VIDEO: Dividend Yield Is Near 50-Year Lows - What Corporate Behaviors Are Monetizable?

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Background: Over the last 100 years, in round numbers, the S&P500 has averaged near 10% per year return, with approximately 30% of that return coming from dividends. However, the S&P 500's dividend yield today is approaching its lowest levels in 50 years, sitting at 1.14%—a figure only undercut during the Tech bubble, when it bottomed out at 1.09%.

Dividend-paying stocks are experiencing their 3rd-worst stretch in 25 years, hurt by the surge in non-or-low-payers (Great 8) and weakness in traditionally high-yield defensive sectors like Consumer Staples, Telecom, and Pharma.

Most dividend actions remain normal: 68% of payers increased dividends last year and only 5% cut—roughly in line with long-term averages, suggesting no late-cycle stress.

Cuts vs. cancellations behave differently: Dividend cutters often show deteriorating fundamentals and sharp underperformance, while cancellers usually rebound strongly after the announcement as the market resets expectations and the cut is a hubris-adjustment or right-sizing that gives the company a new opportunity.

Adam Parker
Founder
646-734-7070
adam@trivariateresearch.com

Company quality drives post-cut returns: Junk stocks that cut dividends on average outperform over the subsequent two years as balance sheets heal, whereas high-quality companies that cut tend to underperform because cuts damage the premium multiple and established narrative about the company's quality.

Dividend increases work best when payout ratios are low: Companies in the lowest payout-ratio quintile (less than 16.2%) outperform after increasing their dividends; high-payout increasers tend to fade shortly after the announcement.

Size and float matter: Mega-cap dividend increasers lag post-announcement, while SMID caps hold up better. Firms with very low float underperform after increases, suggesting insider-benefit dynamics.

Dividend initiations show wide dispersion: Micro-cap initiators surge as dividends signal stability; value-stock initiators outperform early; and sector outcomes vary widely, with Materials and Financials strong but Healthcare and Technology weak as often initiations for these growthier sectors are seen as evidence of weaker growth prospects.

On Slide 20, we suggest long / short ideas for companies with recent dividend increase announcements. Long ideas include companies in the bottom quintile of payout ratio, as they are poised to increase their dividend again in the future. Short ideas include high-quality stocks in the bottom quintile of percentage of shares that are free-floating.

On Slide 21, we suggest long / short quantitatively-derived stock ideas for companies that have recently announced dividend decreases. The long screen contains junk stocks, as the dividend decrease may help them improve their balance sheet. The short screen includes high-quality or growth companies, as their margins or growth may be impaired if they are cutting their dividend.

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