

Broadlines & Food Retailing

June SSS Wrap: The Award Goes To . . . MJ Edition

Summary: Investors were braced for the worst heading into June comps, in our view, as the combination of rising unemployment, tough comparisons, and unfavorable weather potentially took the wind out of store traffic and seasonal selling. At the end of the day, however, the anticipated *retail collapse* didn't manifest in June SSS results as only 2 of the 9 companies reporting fell shy of Street estimates (TGT and M) – while 6 retailers actually squeezed out upside surprises (KSS, JCP, SKS, JWN, BJ, and COST). Equally as important, prudent inventory planning and diligent expense controls are protecting margins and offsetting some top-line pressure, as TGT and JCP raised 2Q EPS guidance, KSS results would suggest 2Q upside, and BJ's radio silence may infer earnings remain intact despite a challenging selling month. Looking ahead to the dog days of summer, we remain barbelled – long DLTR, WMT, and BJ on one side and long KSS, JCP, TGT, and SKS on the other.

- **The “MVC/P.Y.T.” Comp Award:** We're awarding Kohl's this month's coveted Most Valuable Comp (MVC) award in June as the company continues to outpace peers. In June, KSS posted a comp decline of 5.6%, outpacing the entire department store group and Target. Importantly, on a 2-year stacked basis, the comp represented an improvement in trend (-3.3% versus -10.0% trailing 3-month average). As MJ once sang, “*Pretty Young Thing, You Need Some Loving.*”
- **The “LVC/Man in the Mirror” Comp Award:** As an equal-opportunity award giver, we're taking a *look in the mirror* and handing Overweight-rated Target this month's Least Valuable Comp (LVC) as the company's top-line trend has decelerated (by ~200 bps) QTD relative to 1Q on a 2-year stacked basis. Specifically, TGT reported a 6.2% comp decline in June, which fell 20 bps shy of our estimate and 40 bps below the Street. The discretionary categories of home and apparel remain particularly weak – both dropping “low double digits” this month. While we remain Overweight Target on improving credit trends and religion on SG&A spend, we believe sales trends will have to ‘*change its ways*’ for the stock to move substantially higher.
- **The “Thriller” Comp Award:** BJ's certainly kept us on pins and needles through the month of June as unseasonably cold/wet weather plagued the Northeast, sparking fears of a top-line miss and risk to 2Q EPS guidance. **However, BJ's didn't disappoint**, printing a +2.7% core comp – within 30 bps of our 3.0% estimate and what we believe to be ahead of buyside expectations – including ~150 bps of an unfavorable impact due to weather. Therefore, on a *pro forma* basis, we'd call BJ's core comp ~4.2%, more/less in line with the May trend. Impressively, on a 2-year stacked basis, our *pro forma* result marks a 170 bps basis point step-up sequentially, despite limited sales of seasonal items (e.g., ACs, patio, summer apparel). Finally, BJ's did not address EPS, which we take as a confirming sign that the current guidance remains intact as the company manages inventories lean and expenses tight.

See page 9 for analyst certification and important disclosures.

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- **The “Beat It” Comp Award:** JCPenney’s bottom line continues to prove resilient as the company raised its 2Q EPS view again, earning the company our “Beat It” comp award for the month. Specifically, JCP boosted its EPS view for 2Q09 EPS to a loss of \$0.08-\$0.12 from \$0.15-\$0.25 previously (JPM/Street at \$0.12). The earnings raise comes concurrently with the company’s 5th consecutive monthly sales beat, as JCP posted an 8.2% comp decline (guidance for a 9.0%-12.0% decrease). The better-than-expected sales plan was attributed to positive comps in California, solid performance of men’s apparel, and an improvement in fine jewelry.
- **The “Remember the Time” Comp Award:** After years as the perennial favorite and steadfast comp performer in our group, shopper discipline and mounting deflationary pressures in food continue to weigh on Costco’s top line – resulting in the second consecutive month of a sub-1.0% core SSS. To this end, Costco printed a ~0.8% June comp, a ~30 bp sequential improvement in the month, but a marked deceleration from the long-term historical mid-single-digit pace. Finally, on a 2-year stacked basis, the implied 5.4% June comp actually *decelerated* 50 bps from May, with comparisons stiffening on the core over the next 3 months.

Table 1: Broadlines Comp Summary – June 2009

Company	Rating	Guidance	Street	J.P. Morgan	Actual	Delta (bps) vs. Street
Target	OW	Down mid-single digits	(5.8%)	(6.0%)	(6.2%)	- 40 bps
Costco	N	n/a	(6.3%)	(5.5%)	(6.0%)	+ 30 bps
		<i>Core</i>		1.0%	0.7%	
BJ's	OW	n/a	(7.8%)	(7.0%)	(7.5%)	+ 30 bps
		<i>Core 3.5% - 5.5%</i>		3.0%	2.7%	
Fred's	N	Low end of 0.0%-2.0%	0.2%	0.5%	0.2%	0 bps
JCPenney	OW	(9.0%)-(12.0%)	(9.4%)	(7.0%)	(8.2%)	+ 120 bps
Kohl's	OW	Low end of 2Q view (5.0%)-(8.0%)	(6.4%)	(8.0%)	(5.6%)	+ 80 bps
Macy's	N	2Q similar to 1Q (9.0%)	(8.7%)	(8.9%)	(8.9%)	- 20 bps
Nordstrom	N	n/a	(10.5%)	(10.0%)	(10.0%)	+ 50 bps
Saks	OW	Down mid-teens for 2Q	(11.1%)	(13.0%)	(4.4%)	+ 670 bps

Source: Company reports and J.P. Morgan estimates.

Table 2: Broadline Retail Comp Summary & Broadline Index (July 2008- June 2009)

Ticker	Company	Rating	7/08	8/08	9/08	10/08	11/08	12/08	1/09	2/09	3/09	4/09	5/09	6/09
TGT	Target	OW	(1.2%)	(2.1%)	(3.0%)	(4.8%)	(10.4%)	(4.1%)	(3.3%)	(4.1%)	(6.3%)	0.0%	(6.1%)	(6.2%)
COST	Costco	N	10.0%	9.0%	7.0%	(1.0%)	(5.0%)	(4.0%)	(2.0%)	(3.0%)	(5.0%)	(7.0%)	(7.0%)	(6.0%)
BJ	BJ's	OW	16.7%	15.4%	10.4%	10.2%	4.1%	1.6%	(0.7%)	0.6%	(0.1%)	(3.0%)	(6.8%)	(7.5%)
FRED	Fred's	N	4.6%	2.1%	1.1%	1.3%	(1.8%)	0.0%	(1.9%)	1.8%	1.9%	4.0%	0.2%	0.2%
M	Macy's	N	(2.9%)	(4.5%)	(6.6%)	(6.3%)	(13.3%)	(4.0%)	(4.5%)	(8.5%)	(9.2%)	(9.0%)	(9.1%)	(8.9%)
KSS	Kohl's	OW	(10.4%)	(5.8%)	(5.5%)	(9.0%)	(17.5%)	(1.4%)	(13.4%)	(1.6%)	(4.3%)	(7.0%)	(0.4%)	(5.6%)
JCP	JCPenney	OW	(6.5%)	(4.9%)	(12.4%)	(13.0%)	(11.9%)	(8.1%)	(16.4%)	(8.8%)	(7.2%)	(5.0%)	(8.2%)	(8.2%)
JWN	Nordstrom	N	(6.1%)	(7.9%)	(9.6%)	(15.3%)	(15.9%)	(10.6%)	(11.4%)	(15.4%)	(13.5%)	(13.0%)	(13.1%)	(10.0%)
SKS	Saks	OW	(5.3%)	(5.9%)	(10.9%)	(16.8%)	(5.2%)	(19.8%)	(23.7%)	(26.0%)	(23.6%)	(40.0%)	(26.6%)	(20.8%)
DDS	Dillard's	NR	2.0%	(7.0%)	(12.0%)	(8.0%)	(9.0%)	(5.0%)	(12.0%)	(13.0%)	(19.0%)	(9.3%)	(12.0%)	(14.0%)
Broadline Retail Comp Avg.			0.3%	(1.2%)	(4.2%)	(6.3%)	(8.6%)	(5.5%)	(8.9%)	(7.8%)	(8.6%)	(7.8%)	(8.9%)	(7.1%)
Market Cap Weighted Avg.			(0.1%)	(0.3%)	(2.0%)	(5.6%)	(10.3%)	(4.3%)	(6.3%)	(4.8%)	(6.3%)	(4.9%)	(6.3%)	(6.6%)
2Yr Broadline Retail Comp Avg.			4.7%	1.9%	(3.5%)	(5.0%)	0.2%	(8.7%)	(10.6%)	(8.2%)	(13.3%)	(2.4%)	(8.2%)	(6.2%)
2Yr Market Cap Weighted Avg.			5.2%	2.8%	(0.8%)	(2.7%)	(0.6%)	(7.3%)	(6.8%)	(4.4%)	(10.4%)	(0.7%)	(5.2%)	(4.8%)

Source: Company reports and J.P. Morgan estimates. Actual results from July 2008 to June 2009. **Note:** J.P. Morgan estimates for covered stocks; all other estimates are Street consensus.

Table 3: Monthly Comp Detail

	Product		Geographic Location	
	STRONG	WEAK	STRONG	WEAK
TGT	Non-discretionary, healthcare, household personal, food	Discretionary, women's, shoes, sporting goods	Northern California	Northeast, Mtn. SoCal
COST	Food, sundries, fresh foods, deli, candy, frozen foods, TV's (units), computers, bakery, meat, produce, food court, hearing aids	Non-foods/discretionary	Northeast, Midwest, Texas, Japan, Korea, Taiwan, Canada, UK	Mid-Atlantic
BJ	Breakfast foods, candy, computer equipment, condiments, dairy, deli, frozen, health & beauty, household chemicals, paper, pet food, prepared foods, produce, snacks, soda and televisions	Air conditioners, apparel, electronics, jewelry, juices, lawn and garden, oils and shortening, pre-recorded video, sporting goods, summer seasonal, toys, tires, and water	Metro New York, Southeast	
KSS	Accessories, home, footwear	Seasonal apparel (shorts, polos, swimwear)	California, Southwest, South Central, Southeast	Northeast, Mid-Atlantic, Midwest
JCP	Fine jewelry	Children's	Southwest	Southeast
JWN	Women's coats, dresses, accessories, jr. women's apparel		Northeast, South, Mid-Atlantic	
M	Online, moderate sportswear, private brands, housewares, textiles	Furniture, men's apparel, luggage, Bloomingdale's	Midwest, Central, Texas	Northeast
SKS	Saks Direct, handbags, shoes, accessories	Saks Fifth Avenue – all merchandise categories		

Source: Company reports and J.P. Morgan estimates.

Target (TGT) – Overweight

Table 4: Target's Comp Picture (2006-2009E)

		1-Yr Comps				2-Yr. Stacked SSS			
		2006	2007	2008	2009E	2006	2007	2008	2009E
Monthly	January	5.2%	5.1%	(1.1%)	(3.3%)	14.6%	10.3%	4.0%	(4.4%)
	February	3.6%	5.7%	0.5%	(4.1%)	12.6%	9.3%	6.2%	(3.6%)
	March	2.2%	12.0%	(4.4%)	(6.3%)	10.4%	14.2%	7.6%	(10.7%)
	April	10.4%	(6.1%)	3.1%	0.3%	11.7%	4.3%	(3.0%)	3.4%
	May	5.7%	5.8%	(0.7%)	(6.1%)	10.8%	11.5%	5.1%	(6.8%)
	June	4.8%	3.3%	0.4%	(6.2%)	13.8%	8.1%	3.7%	(5.8%)
	July	3.1%	6.1%	(1.0%)		8.6%	9.2%	5.1%	
	August	2.8%	6.1%	(2.1%)		9.1%	8.9%	4.0%	
	September	6.7%	1.2%	(3.0%)		12.3%	7.9%	(1.8%)	
	October	3.9%	4.1%	(4.8%)		9.6%	8.0%	(0.7%)	
	November	5.9%	10.8%	(10.4%)		8.5%	16.7%	0.4%	
	December	4.1%	(5.0%)	(4.1%)		8.8%	(0.9%)	(9.1%)	
Quarterly	1Q	5.1%	4.3%	(0.7%)	(3.7%)	11.3%	9.4%	3.6%	(4.4%)
	2Q	4.6%	4.9%	(0.4%)	(6.0%)	11.3%	9.5%	4.5%	(6.4%)
	3Q	4.6%	3.7%	(3.3%)	(1.0%)	10.5%	8.3%	0.4%	(4.3%)
	4Q	<u>4.8%</u>	<u>0.2%</u>	<u>(5.9%)</u>	<u>1.5%</u>	<u>9.0%</u>	<u>5.0%</u>	<u>(5.7%)</u>	<u>(4.4%)</u>
	Annual	4.8%	3.0%	(2.9%)	(2.3%)	10.4%	7.8%	0.1%	(5.2%)

Target printed a negative 6.2% comp in June, which was 40 bps below consensus and 20 bps lower than our estimate.

Source: Company reports and J.P. Morgan estimates.

Costco (COST) – Neutral

Table 5: Costco's Comp Picture (2006-2009E)

		1-Yr Comps				2-Yr. Stacked SSS			
		2006	2007	2008	2009E	2006	2007	2008	2009E
Monthly	January	9.0%	2.4%	7.5%	(2.0%)	13.0%	11.4%	9.9%	5.5%
	February	8.0%	4.0%	7.0%	(3.0%)	15.0%	12.0%	11.0%	4.0%
	March	7.0%	6.0%	7.0%	(5.0%)	14.0%	13.0%	13.0%	2.0%
	April	7.0%	7.0%	8.5%	(8.0%)	15.0%	14.0%	15.5%	0.5%
	May	10.0%	7.0%	8.7%	(6.8%)	15.0%	17.0%	15.7%	1.9%
	June	6.0%	6.0%	9.0%	(6.0%)	15.0%	12.0%	15.0%	3.0%
	July	7.0%	7.0%	10.0%		12.0%	14.0%	17.0%	
	August	7.0%	2.0%	9.0%		16.0%	9.0%	11.0%	
	September	4.5%	6.0%	7.0%		15.5%	10.5%	13.0%	
	October	4.0%	9.0%	(1.0%)		14.0%	13.0%	8.0%	
	November	5.0%	9.4%	(5.0%)		11.0%	14.4%	4.4%	
	December	9.0%	7.5%	(4.0%)		16.0%	16.5%	3.5%	
Quarterly	1Q	9.0%	4.0%	8.0%	1.0%	16.0%	13.0%	12.0%	9.0%
	2Q	7.0%	5.0%	7.0%	(3.0%)	14.0%	12.0%	12.0%	4.0%
	3Q	7.0%	7.0%	8.0%	(7.0%)	14.0%	14.0%	15.0%	1.0%
	4Q	<u>8.0%</u>	<u>5.0%</u>	<u>9.0%</u>	<u>(6.6%)</u>	<u>15.0%</u>	<u>13.0%</u>	<u>14.0%</u>	<u>2.4%</u>
	Annual	8.0%	6.0%	8.0%	(3.9%)	15.0%	14.0%	14.0%	4.1%

In June, Costco's comp was down 6.0%, 30 bps above Street expectations of negative 6.3%. The core comp (ex FX and gas) came in at +0.7%.

Source: Company reports and J.P. Morgan estimates. Note: Both December 2006 and January 2007 are adjusted for the New Year's Day Shift, which accounted for an approximate 300 basis points swing from January into December. Timing of Easter in 2007 negatively impacted March results by 100-200 bps and positively impacted April by 200 bps. Timing of Easter in 2009 benefited March results by 100-200 bps and negatively impact April by 200-300 bps.

BJ's (BJ) – Overweight

Table 6: BJ's Comp Picture (2006-2009E)

		1-Yr Comps				2-Yr. Stacked SSS			
		2006	2007	2008	2009E	2006	2007	2008	2009E
Monthly	January	2.0%	3.5%	7.8%	(0.7%)	3.9%	5.5%	11.3%	7.1%
	February	1.6%	3.0%	5.9%	0.6%	8.3%	4.6%	8.9%	6.5%
	March	3.1%	5.5%	6.0%	(0.1%)	6.1%	8.6%	11.5%	5.9%
	April	1.2%	(2.1%)	17.8%	(4.9%)	9.6%	(0.9%)	15.7%	12.9%
	May	4.2%	4.1%	13.4%	(6.8%)	4.7%	8.3%	17.5%	6.6%
	June	(0.1%)	5.3%	16.5%	(7.0%)	4.2%	5.2%	21.8%	9.0%
	July	1.9%	1.5%	16.7%		6.6%	3.4%	18.2%	
	August	2.3%	1.4%	15.4%		7.9%	3.7%	16.8%	
	September	(0.9%)	3.9%	10.4%		2.9%	3.0%	14.3%	
	October	(0.7%)	4.8%	10.2%		2.2%	4.1%	15.0%	
	November	0.6%	7.7%	4.1%		2.4%	8.3%	11.8%	
	December	0.6%	3.0%	1.6%		2.0%	3.6%	4.6%	
Quarterly	1Q	2.0%	2.3%	9.6%	(1.5%)	7.8%	4.3%	11.9%	8.1%
	2Q	1.8%	3.7%	15.5%	(7.1%)	5.0%	5.5%	19.2%	8.4%
	3Q	0.1%	3.4%	11.9%	(2.6%)	4.2%	3.5%	15.3%	9.3%
	4Q	1.5%	5.4%	1.7%	7.7%	3.2%	6.9%	7.1%	9.4%
	Annual	1.2%	3.7%	9.4%	(0.9%)	4.8%	3.7%	13.1%	8.5%

BJ's June comp came in at negative 7.5% – 30 bps ahead of the Street. On the core, BJ's printed a positive 2.7% comp.

Source: Company reports and J.P. Morgan estimates.

Fred's (FRED) – Neutral

Table 7: Fred's Comp Picture (2006-2009E)

		1-Yr Comps				2-Yr. Stacked SSS			
		2006	2007	2008	2009E	2006	2007	2008	2009E
Monthly	January	0.8%	2.4%	(1.2%)	(1.9%)	5.2%	3.2%	1.2%	(3.1%)
	February	0.3%	3.9%	1.1%	(1.5%)	4.4%	4.2%	5.0%	2.9%
	March	3.5%	4.4%	1.2%	1.9%	7.0%	7.9%	5.6%	3.1%
	April	6.3%	(2.5%)	4.3%	5.0%	7.5%	3.8%	1.8%	9.3%
	May	2.4%	0.2%	3.4%	0.2%	4.4%	2.6%	3.6%	3.6%
	June	2.6%	1.5%	6.5%	0.2%	4.7%	4.1%	8.0%	6.7%
	July	4.5%	0.5%	4.6%		2.7%	5.0%	5.1%	
	August	6.3%	1.7%	2.1%		2.5%	8.0%	3.8%	
	September	5.0%	1.0%	1.1%		3.6%	6.0%	2.1%	
	October	(2.5%)	0.6%	1.3%		0.0%	(1.9%)	1.9%	
	November	2.0%	(4.5%)	(1.8%)		6.5%	(2.5%)	(6.3%)	
	December	2.0%	(1.8%)	0.0%		3.9%	0.2%	(1.8%)	
Quarterly	1Q	2.3%	1.9%	2.1%	2.8%	5.3%	4.2%	4.0%	4.9%
	2Q	3.1%	0.8%	4.9%	0.4%	3.9%	3.9%	5.7%	5.3%
	3Q	3.0%	1.1%	1.4%	2.5%	2.0%	4.1%	2.5%	3.9%
	4Q	2.0%	(2.5%)	(1.1%)	2.0%	4.5%	(0.5%)	(3.6%)	0.9%
	Annual	2.4%	0.3%	1.8%	1.9%	3.6%	2.7%	2.1%	3.7%

Fred's printed June SSS of 0.2%, in line with consensus but 30 bps below our estimate.

Source: Company reports and J.P. Morgan estimates.

Kohl's (KSS) – Overweight

Table 8: Kohl's Comp Picture (2006-2009E)

		1-Yr Comps				2-Yr. Stacked SSS			
		2006	2007	2008	2009E	2006	2007	2008	2009E
Monthly	January	2.0%	8.7%	(8.3%)	(13.4%)	0.4%	10.7%	0.4%	(21.7%)
	February	3.4%	4.4%	(3.8%)	(1.6%)	9.5%	7.8%	0.6%	(5.4%)
	March	3.7%	16.8%	(15.5%)	(4.3%)	2.7%	20.5%	1.3%	(19.8%)
	April	13.4%	(10.5%)	3.5%	(6.2%)	21.4%	2.9%	(7.0%)	(2.7%)
	May	3.1%	10.5%	(7.2%)	(0.4%)	3.3%	13.6%	3.3%	(7.6%)
	June	7.1%	(4.9%)	2.3%	(5.6%)	21.5%	2.2%	(2.6%)	(3.3%)
	July	5.9%	0.0%	(10.4%)		5.4%	5.9%	(10.4%)	
	August	5.2%	(0.6%)	(5.8%)		9.8%	4.6%	(6.4%)	
	September	16.3%	(3.2%)	(5.5%)		16.1%	13.1%	(8.7%)	
	October	4.2%	(3.8%)	(9.0%)		10.4%	0.4%	(10.8%)	
	November	3.7%	10.2%	(17.5%)		3.6%	13.9%	(7.3%)	
	December	3.0%	(11.4%)	(1.4%)		7.6%	(8.4%)	(12.8%)	
Quarterly	1Q	6.9%	3.9%	(6.7%)	(4.2%)	10.6%	10.8%	(2.8%)	(10.9%)
	2Q	5.5%	1.3%	(4.6%)	(4.2%)	10.6%	6.8%	(3.3%)	(8.8%)
	3Q	8.5%	(2.6%)	(6.8%)	(4.0%)	12.0%	5.9%	(9.4%)	(10.8%)
	4Q	4.1%	(4.0%)	(9.1%)	(1.0%)	6.8%	0.1%	(13.1%)	(10.1%)
	Annual	5.9%	(0.8%)	(6.9%)	(3.3%)	9.3%	5.1%	(7.6%)	(10.2%)

Kohl's (5.6%) June SSS print was 80 bps ahead of consensus expectations.

Source: Company reports and J.P. Morgan estimates.

JCPenney (JCP) – Overweight

Table 9: JCPenney's Comp Picture (2006-2009E)

		1-Yr Comps				2-Yr. Stacked SSS			
		2006	2007	2008	2009E	2006	2007	2008	2009E
Monthly	January	2.5%	5.2%	0.0%	(16.4%)	5.0%	7.7%	5.2%	(16.4%)
	February	2.3%	1.5%	(6.7%)	(8.8%)	8.2%	3.8%	(5.2%)	(15.5%)
	March	(1.0%)	11.0%	(12.3%)	(7.2%)	(1.4%)	10.0%	(1.3%)	(19.5%)
	April	2.6%	(3.4%)	(1.7%)	(6.6%)	6.1%	(0.8%)	(5.1%)	(8.3%)
	May	11.1%	(0.9%)	(4.4%)	(8.2%)	12.1%	14.0%	(5.3%)	(12.6%)
	June	4.3%	(0.7%)	(2.4%)	(8.2%)	11.8%	11.7%	(3.1%)	(10.6%)
	July	4.9%	12.0%	(6.5%)		9.7%	6.5%	5.5%	
	August	(0.5%)	(2.4%)	(4.9%)		2.3%	(2.9%)	(7.3%)	
	September	8.7%	(3.7%)	(12.4%)		10.1%	5.0%	(16.1%)	
	October	8.1%	(1.0%)	(13.0%)		10.5%	7.1%	(14.0%)	
	November	2.5%	5.4%	(11.9%)		6.1%	7.9%	(6.5%)	
	December	3.4%	(7.3%)	(8.1%)		5.6%	(3.9%)	(18.3%)	
Quarterly	1Q	2.6%	3.4%	(7.4%)	(7.5%)	5.4%	6.0%	(4.0%)	(14.9%)
	2Q	7.6%	2.9%	(4.3%)	(10.0%)	11.8%	10.5%	(1.4%)	(14.3%)
	3Q	6.5%	(2.4%)	(10.1%)	(4.0%)	9.0%	4.1%	(12.5%)	(14.1%)
	4Q	3.2%	(2.3%)	(10.8%)	(3.5%)	5.8%	0.9%	(13.1%)	(14.3%)
	Annual	4.9%	0.0%	(8.5%)	(6.3%)	9.1%	4.9%	(8.5%)	(14.8%)

JCPenney's negative 8.2% June comp was 120 bps better than Street expectations of (9.4%) and ahead of company guidance of (9.0%)-(12.0%).

Source: Company reports and J.P. Morgan estimates.

Nordstrom (JWN) – Neutral

Table 10: Nordstrom's Comp Picture (2006-2009E)

		1-Yr Comps				2-Yr. Stacked SSS			
		2006	2007	2008	2009E	2006	2007	2008	2009E
Monthly	January	6.0%	11.1%	(6.6%)	(11.4%)	16.1%	17.1%	4.5%	(18.0%)
	February	4.9%	9.1%	(5.8%)	(15.4%)	11.9%	14.0%	3.3%	(21.2%)
	March	4.3%	15.0%	(9.1%)	(13.5%)	9.8%	19.3%	5.9%	(22.6%)
	April	7.3%	3.1%	(3.8%)	(10.8%)	14.2%	10.4%	(0.7%)	(13.6%)
	May	7.8%	6.3%	10.9%	(13.1%)	15.2%	14.1%	17.2%	(2.2%)
	June	4.7%	2.0%	(18.6%)	(10.0%)	12.8%	6.7%	(16.6%)	(28.6%)
	July	5.3%	9.4%	(6.0%)		8.9%	14.7%	3.4%	
	August	7.1%	6.6%	(7.9%)		15.1%	13.7%	(1.3%)	
	September	13.4%	3.2%	(9.6%)		17.5%	16.6%	(6.4%)	
	October	10.7%	(2.4%)	(15.7%)		17.1%	8.3%	(18.1%)	
	November	5.4%	8.7%	(15.9%)		8.2%	14.1%	(7.2%)	
	December	9.0%	(4.0%)	(10.6%)		16.7%	5.0%	(14.6%)	
Quarterly	1Q	5.4%	9.5%	(6.5%)	(13.2%)	11.6%	14.9%	3.0%	(19.7%)
	2Q	5.7%	5.9%	(6.0%)	(12.0%)	11.9%	11.6%	(0.1%)	(18.0%)
	3Q	10.7%	2.2%	(11.1%)	(8.0%)	16.6%	12.9%	(8.9%)	(19.1%)
	4Q	<u>8.3%</u>	<u>(0.7%)</u>	<u>(12.5%)</u>	<u>(7.0%)</u>	<u>14.1%</u>	<u>7.6%</u>	<u>(13.2%)</u>	<u>(19.5%)</u>
	Annual	7.5%	3.9%	(9.0%)	(10.0%)	13.5%	11.4%	(5.1%)	(19.0%)

Source: Company reports and J.P. Morgan estimates.

Nordstrom's negative 10.0% June comp was 50 bps ahead of Street expectations and directly in line with our JPM estimate.



Macy's (M) – Neutral

Table 11: Macy's Comp Picture (2006-2009E)

		1-Yr Comps				2-Yr. Stacked SSS			
		2006	2007	2008	2009E	2006	2007	2008	2009E
Monthly	January	1.0%	8.6%	(7.1%)	(4.5%)	0.6%	9.6%	1.5%	(11.6%)
	February	1.0%	1.2%	(3.5%)	(8.5%)	2.8%	2.2%	(2.3%)	(12.0%)
	March	(0.7%)	2.3%	(6.2%)	(9.2%)	2.7%	1.6%	(3.9%)	(15.4%)
	April	(0.8%)	(2.2%)	3.0%	(9.1%)	2.0%	(3.0%)	0.8%	(6.1%)
	May	9.2%	(3.3%)	(1.5%)	(9.1%)	10.0%	5.9%	(4.8%)	(10.6%)
	June	1.7%	(2.7%)	(2.1%)	(8.9%)	4.6%	(1.0%)	(4.8%)	(11.0%)
	July	3.2%	(1.4%)	(2.9%)		2.3%	1.8%	(4.3%)	
	August	3.8%	2.4%	(4.5%)		4.9%	6.2%	(2.1%)	
	September	6.2%	(2.7%)	(6.6%)		7.5%	3.5%	(9.3%)	
	October	7.7%	(1.5%)	(6.3%)		7.0%	6.2%	(7.8%)	
	November	8.5%	13.4%	(13.3%)		5.1%	21.9%	0.1%	
	December	4.4%	(7.9%)	(4.0%)		7.8%	(3.5%)	(11.9%)	
Quarterly	1Q	0.0%	0.6%	(2.6%)	(9.0%)	2.6%	0.6%	(2.0%)	(11.6%)
	2Q	4.6%	(2.6%)	(2.1%)	(8.9%)	5.7%	2.0%	(4.7%)	(11.0%)
	3Q	5.9%	(0.8%)	(5.9%)	(5.0%)	6.5%	5.1%	(6.7%)	(10.9%)
	4Q	<u>6.1%</u>	<u>(2.0%)</u>	<u>(7.0%)</u>	<u>(4.0%)</u>	<u>7.2%</u>	<u>4.1%</u>	<u>(9.0%)</u>	<u>(11.0%)</u>
	Annual	4.2%	(1.2%)	(4.4%)	(6.7%)	5.5%	2.9%	(5.6%)	(11.1%)

Source: Company reports and J.P. Morgan estimates.

In June, Macy's printed a negative 8.9% comp, in line with our JPM estimate, but 20 bps below consensus.

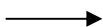


Saks, Inc. (SKS) – Overweight

Table 12: Saks, Inc.'s Comp Picture (2006-2009E)

		1-Yr Comps				2-Yr. Stacked SSS			
		2006	2007	2008	2009E	2006	2007	2008	2009E
Monthly	January	3.7%	11.4%	4.1%	(23.7%)	6.7%	15.1%	15.5%	(19.6%)
	February	(6.7%)	24.7%	3.4%	(26.0%)	0.4%	18.0%	28.1%	(22.6%)
	March	(1.7%)	10.1%	(2.9%)	(23.6%)	1.2%	8.4%	7.2%	(26.5%)
	April	0.8%	11.7%	23.9%	(32.0%)	7.9%	12.5%	35.6%	(8.1%)
	May	0.8%	37.5%	(8.7%)	(26.6%)	1.6%	38.3%	28.8%	(35.3%)
	June	5.3%	(5.6%)	1.9%	(4.4%)	12.3%	(0.3%)	(3.7%)	(2.5%)
	July	3.4%	14.9%	(5.3%)		7.5%	18.3%	9.6%	
	August	5.0%	18.2%	(5.9%)		10.3%	23.2%	12.3%	
	September	11.1%	7.7%	(10.9%)		13.1%	18.8%	(3.2%)	
	October	9.2%	10.6%	(16.6%)		19.2%	19.8%	(6.0%)	
	November	7.2%	25.7%	(5.2%)		4.9%	32.9%	20.5%	
	December	11.1%	0.8%	(19.8%)		14.2%	11.9%	(19.0%)	
Quarterly	1Q	(2.2%)	14.4%	8.4%	(27.6%)	3.3%	12.2%	22.8%	(19.2%)
	2Q	3.4%	13.2%	(4.0%)	(14.9%)	7.6%	16.6%	9.2%	(18.9%)
	3Q	8.8%	11.4%	(11.5%)	(7.8%)	14.2%	20.2%	(0.1%)	(19.3%)
	4Q	<u>9.9%</u>	<u>9.0%</u>	<u>(15.3%)</u>	<u>(4.0%)</u>	<u>11.3%</u>	<u>18.9%</u>	<u>(6.3%)</u>	<u>(19.3%)</u>
	Annual	4.9%	11.7%	(5.6%)	(13.6%)	8.9%	16.6%	6.1%	(19.2%)

Saks 4.4% June comp decline was 670 bps above Street expectations. However, excluding the effect of the designer event shift into June, the comp decline would have been in the high-teens.



Source: Company reports and J.P. Morgan estimates.

Companies Recommended in This Report (all prices in this report as of market close on 09 July 2009)

BJ's Wholesale Club (BJ/\$31.92/Overweight), Costco Wholesale Corporation (COST/\$45.50/Neutral), Dollar Tree, Inc. (DLTR/\$43.68/Overweight), Fred's Inc. (FRED/\$12.50/Neutral), JCPenney Corporation (JCP/\$26.58/Overweight), Kohl's Corporation (KSS/\$43.02/Overweight), Macy's Inc. (M/\$10.63/Neutral), Nordstrom, Inc. (JWN/\$19.72/Neutral), Saks, Inc. (SKS/\$4.29/Overweight), Target Corporation (TGT/\$38.39/Overweight), Wal-Mart Stores, Inc. (WMT/\$48.08/Overweight)

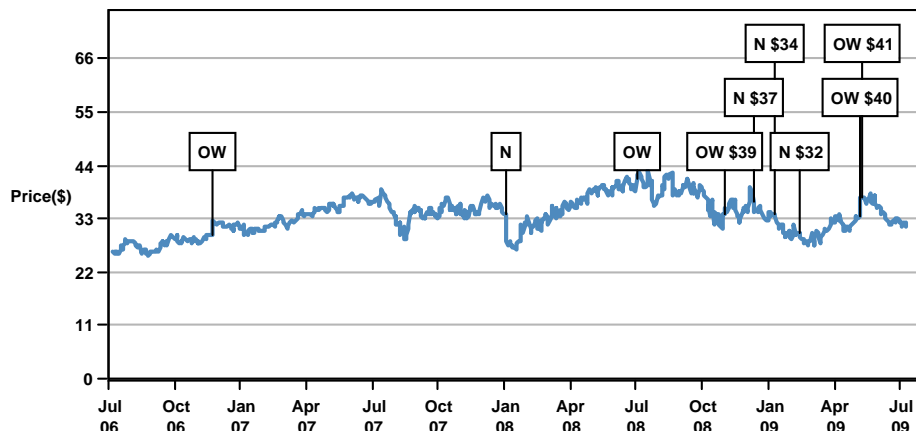
Analyst Certification:

The research analyst(s) denoted by an "AC" on the cover of this report certifies (or, where multiple research analysts are primarily responsible for this report, the research analyst denoted by an "AC" on the cover or within the document individually certifies, with respect to each security or issuer that the research analyst covers in this research) that: (1) all of the views expressed in this report accurately reflect his or her personal views about any and all of the subject securities or issuers; and (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report.

Important Disclosures

- **Market Maker:** JPMSI makes a market in the stock of Costco Wholesale Corporation, Dollar Tree, Inc., Fred's Inc..
- **Lead or Co-manager:** JPMSI or its affiliates acted as lead or co-manager in a public offering of equity and/or debt securities for JCPenney Corporation, Nordstrom, Inc., Wal-Mart Stores, Inc. within the past 12 months.
- **Client of the Firm:** BJ's Wholesale Club is or was in the past 12 months a client of JPMSI; during the past 12 months, JPMSI provided to the company investment banking services and non-securities-related services. Costco Wholesale Corporation is or was in the past 12 months a client of JPMSI; during the past 12 months, JPMSI provided to the company non-investment banking securities-related service and non-securities-related services. Dollar Tree, Inc. is or was in the past 12 months a client of JPMSI. JCPenney Corporation is or was in the past 12 months a client of JPMSI; during the past 12 months, JPMSI provided to the company investment banking services and non-securities-related services. Kohl's Corporation is or was in the past 12 months a client of JPMSI; during the past 12 months, JPMSI provided to the company non-investment banking securities-related service and non-securities-related services. Macy's Inc. is or was in the past 12 months a client of JPMSI; during the past 12 months, JPMSI provided to the company investment banking services, non-investment banking securities-related service and non-securities-related services. Nordstrom, Inc. is or was in the past 12 months a client of JPMSI; during the past 12 months, JPMSI provided to the company investment banking services, non-investment banking securities-related service and non-securities-related services. Saks, Inc. is or was in the past 12 months a client of JPMSI; during the past 12 months, JPMSI provided to the company non-investment banking securities-related service and non-securities-related services. Target Corporation is or was in the past 12 months a client of JPMSI; during the past 12 months, JPMSI provided to the company investment banking services, non-investment banking securities-related service and non-securities-related services. Wal-Mart Stores, Inc. is or was in the past 12 months a client of JPMSI; during the past 12 months, JPMSI provided to the company investment banking services, non-investment banking securities-related service and non-securities-related services.
- **Investment Banking (past 12 months):** JPMSI or its affiliates received in the past 12 months compensation for investment banking services from BJ's Wholesale Club, JCPenney Corporation, Macy's Inc., Nordstrom, Inc., Target Corporation, Wal-Mart Stores, Inc..
- **Investment Banking (next 3 months):** JPMSI or its affiliates expect to receive, or intend to seek, compensation for investment banking services in the next three months from BJ's Wholesale Club, Costco Wholesale Corporation, Dollar Tree, Inc., JCPenney Corporation, Kohl's Corporation, Macy's Inc., Nordstrom, Inc., Saks, Inc., Target Corporation, Wal-Mart Stores, Inc..
- **Non-Investment Banking Compensation:** JPMSI has received compensation in the past 12 months for products or services other than investment banking from Costco Wholesale Corporation, Kohl's Corporation, Macy's Inc., Nordstrom, Inc., Saks, Inc., Target Corporation, Wal-Mart Stores, Inc.. An affiliate of JPMSI has received compensation in the past 12 months for products or services other than investment banking from BJ's Wholesale Club, Costco Wholesale Corporation, Dollar Tree, Inc., JCPenney Corporation, Kohl's Corporation, Macy's Inc., Nordstrom, Inc., Saks, Inc., Target Corporation, Wal-Mart Stores, Inc..

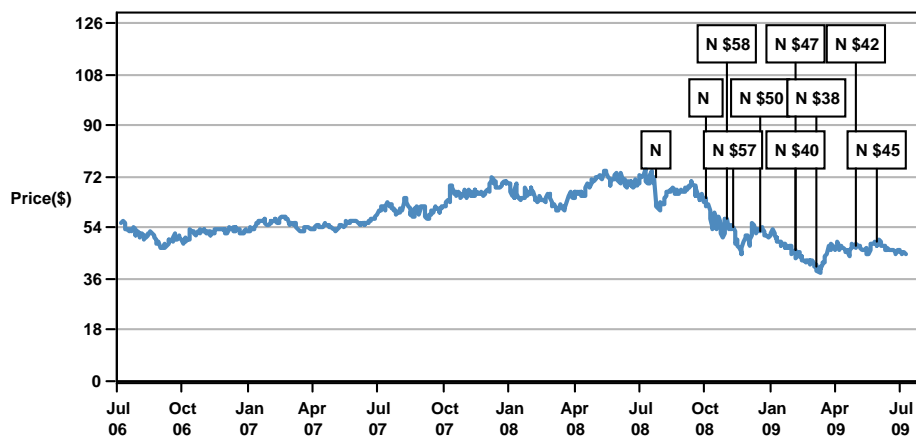
BJ's Wholesale Club (BJ) Price Chart



Date	Rating	Share Price (\$)	Price Target (\$)
22-Nov-06	OW	29.53	-
02-Jan-08	N	33.83	-
02-Jul-08	OW	41.13	-
31-Oct-08	OW	33.99	39.00
10-Dec-08	N	36.29	37.00
08-Jan-09	N	33.90	34.00
12-Feb-09	N	29.93	32.00
06-May-09	OW	33.37	40.00
08-May-09	OW	37.47	41.00

Source: Reuters and J.P. Morgan; price data adjusted for stock splits and dividends.
 Break in coverage Oct 10, 2005 - Feb 09, 2006. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
 J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

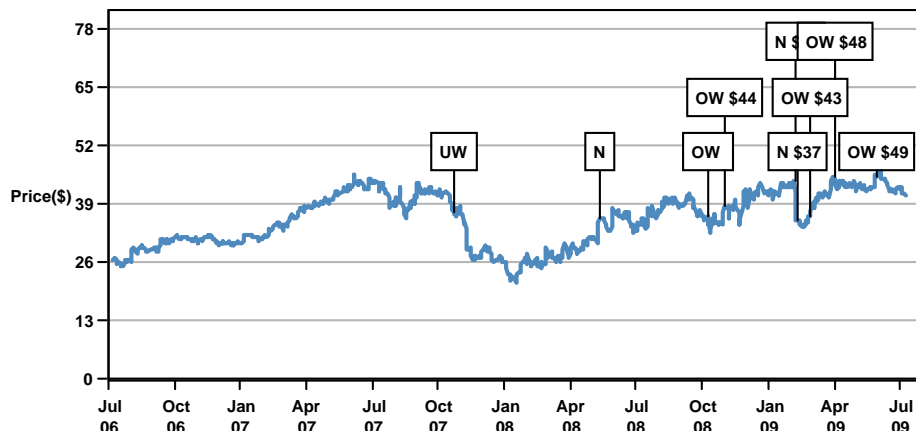
Costco Wholesale Corporation (COST) Price Chart



Date	Rating	Share Price (\$)	Price Target (\$)
23-Jul-08	N	72.00	-
01-Oct-08	N	64.93	--
31-Oct-08	N	56.97	58.00
09-Nov-08	N	54.07	57.00
17-Dec-08	N	53.03	50.00
04-Feb-09	N	46.12	47.00
04-Feb-09	N	46.12	40.00
04-Mar-09	N	40.69	38.00
28-Apr-09	N	47.64	42.00
27-May-09	N	49.14	45.00

Source: Reuters and J.P. Morgan; price data adjusted for stock splits and dividends.
 Break in coverage Oct 10, 2005 - Feb 09, 2006. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
 J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

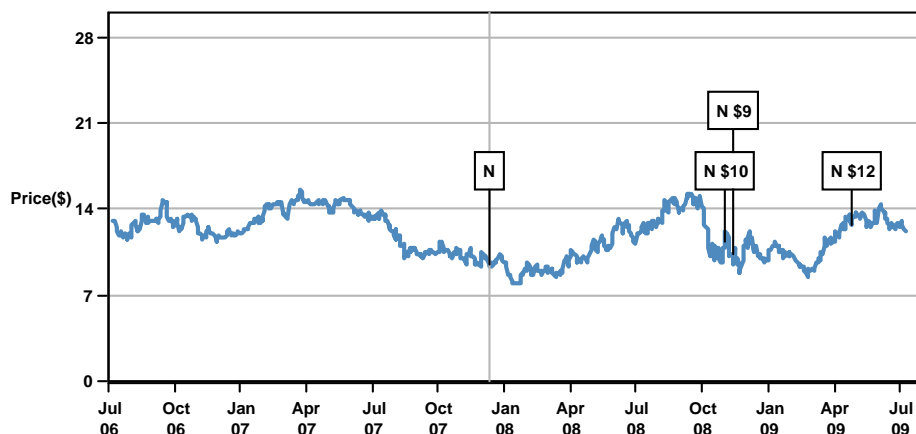
Dollar Tree, Inc. (DLTR) Price Chart



Date	Rating	Share Price (\$)	Price Target (\$)
22-Oct-07	UW	36.89	-
12-May-08	N	35.50	-
06-Oct-08	OW	36.24	--
31-Oct-08	OW	38.60	44.00
04-Feb-09	N	43.94	44.00
09-Feb-09	N	35.40	37.00
26-Feb-09	OW	36.28	43.00
31-Mar-09	OW	44.92	48.00
29-May-09	OW	44.72	49.00

Source: Reuters and J.P. Morgan; price data adjusted for stock splits and dividends.
 Break in coverage Oct 10, 2005 - May 23, 2006. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
 J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

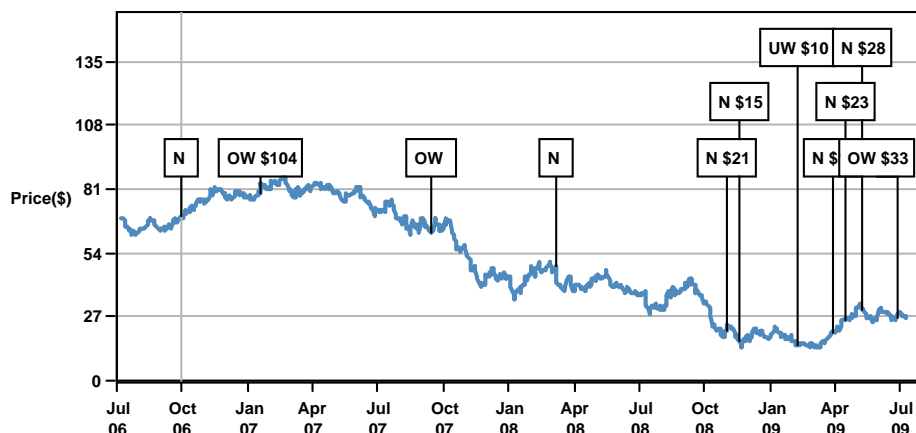
Fred's Inc. (FRED) Price Chart



Date	Rating	Share Price (\$)	Price Target (\$)
10-Dec-07	N	9.50	-
31-Oct-08	N	11.35	10.00
10-Nov-08	N	10.31	9.00
24-Apr-09	N	12.74	12.00

Source: Reuters and J.P. Morgan; price data adjusted for stock splits and dividends.
 Break in coverage Oct 10, 2005 - Dec 10, 2007. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
 J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

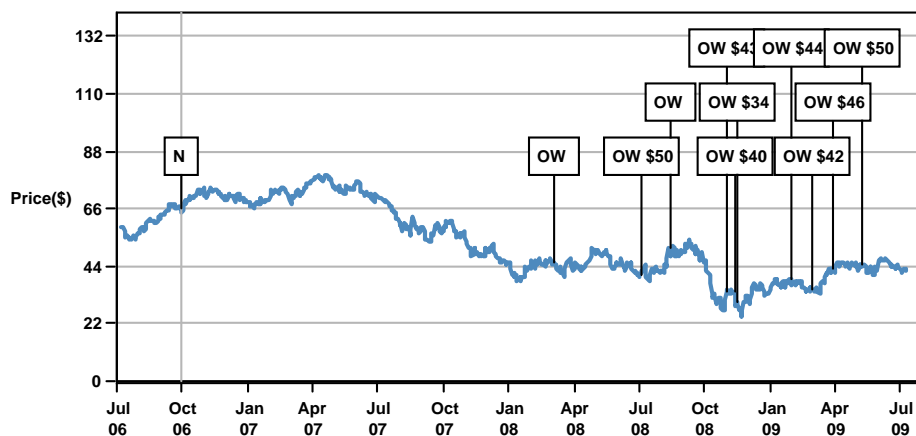
JCPenney Corporation (JCP) Price Chart



Date	Rating	Share Price (\$)	Price Target (\$)
29-Sep-06	N	69.28	--
18-Jan-07	OW	79.61	104.00
13-Sep-07	OW	62.71	--
06-Mar-08	N	48.11	--
31-Oct-08	N	21.49	21.00
17-Nov-08	N	16.72	15.00
05-Feb-09	UW	15.42	10.00
27-Mar-09	N	20.15	19.00
13-Apr-09	N	25.42	23.00
08-May-09	N	30.07	28.00
25-Jun-09	OW	26.60	33.00

Source: Reuters and J.P. Morgan; price data adjusted for stock splits and dividends.
 Break in coverage Oct 10, 2005 - Sep 29, 2006. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
 J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

Kohl's Corporation (KSS) Price Chart



Date	Rating	Share Price (\$)	Price Target (\$)
29-Sep-06	N	66.45	--
03-Mar-08	OW	45.31	--
02-Jul-08	OW	41.01	50.00
12-Aug-08	OW	51.00	--
31-Oct-08	OW	33.86	43.00
10-Nov-08	OW	34.21	40.00
14-Nov-08	OW	30.57	34.00
29-Jan-09	OW	38.75	44.00
27-Feb-09	OW	34.70	42.00
27-Mar-09	OW	43.04	46.00
08-May-09	OW	44.25	50.00

Source: Reuters and J.P. Morgan; price data adjusted for stock splits and dividends.
 Break in coverage Oct 10, 2005 - Sep 29, 2006. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
 J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

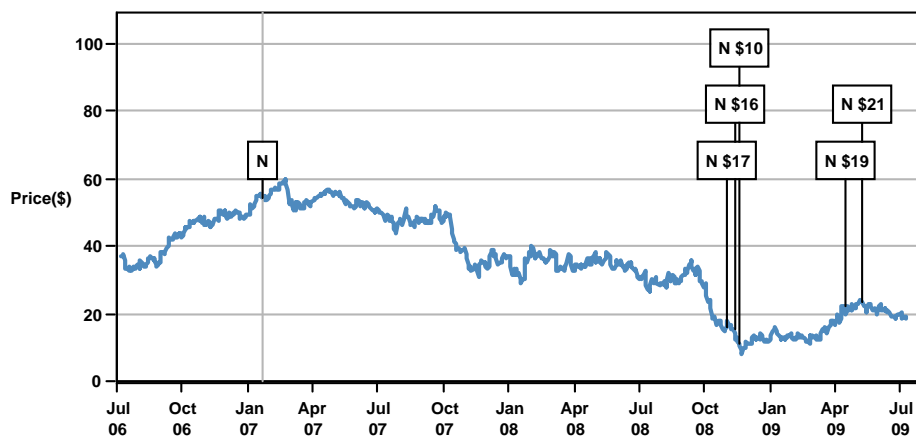
Macy's Inc. (M) Price Chart



Date	Rating	Share Price (\$)	Price Target (\$)
22-Jan-07	N	39.90	--
16-Apr-08	UW	22.98	--
14-Jul-08	N	16.28	--
17-Oct-08	OW	10.05	--
31-Oct-08	OW	11.66	14.00
08-Jan-09	OW	11.31	13.00
03-Feb-09	OW	8.59	11.00
13-Apr-09	OW	11.88	13.00
29-Apr-09	N	12.58	13.00

Source: Reuters and J.P. Morgan; price data adjusted for stock splits and dividends.
 Break in coverage Oct 10, 2005 - Jan 22, 2007. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
 J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

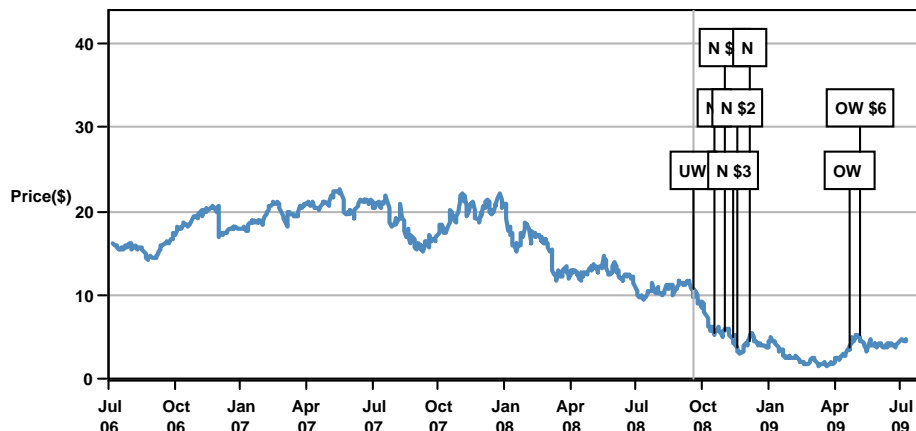
Nordstrom, Inc. (JWN) Price Chart



Date	Rating	Share Price (\$)	Price Target (\$)
22-Jan-07	N	54.22	-
31-Oct-08	N	15.99	17.00
10-Nov-08	N	15.50	16.00
18-Nov-08	N	10.82	10.00
13-Apr-09	N	21.91	19.00
08-May-09	N	23.30	21.00

Source: Reuters and J.P. Morgan; price data adjusted for stock splits and dividends.
 Break in coverage Oct 12, 2005 - Jan 22, 2007. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
 J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

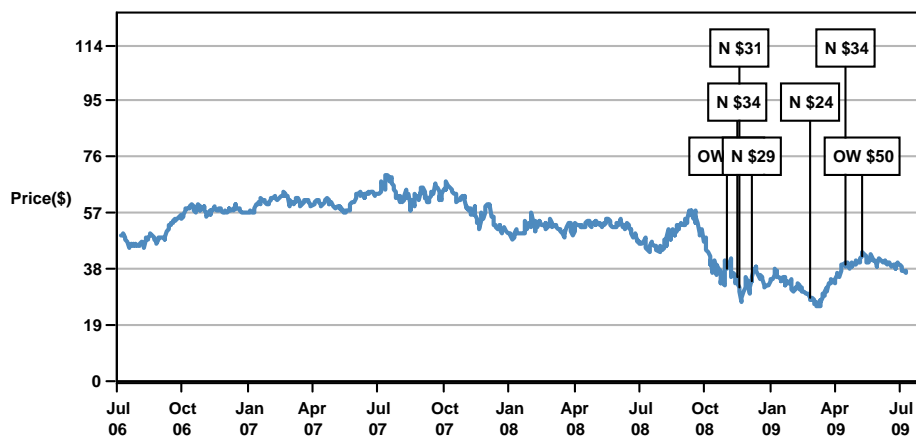
Saks, Inc. (SKS) Price Chart



Date	Rating	Share Price (\$)	Price Target (\$)
17-Sep-08	UW	10.79	-
17-Oct-08	N	5.40	--
31-Oct-08	N	5.81	4.00
10-Nov-08	N	4.94	3.00
18-Nov-08	N	3.85	2.00
03-Dec-08	N	4.44	--
20-Apr-09	OW	3.64	--
05-May-09	OW	5.18	6.00

Source: Reuters and J.P. Morgan; price data adjusted for stock splits and dividends.
 Break in coverage Oct 10, 2005 - Sep 17, 2008. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
 J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

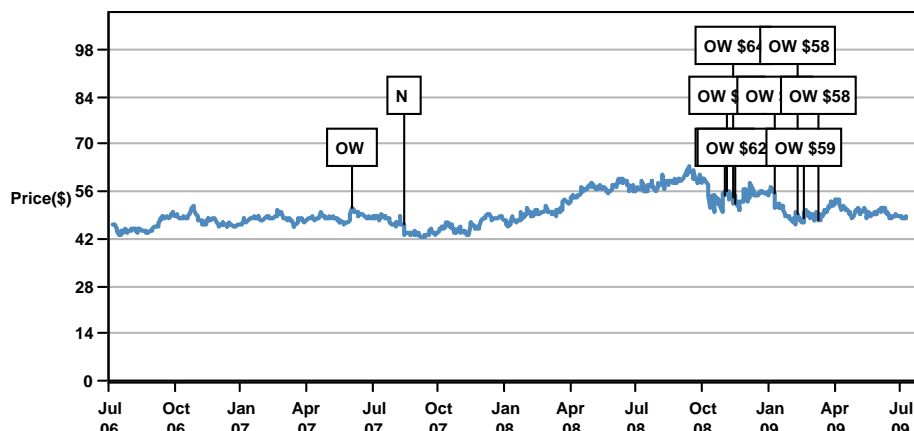
Target Corporation (TGT) Price Chart



Date	Rating	Share Price (\$)	Price Target (\$)
31-Oct-08	OW	38.39	46.00
14-Nov-08	N	35.33	34.00
18-Nov-08	N	31.68	31.00
05-Dec-08	N	34.04	29.00
24-Feb-09	N	28.43	24.00
13-Apr-09	N	39.89	34.00
08-May-09	OW	42.67	50.00

Source: Reuters and J.P. Morgan; price data adjusted for stock splits and dividends.
 This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
 J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

Wal-Mart Stores, Inc. (WMT) Price Chart



Date	Rating	Share Price (\$)	Price Target (\$)
04-Jun-07	OW	51.21	--
14-Aug-07	N	46.17	--
31-Oct-08	N	54.75	56.00
03-Nov-08	OW	55.97	65.00
10-Nov-08	OW	54.39	64.00
13-Nov-08	OW	52.62	62.00
08-Jan-09	OW	55.54	59.00
09-Feb-09	OW	49.28	58.00
18-Feb-09	OW	48.24	59.00
10-Mar-09	OW	47.51	58.00

Source: Reuters and J.P. Morgan; price data adjusted for stock splits and dividends.
 This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
 J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

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J.P. Morgan Equity Research Ratings Distribution, as of June 30, 2009

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IB clients*	55%	56%	42%
JPMSI Equity Research Coverage	36%	52%	12%
IB clients*	77%	72%	60%

*Percentage of investment banking clients in each rating category.
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