

Leisure Goods Makers Jump; More Coming?

By ALAN R. ELLIOTT, INVESTOR'S BUSINESS DAILY

Posted 11/17/2009 06:18 PM ET

Leisure products makers ran sharply higher over the past three weeks.

Stocks marking the group's best gains include Harley Davidson (HOG), Polaris (PII), Brunswick (BC), Arctic Cat (ACAT) and Steinway (LVB).

What does the group's gain say about investor sentiment?

Sam Subramanian, managing principal at Alpha Profit, says one factor is investor belief that the economy is gradually improving.

Sales have yet to start growing, but value investors are buying. They're expecting gains late in 2010 and beyond, Subramanian says.

The rally in leisure stocks may have lured momentum investors.

Subramanian said the stocks "may be due for a significant pullback" over the next few months as growth tops out and the momentum crowd jumps ship.

The other contributing factor: an increase in luxury spending.

Unity Marketing reported Oct. 18 that spending among consumers with an average income above \$228,000 rose for the first time in a year.

MasterCard (MC) reported a similar rise in the luxury category in September.

Still, the group has little to offer in the way of leading stocks.

Sturm Ruger (RGR) is the only group component to really show any leadership credentials. It holds an EPS Rating of 81 and has logged three quarters of triple-digit earnings growth on top of four straight quarters of double-digit sales growth.

But technically the stock is broken down, with a good deal of work to do.

The stock was forming a tight base, then plunged below its 50- and 200-day moving averages after its latest earnings announcement.