel a couple of myths.

The first myth is that Black Friday is the day when retailers finally turn a profit on a year to date basis. While this myth does have some grounding in fact, most retailers historically make money throughout the year. Target and Walmart, two of the Nation's largest retailers, are already well into the "black" of positive earnings. Other retailers like Sears and the Gap will need more than Black Friday to turn them positive for the year.

Another myth is that Black Friday is the busiest shopping day of the year. Here to, while traffic is at near records, Black Friday usually doesn't produce the most sales. The busiest day of the year for retailers is usually the Saturday before Christmas, followed by the Friday before Christmas. While Black Friday has at times been the busiest, usually it is ranked 3rd or 4th.

Finally, the myth that Black Friday will portend how the holiday season will go is also weak in terms of support. In looking over Black Friday's performance for the last 7Ys, the day is no more or no less a reliable indicator than any other shopping day of the year. Last year, was an exception as the post-Thanksgiving shopping weekend produced sales that were up 5.2%, that resulted in a 4th quarter retail jump of 3.8%.

All this said, Black Friday does hold some significance, as about 10% of the holiday sales do take place on this day. Unlike years past, more retailers opened late Thursday (such as Wal-Mart, Old Navy and Kmart), while many more opened at midnight or 5am. Because of these early openings, major mall surveys are indicating traffic is up about 10% compared to last year, and sales are running about 6% higher so far. In addition to last year, we are seeing more online sales this year (Apple and Amazon's both expanded their sales). Discounts appear in line with last year, thus the net result is a prediction that retail sales figures run about 2.8% ahead of last year. In other words, while the extra sales will help, most of the activity will just end up cannibalizing what consumers would have spent normally.

In case your wondering what the consumer will be buying today, they are the same as they are every year - clothing (the most given gift for the holidays). However, if the question is what are the trendy gifts this year, judging by early sales, they are: flat panel TVs, the iPhone 4S, air swimming remote controlled fish (very cool), Roku 2 SX, iPad cases and the Kindle Fire. In addition, every holiday season has that must-have item and this year it is the Toy Retailers Association Gift of the Year being Doggie Doo, a board game where you try to get a toy dog to poop plastic (we are not making this up).

Personally, we think a pooping plastic dog has limited appeal, but so is waking at 3am in the morning to go shopping. In order to stoke the economy, we encourage all to go out and buy something - we just think you shouldn't go in person, as that would be risking life, limb and a parking space.

BANK NEWS

New Competitor

Banking regulators have announced they will allow Green Dot Corp, the biggest provider of reloadable prepaid debit cards, to buy a bank. Green Dot will begin to issue prepaid cards directly, eliminating the need to work through other banks, once the acquisition of Bonneville Bancorp (\$42mm, UT) is completed.

Deposits

Deposits at the end of 3Q pushed past \$10T for the first time in history, as \$8.5T sits in domestic branches and another \$1.5T is in overseas branches of US banks.

Housing Sector

Bank of America Merrill Lynch economists project home foreclosures will peak in 2013, pushing home prices another 8% lower before finally reaching the bottom. At least the bottom is near.

Major Risk Analysis

The prudential bank regulator in the United Kingdom said banks in the country should prepare for a potential breakup and disorderly departure of some countries from the Euro-zone.

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