

## Broadlines & Food Retailing

### January SSS Wrap: And the Award Goes to . . .

**Summary:** January SSS results clearly marked a continuation of the brutality plaguing retail today, with 9 of the 10 companies in our universe printing comp declines – the exception being Wal-Mart. Nevertheless, we'd say that results were moderately better than feared as 70% of the group topped Street expectations (see Table 1 herein). Retailers levered to a more discretionary mix fared worse overall again in January, particularly at the luxury end, with SKS and JWN's full-line stores printing the most pronounced monthly SSS declines; stores offering consumable lines and value prices continued to outperform, namely WMT, BJ, and COST. Finally, earnings outlooks continue to be a mixed bag as 4 retailers warned that EPS will fall shy of expectations (JCP, FRED, TGT, and COST) while 2 companies indicated upside to estimates (Overweight-rated M and KSS). Our January SSS Awards are below:

- **The Most Valuable Comp (MVC) Award:** BJ's returns to the ranks of MVC this month as better-than-expected January sales relieved concerns following a slightly disappointing Holiday season. BJ's core comp came in strong at 7.6% (even without a Super Bowl team hailing from a BJ's market), 110 bps better than consensus, and outperformed both Sam's Club (core 2.4%) and Costco (core 5.5%). In January, both traffic and average transaction saw gains (ex gas), contributing to the SSS increase. Food continues to lead the way, with sales up 11% in January, but we note that merchandise was also in the black, up 2.0%.
- **The Least Valuable Comp (LVC) Award:** This month, we're giving JCPenney the LVC award provided the company was the only department store to miss estimates alongside Saks. Specifically, JCP's negative 16.4% January comp came in 430 bps below consensus, with Internet down in the "double-digits." And looking ahead, the company does not seem to be anticipating any relief next month – setting February guidance in the "down midteens" range. Finally, on its EPS outlook, JCPenney revised its 4Q guidance to \$0.90-\$0.93, which is at the low end of its previous range of \$0.90-\$1.05.
- **The "Bounce Back" Award:** In this environment, it's amazing to see how quickly things can change in four weeks' time. Wal-Mart, for instance, was our LVC award winner in December provided disappointing sales at Sam's Club and in its International division. However, in January WMT staged a return, bouncing back with comp gains in both its U.S. division (+2.1%) and Sam's Club (+2.4% ex gas) as well as solid performance in its International segment. The result was particularly impressive given that the 4-week January period had no "first of the month" pay cycle. Importantly, traffic was positive for the 4th consecutive months – a good leading indicator of things to come, in our opinion.
- **The "Hat Trick" Award:** In January, Macy's continued on its journey to win over the market by pulling 3 more tricks out of its hat. First on the comp front, SSS were, yet again, much better than feared – coming in 290 basis points above consensus. Second, the company has set realistic plans, with inventories (down 7.4% YOY on a comp store basis), expenses, and cap-ex continuing to be managed conservatively and in line with 2009 sales assumptions. Finally, Macy's raised its 4Q EPS outlook

See page 10 for analyst certification and important disclosures.

J.P. Morgan does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Customers of J.P. Morgan in the United States can receive independent, third-party research on the company or companies covered in this report, at no cost to them, where such research is available. Customers can access this independent research at [www.morganmarkets.com](http://www.morganmarkets.com) or can call 1-800-477-0406 toll free to request a copy of this research.

---

#### Broadlines & Food Retailing

##### Charles Grom, CFA, CPA<sup>AC</sup>

(1-212) 622-6527  
[charles.grom@jpmorgan.com](mailto:charles.grom@jpmorgan.com)

##### Aaron Stein

(1-212) 622-6654  
[aaron.d.stein@jpmorgan.com](mailto:aaron.d.stein@jpmorgan.com)

##### Paul Trussell

(1-212) 622-5671  
[paul.e.trussell@jpmorgan.com](mailto:paul.e.trussell@jpmorgan.com)

##### Radina L Russell

(1-212) 622-8738  
[radina.l.russell@jpmchase.com](mailto:radina.l.russell@jpmchase.com)

J.P. Morgan Securities Inc.

---

by 6% at the midpoint (ex charges) to \$1.00-\$1.02 from \$0.90-\$1.00.

- **The “A Few Cents Short” Award:** It’s unfortunate to have to hand Dollar Tree this award after an outstanding run. That said, while DLTR’s 2.2% 4Q comp was technically in line with guidance of 2.0%-5.0%, the company appears to have been knocked slightly off course by the November calendar shift and the series of winter storms in December and January. Importantly, on a two-year stacked basis, the comp fell 670 bps sequentially to 1.4%, with traffic and ticket both contributing equally to the SSS result.

Table 1: Broadlines Comp Summary – January 2009

Company	Rating	Guidance	Street	J.P. Morgan	Actual	Delta (bps) vs.Street	February Comp View
Target	N	down MSD	(5.2%)	(5.0%)	(3.3%)	+ 190 bps	Down MSD
Wal-Mart	OW						
Division 1			1.1%	1.5%	2.1%	+ 100 bps	
Sam's			0.2%	0.0%	2.4%	+ 220 bps	
Total		0.0%-2.0%	1.2%	1.2%	2.1%	+ 90 bps	1.0%-3.0% - 13 week view
Costco	N	n/a	(3.7%)	(3.1%)	(2.0%)	+ 170 bps	n/a
BJ's	N	Core -6.0%	2.2%	2.5%	(0.7%)	- 290 bps	n/a
Fred's	N	Flattish	0.0%	0.0%	(1.9%)	- 190 bps	n/a
JCPenney	UW	down low double digits	(12.1%)	(12.5%)	(16.4%)	- 430 bps	Down mid-teens
Kohl's	OW	down mid-high teens	(15.5%)	(16.0%)	(13.4%)	+ 210 bps	n/a
Macy's	OW	down 7.5%	(7.4%)	(7.5%)	(4.5%)	+ 290 bps	n/a
Nordstrom	N	(16.0%)-(13.0%)	(14.5%)	(13.0%)	(11.4%)	+ 310 bps	n/a
Saks	N	n/a	(18.3%)	(15.0%)	(23.7%)	- 540 bps	n/a
Big Lots	N	Down 2.0%-4.0%	(2.8%)	(3.5%)	(3.2%)	- 40 bps	n/a
DLTR	N	Up low to mid single digits	3.9%	3.2%	2.2%	- 170 bps	n/a

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

Table 2: Broadline Retail Comp Summary & Broadline Index (February 2008- January 2009)

Ticker	Company	Rating	2/08	3/08	4/08	5/08	6/08	7/08	8/08	9/08	10/08	11/08	12/08	1/09
WMT	Wal-Mart	OW	2.6%	0.7%	3.2%	3.9%	5.8%	3.0%	3.0%	2.4%	2.4%	3.4%	1.7%	2.1%
TGT	Target	N	0.5%	(4.4%)	3.1%	(0.7%)	0.4%	(1.2%)	(2.1%)	(3.0%)	(4.8%)	(10.4%)	(4.1%)	(3.3%)
COST	Costco	N	7.0%	7.0%	8.4%	9.0%	9.0%	10.0%	9.0%	7.0%	(1.0%)	(5.0%)	(4.0%)	(2.0%)
BJ	BJ's	N	5.9%	6.0%	17.8%	13.4%	16.5%	16.7%	15.4%	10.4%	10.2%	4.1%	1.6%	(0.7%)
FRED	Fred's	N	1.1%	1.2%	4.3%	3.4%	6.5%	4.6%	2.1%	1.1%	1.3%	(1.8%)	0.0%	(1.9%)
M	Macy's	OW	(3.5%)	(6.2%)	3.0%	(1.5%)	(2.1%)	(2.9%)	(4.5%)	(6.6%)	(6.3%)	(13.3%)	(4.0%)	(4.5%)
KSS	Kohl's	OW	(3.8%)	15.5%	3.5%	(7.2%)	2.3%	(10.4%)	(5.8%)	(5.5%)	(9.0%)	(17.5%)	(1.4%)	(13.4%)
JCP	JCPenney	UW	(6.7%)	(12.3%)	(1.7%)	(4.4%)	(2.4%)	(6.5%)	(4.9%)	(12.4%)	(13.0%)	(11.9%)	(8.1%)	(16.4%)
JWN	Nordstrom	N	(5.8%)	(9.1%)	(3.8%)	10.9%	(18.6%)	(6.1%)	(7.9%)	(9.6%)	(15.3%)	(15.9%)	(10.6%)	(11.4%)
SKS	Saks	N	3.4%	(2.9%)	23.9%	(8.7%)	1.9%	(5.3%)	(5.9%)	(10.9%)	(16.8%)	(5.2%)	(19.8%)	(23.7%)
DDS	Dillard's	NR	(2.0%)	(10.0%)	(4.0%)	(7.0%)	(5.0%)	2.0%	(7.0%)	(12.0%)	(8.0%)	(9.0%)	(5.0%)	(12.0%)
Broadline Retail Comp Avg.			0.2%	(3.9%)	5.5%	1.3%	1.6%	0.9%	(0.4%)	(3.3%)	(5.4%)	(6.9%)	(4.9%)	(7.9%)
Market Cap Weighted Avg.			2.2%	(0.2%)	3.6%	3.4%	5.0%	2.5%	2.4%	1.5%	0.6%	0.1%	0.2%	0.2%
2Yr Broadline Retail Comp Avg.			4.4%	4.1%	3.2%	3.8%	2.2%	4.7%	3.1%	(2.2%)	(3.9%)	0.6%	(7.0%)	(8.9%)
2Yr Market Cap Weighted Avg.			4.1%	5.3%	0.5%	5.4%	7.4%	5.3%	5.5%	3.1%	1.8%	3.5%	1.5%	0.6%

Source: J.P. Morgan estimates, company data. Actual results from February 2008 – December 2008. **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	Food, healthcare, electronics	Apparel, home, holiday, decorative home, entertainment	Upper Midwest, Northern CA	GA, FL, AZ, NV, Southern CA
WMT	Flat panel tvs, baking, cooking, cold weather, automotive, optical	Home, entertainment, hardlines	West, Northeast	South, Midwest
Sam's Club	Food, consumables, baby care, pet food	Furniture, office supplies		
COST	Fruit, sundries, fresh foods, toys, sporting goods, tvs, food court	Hardlines, softlines, hardware, garden, housewares, domestics, home, jewelry	Canada, Japan, UK, Taiwan	California
BJ	Breakfast food, candy, coffee, computers, dairy, frozen, health and beauty aids, household chemicals, meat, paper products, pet foods, prepared foods, produce, small appliances, snacks and winter seasonal (including ice melt, shovels, and snow throwers)	Apparel, domestics, jewelry, prerecorded video, sporting goods, residential furniture, televisions, and water	Metro New York	
FRED		Lower pharmacy sales		
KSS	Home	Women's	Southwest	
JCP	New brands, clearance items	Fine jewelry, internet, some home categories		
JWN	Women's apparel, juniors apparel, cosmetics		South, Mid-Atlantic, Northwest	
M				
SKS	Eveningwear, cosmetics, fragrances, men's shoes	Women's apparel, men's apparel, accessories, outerwear, fashion jewelry, women's shoes, handbags		

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

## Target (TGT) – Neutral

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

TGT's comp fell 3.3% in January, 170 bps ahead of our estimate and 190 bps better than the Street.

		1-Yr Comps				2-Yr. Stacked SSS			
		2006	2007	2008	2009E	2006	2007	2008	2009E
<b>Monthly</b>	January	5.2%	5.1%	(1.1%)	(3.3%)	14.6%	10.3%	4.0%	(4.4%)
	February	3.6%	5.7%	0.5%		12.6%	9.3%	6.2%	
	March	2.2%	12.0%	(4.4%)		10.4%	14.2%	7.6%	
	April	10.4%	(6.1%)	3.1%		11.7%	4.3%	(3.0%)	
	May	5.7%	5.8%	(0.7%)		10.8%	11.5%	5.1%	
	June	4.8%	3.3%	0.4%		13.8%	8.1%	3.7%	
	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%)	
<b>Quarterly</b>	1Q	5.1%	4.3%	(0.7%)		11.3%	9.4%	3.6%	
	2Q	4.6%	4.9%	(0.4%)		11.3%	9.5%	4.5%	
	3Q	4.6%	3.7%	(3.3%)		10.5%	8.3%	0.4%	
	4Q	4.8%	0.2%	(5.7%)		9.0%	5.0%	(5.5%)	
	Annual	4.8%	3.0%	(2.6%)	(5.0%)	10.4%	7.8%	0.4%	(7.5%)

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

## Wal-Mart (WMT) – Overweight

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

WMT printed a 2.1% January comp, ahead of the 0.0%-2.0% guidance range and 90 bps better than the Street consensus.

		1-Yr Comps				2-Yr. Stacked SSS			
		2006	2007	2008	2009E	2006	2007	2008	2009E
<b>Monthly</b>	January	5.0%	2.2%	0.5%	2.1%	7.5%	7.2%	2.7%	2.6%
	February	3.2%	0.9%	2.5%		7.8%	4.1%	3.5%	
	March	1.4%	4.1%	0.7%		6.3%	5.5%	4.8%	
	April	6.8%	(3.5%)	3.2%		7.5%	3.3%	(0.2%)	
	May	2.3%	1.1%	3.9%		5.0%	3.4%	5.0%	
	June	1.2%	2.4%	5.8%		5.9%	3.6%	8.3%	
	July	2.4%	1.9%	3.0%		6.8%	4.3%	4.9%	
	August	2.7%	3.1%	3.0%		5.8%	5.8%	6.2%	
	September	1.3%	1.4%	2.4%		4.7%	2.6%	3.8%	
	October	0.5%	0.4%	2.4%		4.9%	1.0%	2.8%	
	November	(0.1%)	1.5%	3.4%		4.4%	1.4%	4.9%	
	December	1.6%	2.4%	1.7%		4.1%	4.0%	4.1%	
<b>Quarterly</b>	1Q	3.8%	0.6%	2.9%		6.7%	4.4%	3.5%	
	2Q	1.7%	1.9%	4.5%		6.7%	3.6%	6.4%	
	3Q	1.5%	1.5%	3.0%		3.3%	3.0%	4.5%	
	4Q	1.4%	1.7%	2.0%		5.0%	3.1%	3.7%	
	Annual	2.1%	1.4%	2.8%	2.4%	5.7%	3.5%	4.2%	5.5%

Source: Company reports and J.P. Morgan estimates. Please note: Beginning 2/05, comps are adjusted to include stores open for the prior 12 months, excluding gas sales and recently relocated/expanded stores.

## Costco (COST) – Neutral

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

Costco's (2.0%) SSS print was 170 ahead of the Street estimate, with strength in the core driving the upside.

		1-Yr Comps				2-Yr. Stacked SSS			
		2006	2007	2008	2009E	2006	2007	2008	2009E
<b>Monthly</b>	January	9.0%	2.4%	7.5%	(2.0%)	13.0%	11.4%	9.9%	5.5%
	February	8.0%	4.0%	7.0%		15.0%	12.0%	11.0%	
	March	7.0%	6.0%	7.0%		14.0%	13.0%	13.0%	
	April	7.0%	7.0%	8.5%		15.0%	14.0%	15.5%	
	May	10.0%	7.0%	8.7%		15.0%	17.0%	15.7%	
	June	6.0%	6.0%	9.0%		15.0%	12.0%	15.0%	
	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%	
<b>Quarterly</b>	1Q	9.0%	4.0%	8.0%	1.0%	16.0%	13.0%	12.0%	9.0%
	2Q	7.0%	5.0%	7.0%	(3.1%)	14.0%	12.0%	12.0%	3.9%
	3Q	7.0%	7.0%	8.0%	(2.9%)	14.0%	14.0%	15.0%	5.1%
	4Q	8.0%	5.0%	9.0%	(4.0%)	15.0%	13.0%	14.0%	5.0%
	Annual	8.0%	6.0%	8.0%	(2.3%)	15.0%	14.0%	14.0%	5.7%

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-point 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.

## BJ's (BJ) – Neutral

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

In January, BJ's comp turned negative for the first time since 2007 as gas deflation hurt the print by 830 bps. Importantly, the core comp of 7.6% topped guidance of ~6.0% and our estimate of 6.5%.

		1-Yr Comps				2-Yr. Stacked SSS			
		2006	2007	2008	2009E	2006	2007	2008	2009E
<b>Monthly</b>	January	2.0%	3.5%	7.8%	(0.7%)	3.9%	5.5%	11.3%	7.1%
	February	1.6%	3.0%	5.9%		8.3%	4.6%	8.9%	
	March	3.1%	5.5%	6.0%		6.1%	8.6%	11.5%	
	April	1.2%	(2.1%)	17.8%		9.6%	(0.9%)	15.7%	
	May	4.2%	4.1%	13.4%		4.7%	8.3%	17.5%	
	June	(0.1%)	5.3%	16.5%		4.2%	5.2%	21.8%	
	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%	
<b>Quarterly</b>	1Q	2.0%	2.3%	9.6%		7.8%	4.3%	11.9%	
	2Q	1.8%	3.7%	15.5%		5.0%	5.5%	19.2%	
	3Q	0.1%	3.4%	11.9%		4.2%	3.5%	15.3%	
	4Q	1.5%	5.4%	1.7%		3.2%	6.9%	7.1%	
	Annual	1.2%	3.7%	9.4%	4.0%	4.8%	3.7%	13.6%	13.4%

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

## Fred's (FRED) – Neutral

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

		1-Yr Comps				2-Yr. Stacked SSS			
		2006	2007	2008	2009E	2006	2007	2008	2009E
<b>Monthly</b>	January	0.8%	2.4%	(1.2%)	(1.9%)	5.2%	3.2%	1.2%	(3.1%)
	February	0.3%	3.9%	1.1%		4.4%	4.2%	5.0%	
	March	3.5%	4.4%	1.2%		7.0%	7.9%	5.6%	
	April	6.3%	(2.5%)	4.3%		7.5%	3.8%	1.8%	
	May	2.4%	0.2%	3.4%		4.4%	2.6%	3.6%	
	June	2.6%	1.5%	6.5%		4.7%	4.1%	8.0%	
	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%)	
<b>Quarterly</b>	1Q	2.3%	1.9%	2.1%		5.3%	4.2%	4.0%	
	2Q	3.1%	0.8%	4.9%		3.9%	3.9%	5.7%	
	3Q	3.0%	1.1%	1.4%		2.0%	4.1%	2.5%	
	4Q	2.0%	(2.5%)	(1.1%)		4.5%	(0.5%)	(3.6%)	
	Annual	2.4%	0.3%	1.8%	0.5%	3.6%	2.7%	2.3%	2.3%

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

Fred printed a January comp of negative 1.9%, 190 bps below our estimate and Street consensus.

## Big Lots (BIG) – Neutral

Table 10: Big Lots Quarterly Comps (4Q06-4Q08)

Quarter	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08
Comp	4.9%	4.9%	5.2%	(0.5%)	(0.6%)	3.4%	2.8%	(0.2%)	(3.2%)
2- Year Stack	7.4%	7.4%	10.4%	5.3%	4.3%	8.3%	8.0%	(0.7%)	(3.8%)

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

Big Lots reported a 4Q SSS decline of 3.2%, firmly within its view of a 2.0%-4.0% decline in the quarter and 30 bps better than our estimate.

## Dollar Tree – Neutral

Table 11: Dollar Tree Quarterly Comps (4Q06-4Q08)

Quarter	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08
Comp	5.5%	5.8%	4.4%	1.9%	(0.8%)	2.1%	6.5%	6.2%	2.2%
Ticket	1.9%	3.1%	1.1%	0.3%	0.4%	0.1%	2.7%	1.1%	n/a
Traffic	3.6%	2.6%	3.3%	1.6%	(1.2%)	2.0%	3.7%	5.1%	n/a
2- Year Stack	6.5%	9.8%	8.6%	5.9%	4.7%	7.9%	10.9%	8.1%	1.4%

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

Dollar Tree's 2.2% 4Q comp fell 130 bps below our estimate, 170 bps shy of the Street, and near the low end of guidance.

## Kohl's (KSS) – Overweight

Table 13: Kohl's Comp Picture (2006-2009E)

KSS printed a negative 13.4% comp, beating our estimate by 260 bps and ahead of the Street by 210 bps.

		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%)		0.6%	7.8%	0.6%	
	March	3.7%	16.8%	(15.5%)		1.3%	20.5%	1.3%	
	April	13.4%	(10.5%)	3.5%		(7.0%)	2.9%	(7.0%)	
	May	3.1%	10.5%	(7.2%)		3.3%	13.6%	3.3%	
	June	7.1%	(4.9%)	2.3%		(2.6%)	2.2%	(2.6%)	
	July	5.9%	0.0%	(10.4%)		(10.4%)	5.9%	(10.4%)	
	August	5.2%	(0.6%)	(5.8%)		(6.4%)	4.6%	(6.4%)	
	September	16.3%	(3.2%)	(5.5%)		(8.7%)	13.1%	(8.7%)	
	October	4.2%	(3.8%)	(9.0%)			0.4%	(10.8%)	
	November	3.7%	10.2%	(17.5%)			13.9%	(7.3%)	
	December	3.0%	(11.4%)	(1.4%)			(8.4%)	(12.8%)	
Quarterly	1Q	6.9%	3.9%	(6.7%)		10.8%	(2.8%)		
	2Q	5.5%	1.3%	(4.6%)		6.8%	(3.3%)		
	3Q	8.5%	(2.6%)	(6.8%)		5.9%	(9.4%)		
	4Q	4.1%	(4.0%)	(9.1%)		0.1%	(13.1%)		
	Annual	5.9%	(0.8%)	(6.8%)	(5.5%)	5.1%	(7.6%)	(12.3%)	

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

## JCPenney (JCP) – Underweight

Table 12: JCPenney's Comp Picture (2006-2009E)

JCP's 16.4% comp decline in January is 420 basis points below Street expectations.

		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%)		8.2%	3.8%	(5.2%)	
	March	(1.0%)	11.0%	(12.3%)		(1.4%)	10.0%	(1.3%)	
	April	2.6%	(3.4%)	(1.7%)		6.1%	(0.8%)	(5.1%)	
	May	11.1%	(0.9%)	(4.4%)		12.1%	14.0%	(5.3%)	
	June	4.3%	(0.7%)	(2.4%)		11.8%	11.7%	(3.1%)	
	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%)	(15.4%)	
Quarterly	1Q	2.6%	3.4%	(7.4%)		5.4%	6.0%	(4.0%)	
	2Q	7.6%	2.9%	(4.3%)		11.8%	10.5%	(1.4%)	
	3Q	6.5%	(2.4%)	(10.1%)		9.0%	4.1%	(12.5%)	
	4Q	3.2%	(2.3%)	(10.8%)		5.8%	0.9%	(13.1%)	
	Annual	4.9%	0.0%	(8.2%)	(9.5%)	9.1%	4.9%	(8.2%)	(17.6%)

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

## Nordstrom (JWN) – Neutral

Table 14: Nordstrom's Comp Picture (2006-2009E)

JWN reported a 11.4% comp decline in January, ahead of guidance and Street consensus.

		1-Yr Comps				2-Yr. Stacked SSS			
		2006	2007	2008	2009E	2006	2007	2008	2009E
<b>Monthly</b>	January	6.0%	11.1%	(6.6%)	(11.4%)	16.1%	17.1%	4.5%	(18.0%)
	February	4.9%	9.1%	(5.8%)		11.9%	14.0%	3.3%	
	March	4.3%	15.0%	(9.1%)		9.8%	19.3%	5.9%	
	April	7.3%	3.1%	(3.8%)		14.2%	10.4%	(0.7%)	
	May	7.8%	6.3%	10.9%		15.2%	14.1%	17.2%	
	June	4.7%	2.0%	(18.6%)		12.8%	6.7%	(16.6%)	
	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%)	
<b>Quarterly</b>	1Q	5.4%	9.5%	(6.5%)		11.6%	14.9%	3.0%	
	2Q	5.7%	5.9%	(6.0%)		11.9%	11.6%	(0.1%)	
	3Q	10.7%	2.2%	(11.1%)		16.6%	12.9%	(8.9%)	
	4Q	8.3%	(0.7%)	(12.7%)		14.1%	7.6%	(13.4%)	
	Annual	7.5%	3.9%	(9.1%)	(9.5%)	13.5%	11.4%	(5.2%)	(18.6%)

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

## Macy's (M) – Overweight

Table 15: Macy's Comp Picture (2006-2009E)

Macy's reported a 4.5% comp decline, 290 bps above consensus estimates.

		1-Yr Comps				2-Yr. Stacked SSS			
		2006	2007	2008	2009E	2006	2007	2008	2009E
<b>Monthly</b>	January	1.0%	8.6%	(7.1%)	(4.5%)	0.6%	9.6%	1.5%	(11.6%)
	February	1.0%	1.2%	(3.5%)		2.8%	2.2%	(2.3%)	
	March	(0.7%)	2.3%	(6.2%)		2.7%	1.6%	(3.9%)	
	April	(0.8%)	(2.2%)	3.0%		2.0%	(3.0%)	0.8%	
	May	9.2%	(3.3%)	(1.5%)		10.0%	5.9%	(4.8%)	
	June	1.7%	(2.7%)	(2.1%)		4.6%	(1.0%)	(4.8%)	
	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%)	
<b>Quarterly</b>	1Q	0.0%	0.6%	(2.6%)		2.6%	0.6%	(2.0%)	
	2Q	4.6%	(2.5%)	(2.1%)		5.7%	2.0%	(4.7%)	
	3Q	5.9%	(0.8%)	(5.9%)		6.5%	5.1%	(6.7%)	
	4Q	6.2%	(1.2%)	(6.7%)		7.2%	4.1%	(9.2%)	
	Annual	4.2%	(1.0%)	(4.3%)	(7.0%)	5.5%	2.9%	(5.7%)	(11.3%)

Source: Company reports and J.P. Morgan estimates. Please note that prior to 2/07 all comps presented are for legacy Macy stores only.

## Saks, Inc. (SKS) – Neutral

Table 16: Saks, Inc.'s Comp Picture (2007-2009E)

SKS posted a negative 23.7% comp in January, 540 bps below consensus of negative 18.3%.

		1-Yr Comps				2-Year 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%		0.4%	18.0%	28.1%	
	March	(1.7%)	10.1%	(2.9%)		1.2%	8.4%	7.2%	
	April	0.8%	11.7%	23.9%		7.9%	12.5%	35.6%	
	May	0.8%	37.5%	(8.7%)		1.6%	38.3%	28.8%	
	June	5.3%	(5.6%)	1.9%		12.3%	(0.3%)	(3.7%)	
	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%		3.3%	12.2%	22.8%	
	2Q	3.4%	13.2%	(4.0%)		7.6%	16.6%	9.2%	
	3Q	8.8%	11.4%	(11.5%)		14.2%	20.2%	(0.1%)	
	4Q	9.9%	9.0%	(15.3%)		11.3%	18.9%	(6.3%)	
	Annual	4.9%	11.7%	(5.6%)	(12.0%)	8.9%	16.6%	6.1%	(17.6%)

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

### Companies Recommended in This Report (all prices in this report as of market close on 05 February 2009)

Big Lots, Inc. (BIG/\$13.74/Neutral), BJ's Wholesale Club (BJ/\$29.56/Neutral), Costco Wholesale Corporation (COST/\$43.83/Neutral), Dollar Tree Stores, Inc. (DLTR/\$35.03/Neutral), Fred's Inc. (FRED/\$9.83/Neutral), JCPenney Corporation (JCP/\$15.07/Underweight), Kohl's Corporation (KSS/\$38.20/Overweight), Macy's Inc. (M/\$8.75/Overweight), Nordstrom, Inc. (JWN/\$13.05/Neutral), Saks, Inc. (SKS/\$2.40/Neutral), Target Corporation (TGT/\$32.29/Neutral), Wal-Mart Stores, Inc. (WMT/\$48.56/Overweight)

### Analyst Certification:

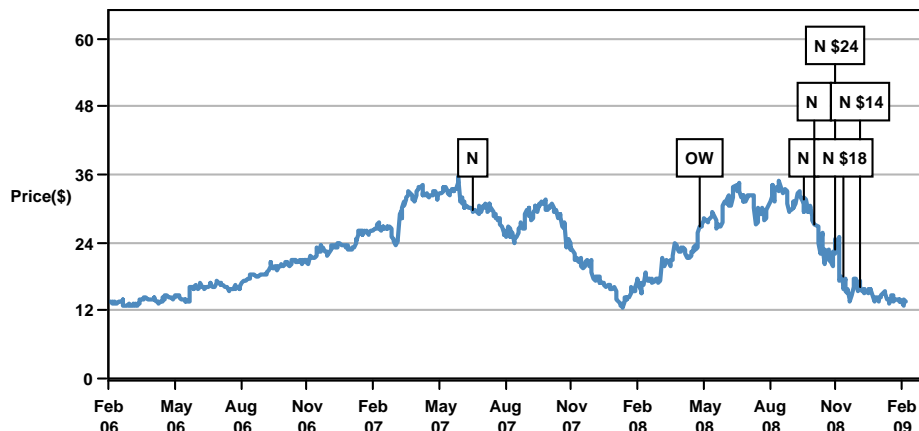
The research analyst(s) denoted by an "AC" on the cover of this report certifies (or, where multiple research analysts are primarily responsible for this report, the research analyst denoted by an "AC" on the cover or within the document individually certifies, with respect to each security or issuer 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 Stores, Inc., Fred's Inc..
- **ISE option specialist:** An affiliate of JPMSI is associated with a specialist or market maker that makes a market in the options of Kohl's Corporation, and therefore such specialist may have a position (long or short) in the options of the issuer and may be on the opposite side of public orders in such options. An affiliate of JPMSI is associated with a specialist or market maker that makes a market in the options of Macy's Inc., and therefore such specialist may have a position (long or short) in the options of the issuer and may be on the opposite side of public orders in such options.
- **ARCA/NYSE equity security specialist:** JPMSI is affiliated with the specialist or market maker that makes a market in the common stock of Big Lots, Inc., and such specialist may have a position (long or short) and may be on the opposite side of public orders in such common stock. JPMSI is affiliated with the specialist or market maker that makes a market in the common stock of JCPenney Corporation, and such specialist may have a position (long or short) and may be on the opposite side of public orders in such common stock. JPMSI is affiliated with the specialist or market maker that makes a market in the common stock of Target Corporation, and such specialist may have a position (long or short) and may be on the opposite side of public orders in such common stock.
- **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, Macy's Inc., Nordstrom, Inc., Wal-Mart Stores, Inc. within the past 12 months.
- **Client of the Firm:** Big Lots, Inc. is or was in the past 12 months a client of JPMSI. 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 Stores, 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, 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 Stores, Inc., JCPenney Corporation, Kohl's Corporation, Macy's Inc., Nordstrom, Inc., Saks, Inc., Target Corporation, Wal-Mart Stores, Inc..

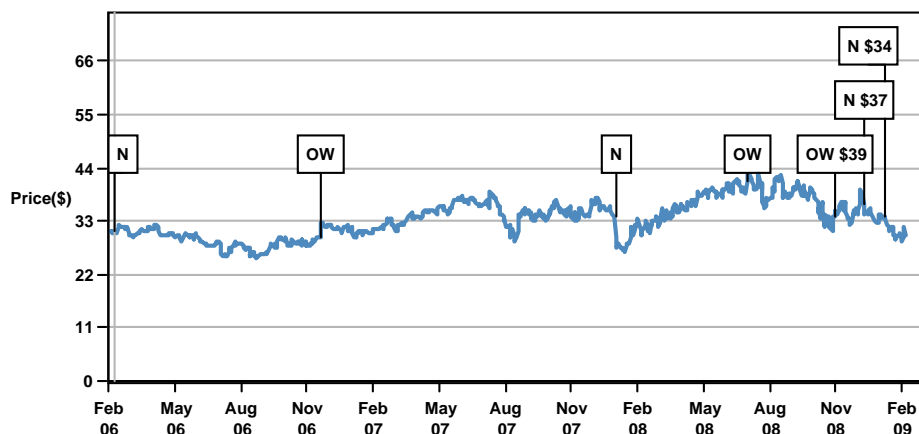
**Big Lots, Inc. (BIG) Price Chart**



Date	Rating	Share Price (\$)	Price Target (\$)
19-Jun-07	N	29.91	-
28-Apr-08	OW	26.73	-
16-Sep-08	N	31.56	-
03-Oct-08	N	27.19	--
31-Oct-08	N	22.70	24.00
10-Nov-08	N	17.95	18.00
05-Dec-08	N	16.28	14.00

Source: Reuters and J.P. Morgan; price data adjusted for stock splits and dividends.  
 Initiated coverage Jun 19, 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.

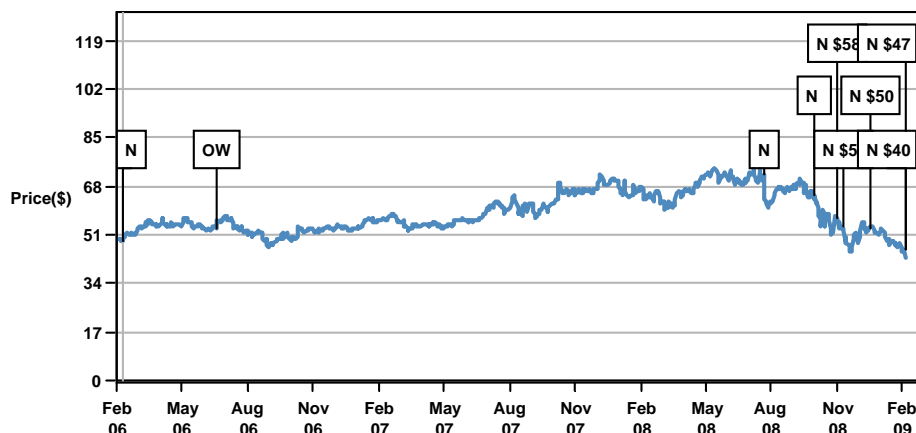
**BJ's Wholesale Club (BJ) Price Chart**



Date	Rating	Share Price (\$)	Price Target (\$)
09-Feb-06	N	30.74	-
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

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 (\$)
09-Feb-06	N	49.07	-
20-Jun-06	OW	53.55	-
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

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.

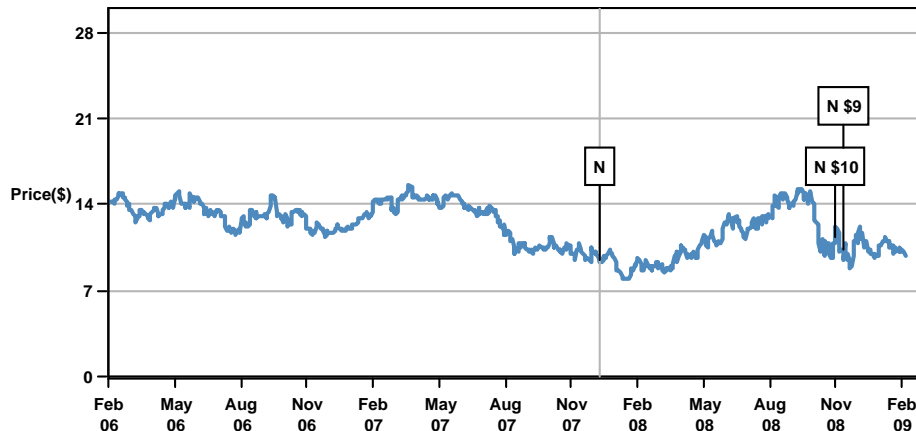
Dollar Tree Stores, Inc. (DLTR) Price Chart



Date	Rating	Share Price (\$)	Price Target (\$)
23-May-06	N	26.33	-
22-Oct-07	UW	37.46	-
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

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.

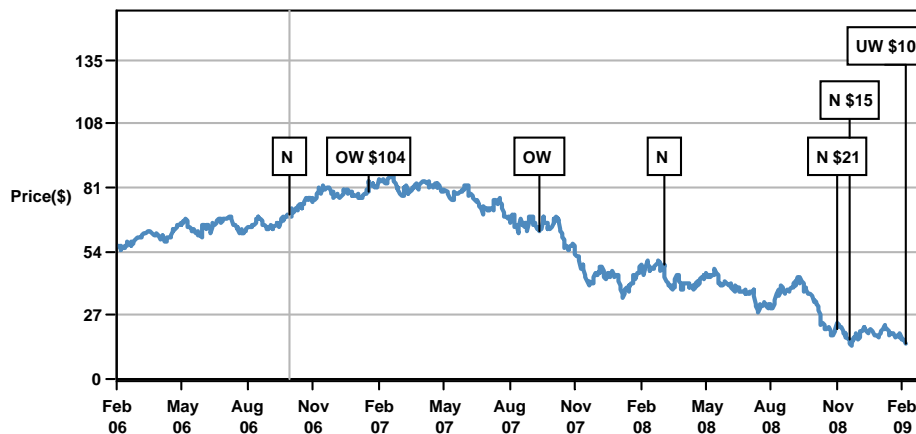
**Fred's Inc. (FRED) Price Chart**



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

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

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	44.44	--
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

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

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.

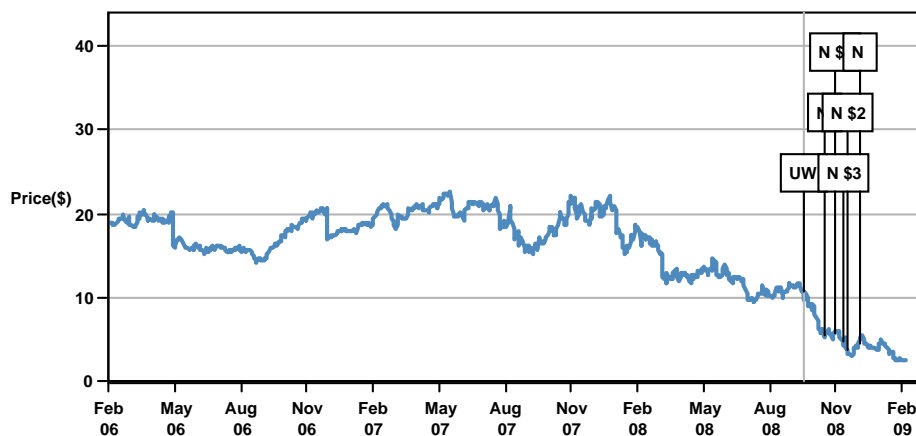
**Nordstrom, Inc. (JWN) Price Chart**



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

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.

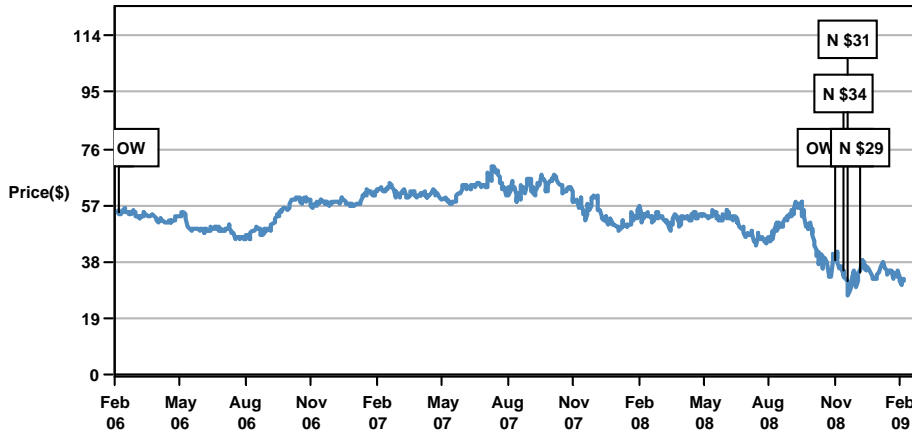
**Saks, Inc. (SKS) Price Chart**



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	4.67	3.00
18-Nov-08	N	3.85	2.00
03-Dec-08	N	4.44	--

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.

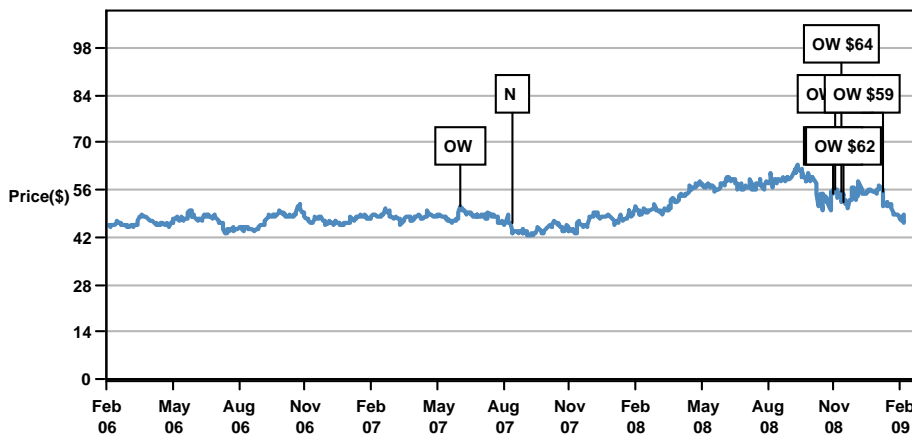
**Target Corporation (TGT) Price Chart**



Date	Rating	Share Price (\$)	Price Target (\$)
08-Feb-06	OW	54.31	--
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

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	55.81	65.00
10-Nov-08	OW	55.18	64.00
13-Nov-08	OW	52.62	62.00
08-Jan-09	OW	55.54	59.00

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.

**Explanation of Equity Research Ratings and Analyst(s) Coverage Universe:**

J.P. Morgan uses the following rating system: **Overweight** [Over the next six to twelve months, we expect this stock will outperform the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] **Neutral** [Over the next six to twelve months, we expect this stock will perform in line with the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] **Underweight** [Over the next six to twelve months, we expect this stock will underperform the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] The analyst or analyst's team's coverage universe is the sector and/or country shown on the cover of each publication. See below for the specific stocks in the certifying analyst(s) coverage universe.

Coverage Universe: **Charles Grom, CFA, CPA:** BJ's Wholesale Club (BJ), Big Lots, Inc. (BIG), Costco Wholesale Corporation (COST), Dollar Tree Stores, Inc. (DLTR), Family Dollar Stores, Inc. (FDO), JCPenney Corporation (JCP), Kohl's Corporation (KSS), Kroger Co. (KR), Macy's Inc. (M), Nordstrom, Inc. (JWN), Ruddick Corporation (RDK), Safeway (SWY), Saks, Inc. (SKS), SuperValu, Inc. (SVU), Target Corporation (TGT), Wal-Mart Stores, Inc. (WMT), Whole Foods (WFMI)

#### J.P. Morgan Equity Research Ratings Distribution, as of December 31, 2008

	Overweight (buy)	Neutral (hold)	Underweight (sell)
JPM Global Equity Research Coverage	38%	44%	18%
IB clients*	54%	52%	43%
JPMSI Equity Research Coverage	37%	49%	14%
IB clients*	76%	71%	62%

\*Percentage of investment banking clients in each rating category.

For purposes only of NASD/NYSE ratings distribution rules, our Overweight rating falls into a buy rating category; our Neutral rating falls into a hold rating category; and our Underweight rating falls into a sell rating category.

**Valuation and Risks:** Please see the most recent company-specific research report for an analysis of valuation methodology and risks on any securities recommended herein. Research is available at <http://www.morganmarkets.com>, or you can contact the analyst named on the front of this note or your J.P. Morgan representative.

**Analysts' Compensation:** The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues, which include revenues from, among other business units, Institutional Equities and Investment Banking.

#### Other Disclosures

J.P. Morgan is the global brand name for J.P. Morgan Securities Inc. (JPMSI) and its non-US affiliates worldwide.

**Options related research:** If the information contained herein regards options related research, such information is available only to persons who have received the proper option risk disclosure documents. For a copy of the Option Clearing Corporation's Characteristics and Risks of Standardized Options, please contact your J.P. Morgan Representative or visit the OCC's website at <http://www.optionsclearing.com/publications/risks/riskstoc.pdf>.

#### Legal Entities Disclosures

**U.S.:** JPMSI is a member of NYSE, FINRA and SIPC. J.P. Morgan Futures Inc. is a member of the NFA. JPMorgan Chase Bank, N.A. is a member of FDIC and is authorized and regulated in the UK by the Financial Services Authority. **U.K.:** J.P. Morgan Securities Ltd. (JPMSL) is a member of the London Stock Exchange and is authorised and regulated by the Financial Services Authority. Registered in England & Wales No. 2711006. Registered Office 125 London Wall, London EC2Y 5AJ. **South Africa:** J.P. Morgan Equities Limited is a member of the Johannesburg Securities Exchange and is regulated by the FSB. **Hong Kong:** J.P. Morgan Securities (Asia Pacific) Limited (CE number AAJ321) is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission in Hong Kong. **Korea:** J.P. Morgan Securities (Far East) Ltd, Seoul branch, is regulated by the Korea Financial Supervisory Service. **Australia:** J.P. Morgan Australia Limited (ABN 52 002 888 011/AFS Licence No: 238188) is regulated by ASIC and J.P. Morgan Securities Australia Limited (ABN 61 003 245 234/AFS Licence No: 238066) is a Market Participant with the ASX and regulated by ASIC. **Taiwan:** J.P. Morgan Securities (Taiwan) Limited is a participant of the Taiwan Stock Exchange (company-type) and regulated by the Taiwan Securities and Futures Bureau. **India:** J.P. Morgan India Private Limited is a member of the National Stock Exchange of India Limited and Bombay Stock Exchange Limited and is regulated by the Securities and Exchange Board of India. **Thailand:** JPMorgan Securities (Thailand) Limited is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission. **Indonesia:** PT J.P. Morgan Securities Indonesia is a member of the Indonesia Stock Exchange and is regulated by the BAPEPAM. **Philippines:** J.P. Morgan Securities Philippines Inc. is a member of the Philippine Stock Exchange and is regulated by the Securities and Exchange Commission. **Brazil:** Banco J.P. Morgan S.A. is regulated by the Comissao de Valores Mobiliarios (CVM) and by the Central Bank of Brazil. **Mexico:** J.P. Morgan Casa de Bolsa, S.A. de C.V., J.P. Morgan Grupo Financiero is a member of the Mexican Stock Exchange and authorized to act as a broker dealer by the National Banking and Securities Exchange Commission. **Singapore:** This material is issued and distributed in Singapore by J.P. Morgan Securities Singapore Private Limited (JPMSS) [MICA (P) 132/01/2009 and Co. Reg. No.: 199405335R] which is a member of the Singapore Exchange Securities Trading Limited and is regulated by the Monetary Authority of Singapore (MAS) and/or JPMorgan Chase Bank, N.A., Singapore branch (JPMCB Singapore) which is regulated by the MAS. **Malaysia:** This material is issued and distributed in Malaysia by JPMorgan Securities (Malaysia) Sdn Bhd (18146-X) which is a Participating Organization of Bursa Malaysia Berhad and a holder of Capital Markets Services License issued by the Securities Commission in Malaysia. **Pakistan:** J. P. Morgan Pakistan Broking (Pvt.) Ltd is a member of the Karachi Stock Exchange and regulated by the Securities and Exchange Commission of Pakistan. **Saudi Arabia:** J.P. Morgan Saudi Arabia Ltd. is authorised by the Capital Market Authority of the Kingdom of Saudi Arabia (CMA) to carry out dealing as an agent, arranging, advising and custody, with respect to securities business under licence number 35-07079 and its registered address is at 8th Floor, Al-Faisalyah Tower, King Fahad Road, P.O. Box 51907, Riyadh 11553, Kingdom of Saudi Arabia.

#### Country and Region Specific Disclosures

**U.K. and European Economic Area (EEA):** Unless specified to the contrary, issued and approved for distribution in the U.K. and the EEA by JPMSL. Investment research issued by JPMSL has been prepared in accordance with JPMSL's policies for managing conflicts of interest arising

as a result of publication and distribution of investment research. Many European regulators require that a firm to establish, implement and maintain such a policy. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction. **Australia:** This material is issued and distributed by JPMSAL in Australia to "wholesale clients" only. JPMSAL does not issue or distribute this material to "retail clients." The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of JPMSAL. For the purposes of this paragraph the terms "wholesale client" and "retail client" have the meanings given to them in section 761G of the Corporations Act 2001. **Germany:** This material is distributed in Germany by J.P. Morgan Securities Ltd., Frankfurt Branch and J.P.Morgan Chase Bank, N.A., Frankfurt Branch which are regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for persons licensed by or registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months' prior.) J.P. Morgan Broking (Hong Kong) Limited is the liquidity provider for derivative warrants issued by J.P. Morgan International Derivatives Ltd and listed on The Stock Exchange of Hong Kong Limited. An updated list can be found on HKEx website: <http://www.hkex.com.hk/prod/dw/Lp.htm>. **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, JPMorgan Securities Japan Co., Ltd., will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between JPMorgan Securities Japan Co., Ltd., and the customer in advance. Financial Instruments Firms: JPMorgan Securities Japan Co., Ltd., Kanto Local Finance Bureau (kinsho) No. 82 Participating Association / Japan Securities Dealers Association, The Financial Futures Association of Japan. **Korea:** This report may have been edited or contributed to from time to time by affiliates of J.P. Morgan Securities (Far East) Ltd, Seoul branch. **Singapore:** JPMSS and/or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is 1% or greater, the specific holding is disclosed in the Important Disclosures section above. **India:** For private circulation only, not for sale. **Pakistan:** For private circulation only, not for sale. **New Zealand:** This material is issued and distributed by JPMSAL in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. JPMSAL does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of JPMSAL.

**General:** Additional information is available upon request. Information has been obtained from sources believed to be reliable but JPMorgan Chase & Co. or its affiliates and/or subsidiaries (collectively J.P. Morgan) do not warrant its completeness or accuracy except with respect to any disclosures relative to JPMSI and/or its affiliates and the analyst's involvement with the issuer that is the subject of the research. All pricing is as of the close of market for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein. JPMSI distributes in the U.S. research published by non-U.S. affiliates and accepts responsibility for its contents. Periodic updates may be provided on companies/industries based on company specific developments or announcements, market conditions or any other publicly available information. Clients should contact analysts and execute transactions through a J.P. Morgan subsidiary or affiliate in their home jurisdiction unless governing law permits otherwise.

"Other Disclosures" last revised January 30, 2009.

---

**Copyright 2009 JPMorgan Chase & Co. All rights reserved. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of J.P. Morgan.**