



Black Friday and Cyber Monday 2018 Poised to Set New Sales Records

And smartphone shopping will account for about \$9 billion in sales

We are bombarded with Facebook ads, special email doorbusters and texts announcing early store opening hours on Black Friday. And we're urged to do our technology shopping on Cyber Monday.

Afterwards, we see news reports of the overall retail sales results as an indicator of the stock market for the rest of the year. But how important are these sales numbers and do they really dictate market direction?

Black Friday and Cyber Monday

"Black Friday," in retail lingo, is the Friday after Thanksgiving and is typically the largest shopping day of the year. The term originated with Philadelphia police officers in the 1950s, who began using the phrase to describe the day where a mass of shoppers crowded the sidewalks and caused traffic jams on the day after Thanksgiving. The term also refers to the shopping day that puts retailers "in the black," or making a profit in their accounting tables.

"Cyber Monday," on the other hand, is a more recent phenomenon. On the Monday after Thanksgiving, retailers typically augment their Black Friday deals with large online promotions.

2018 Could be Huge

According to Adobe, online holiday shopping (considered to be from November through December)

revenue in the U.S. is projected to be \$124 billion in 2018, 14.8% more than online holiday spending in 2017. Further, Adobe predicts that:

- Online revenue growth during the holiday season continues to outpace overall retail growth (14.8% online vs. 4.5% overall).
- Nearly \$1 of every \$6 retail purchases will be done online in 2018.

Just how much money is \$124B? You could fly nearly 500K people into space via Virgin Galactic.

Cyber Monday is Bigger Than Black Friday When It Comes to Online Sales

Over the past few years, Cyber Monday has grown in popularity and is much bigger in terms of online sales vs. Black Friday. In fact, Cyber Monday 2018 is predicted to be the largest online sales day in history, with shoppers spending a record \$7.8 billion this year, up 17.6% from the previous year. And most of the Cyber Monday spending will occur between the three hours of 7 pm – 10 pm PST.

Just how much time does Adobe predict that consumers will spend shopping on Cyber Monday? Well, combined, Americans will spend 10,000 years

shopping on Cyber Monday – enough to build 65,000 single family homes.

Shopping on Our Phones

Adobe predicts that almost half of retailer visits will come from shoppers on their phones and that:

- Smartphone visits will continue to steal share from desktop visits this season (48%), and drive close to one third of purchases (27%).

Further, of the three big shopping days, it looks like there will be a lot of shopping from phones vs. desktops (could be that sleepy post-turkey effect):

Thanksgiving: 35% smartphone revenue, 53% desktop

Black Friday: 30% smartphone revenue, 60% desktop

Cyber Monday: 5% smartphone revenue, 66% desktop

Effects on the Stock Market

So, what do the Black Friday and Cyber Monday sales results mean for the overall economy and stock market? Well, investors tend to see Black Friday and Cyber Monday sales results as the first indication of a profitable or unprofitable shopping season. Investors then apply these indications to the stock market, as predictions of whether the market will be stronger or weaker during the final months of the year.

Due to these investor reactions, the market will often rise on the days following Black Friday, if retailers do better than expected. If sales are down, however, then the market often falls. However, both of these effects tend to be short-lived.

One analysis studied stock market results of the past 100 years, including the years since the beginning of the Black Friday phenomenon. The results indicated that the initial up or down reactions by the market to Black Friday sales did not correlate with the market's performance the rest of the year at all.

Another analysis discovered a different relationship – one that makes intuitive sense: stock market performance in October and November tends to predict sales results during the holiday season. So, if the stock market performs well in October and November, then consumers might feel more confident and willing to spend. Seems logical.

Conclusion

It is important to remember that Black Friday and Cyber Monday form just part of the retail sales year, and retail sales in general are just a part, albeit significant, of macroeconomic conditions.

That being said, it is tempting to put a lot of faith in these sales results, as consumer spending does account for almost 70% of our GDP. But it is more important not to overreact to Black Friday and Cyber Monday results because while they might have short-term implications for the markets, the longer-term effects are unclear.

When you have a chance, let me know whether you prefer to shop on Black Friday or Cyber Monday or if neither really factors into your shopping plans. And in case you're wondering, I will be napping after I eat leftover turkey too.