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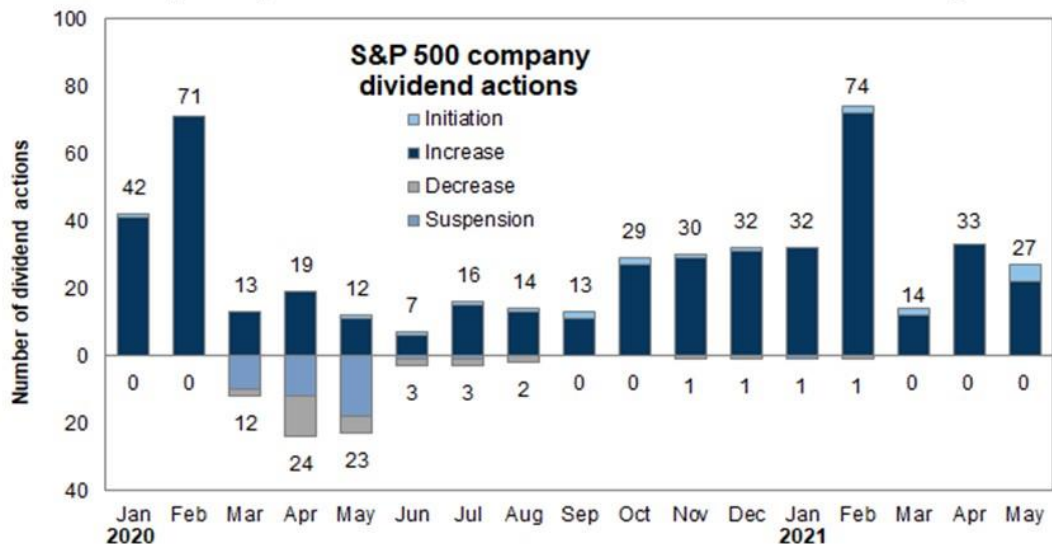
July 2, 2021

**Dividend Outlook**

The Federal Reserve released preliminary results of its Comprehensive Capital Analysis review of banks this week. The banks included in the review have \$175 billion of excess capital. With the excess capital, many banks are increasing dividends and some have upped their stock buyback programs. The average dividend increase is up 27% year-over-year.

In addition to banks, the balance sheets of many non-bank S&P 500 index companies are loaded with cash. With the post-Covid economic reopening, many companies are increasing their dividends.

**Company Dividend Actions 2020 - Today**



Source: Standard and Poor's, Goldman Sachs Global Investment Research

Over the next decade, some Wall Street analysts project the S&P 500 dividend payout rate to rise by 4.5% per year on average.

In 2020, the actual dividend payout of the S&P 500 was \$58 per share. At today's S&P 500 level, that equates to a payout ratio of 1.35% per year. For comparison, the 10-year U.S. treasury yield today is 1.45%. The 10-year treasury rate yield is slightly higher than the S&P 500 dividend yield but treasuries offer no growth.

What does the math say the S&P 500 dividend yield will be if it grows by 4.5% per year over the next ten years and we hold the S&P 500 constant at today's value? Answer: The S&P 500 dividend would be \$90 and the yield roughly 2.1% in ten years.

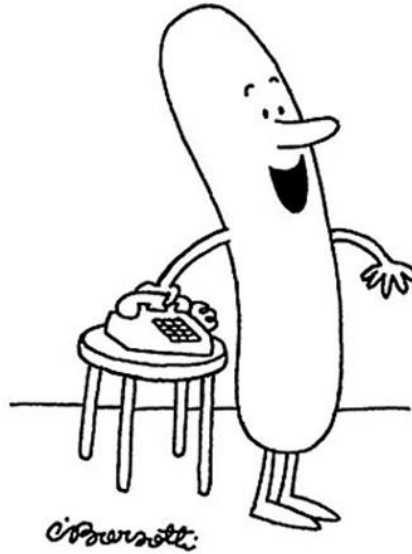
The dividend math for the S&P 500 is positive but not overwhelmingly compelling. A more concentrated dividend investment is in the S&P 500 SPDR Bank ETF (KBE). The annual payout ratio today is 2.2%. With many of the banks announcing significant dividend increases this week, we expect the payout ratio of KBE to rise more than the dividend yield on the overall S&P 500. The SPDR S&P 500 High Dividend ETF (SPYD) also has a higher dividend payout of 4% than the S&P 500 and offers a broader sector exposure than KBE.

When investing in stocks, dividends are just part of the return story. Other important factors include earnings growth and stock buybacks. In the next couple of weeks when earnings season begins, we will learn more about the growth trajectories of all three of these important stock valuation inputs.

Happy Fourth!

### **Let Us Help You Position Your Portfolio – Give Us a Call Today**

We have unique and sophisticated investment methods that seek to capture the stock market's gains while minimizing drawdowns in bear markets. If you would like to learn more about how we manage money, we invite you to give us a call at **(415) 249-6337**, visit [www.deltaim.com](http://www.deltaim.com) or email us at [info@deltaim.com](mailto:info@deltaim.com).



*"Hey, everybody, we're invited to a cookout!"*

## Delta Stock Market Dashboard

MARKET SENTIMENT IS

**BULLISH**

THIS WEEK'S NUMBER IS

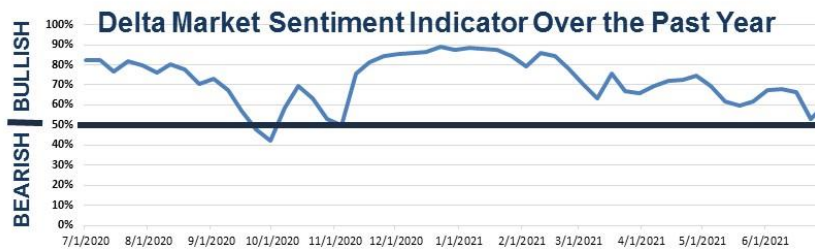
**59.7**

Our technical indicator increased from 52.9 to 59.7 this week

### INDICATOR STATISTICS

Consecutive Bullish Weeks:	39
Cycle Inception Date:	10/8/2020
Range:	52.9 – 88.6
Mean:	72.9
Bullish Weeks YTD:	26
Bearish Weeks YTD:	0
*S&P 500	25.0%
*DJIA	21.6%
*NASDAQ	26.8%

\* Percentage change during current cycle



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