

MONEY IN MOTION

December 23, 2022

A Dogs of the Dow Pick for 2023

Today's brief edition of "**Money in Motion**" examines the dividend strategy known as **Dogs of the Dow** and presents our pick among this year's Dogs, for prospective outperformance in 2023.

The **Dogs of the Dow** strategy is simply buying the 10 stocks in the Dow Jones Industrial Average with the highest dividend yields at the end of each year. It is buying stocks that almost certainly are in downtrends that very likely have underperformed the market over the preceding twelve months.

It's a strategy – as its name implies – that favors losers over winners.

Dogs of the Dow strategy is not so much a strategy of buying stocks that are down sharply (even though in effect that is what one ends up doing), as it is a strategy of buying stocks with high dividend yields.

To that end, while the **Dogs of the Dow** strategy over the past 20 years or so has beaten the market only about half the time, the strategy has produced decent excess returns since it was popularized by Michael B. O'Higgins in 1991. Further, when considering total return rather than absolute performance alone, the **Dogs of the Dow** strategy is a decided winner.

The premise, of course, is that so-called "Blue Chip" companies (companies that populate the Dow Jones Industrial Average) do not alter (read: cut) their dividends casually on account of year-over-year fluctuations in their business. As such, DJIA companies with a high yield – the argument goes – are near the bottom of their business cycle and are likely to see their stock price rise faster than low-yielding companies.

In any event, our pick for 2023 among the 10 **Dogs of the Dow** of 2022 is **Verizon (VZ)**. And said pick is based solely on a technical basis, without any consideration of the fundamental underpinnings of the company, its prospects going forward, its valuation at present or its handsome dividend yield.

Trade well,

-Carter

Carter Braxton Worth

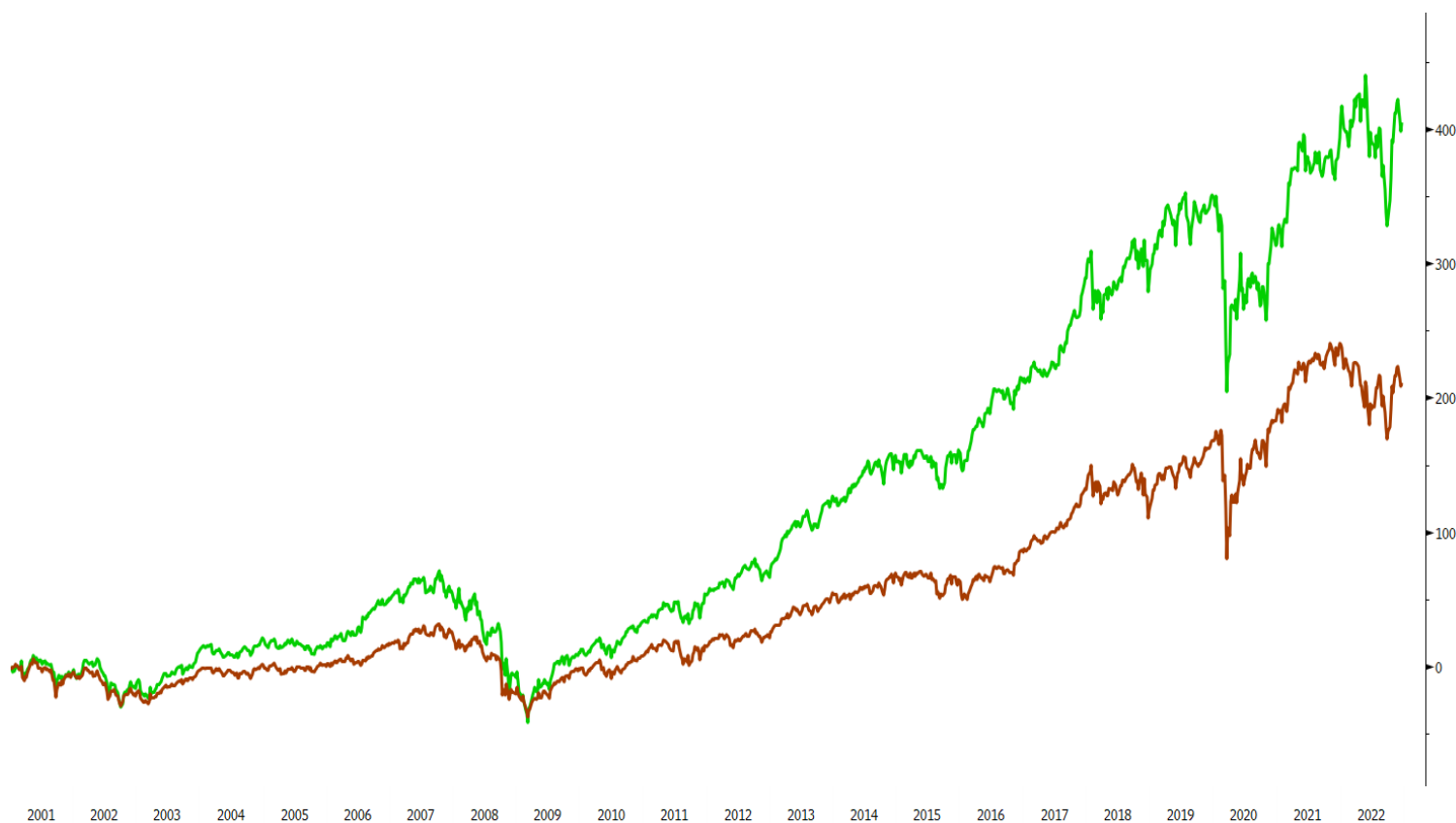
Kimberly Simon

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To begin, below is a chart depicting the long-term total return of the **Dogs of the Dow** strategy (using the Dow Jones High Yield Select 10 Total Return Index) versus the Dow Jones Industrial Average itself.

Since the beginning of data in the year 2000, the **Dogs of the Dow Total Return** has more than doubled the performance of the Dow Jones Industrial Average itself.

“Dogs of the Dow” High Yield Select 10 Total Return Index (+404%) vs. the Dow Jones Industrial Average itself (+114%) 2000 to present



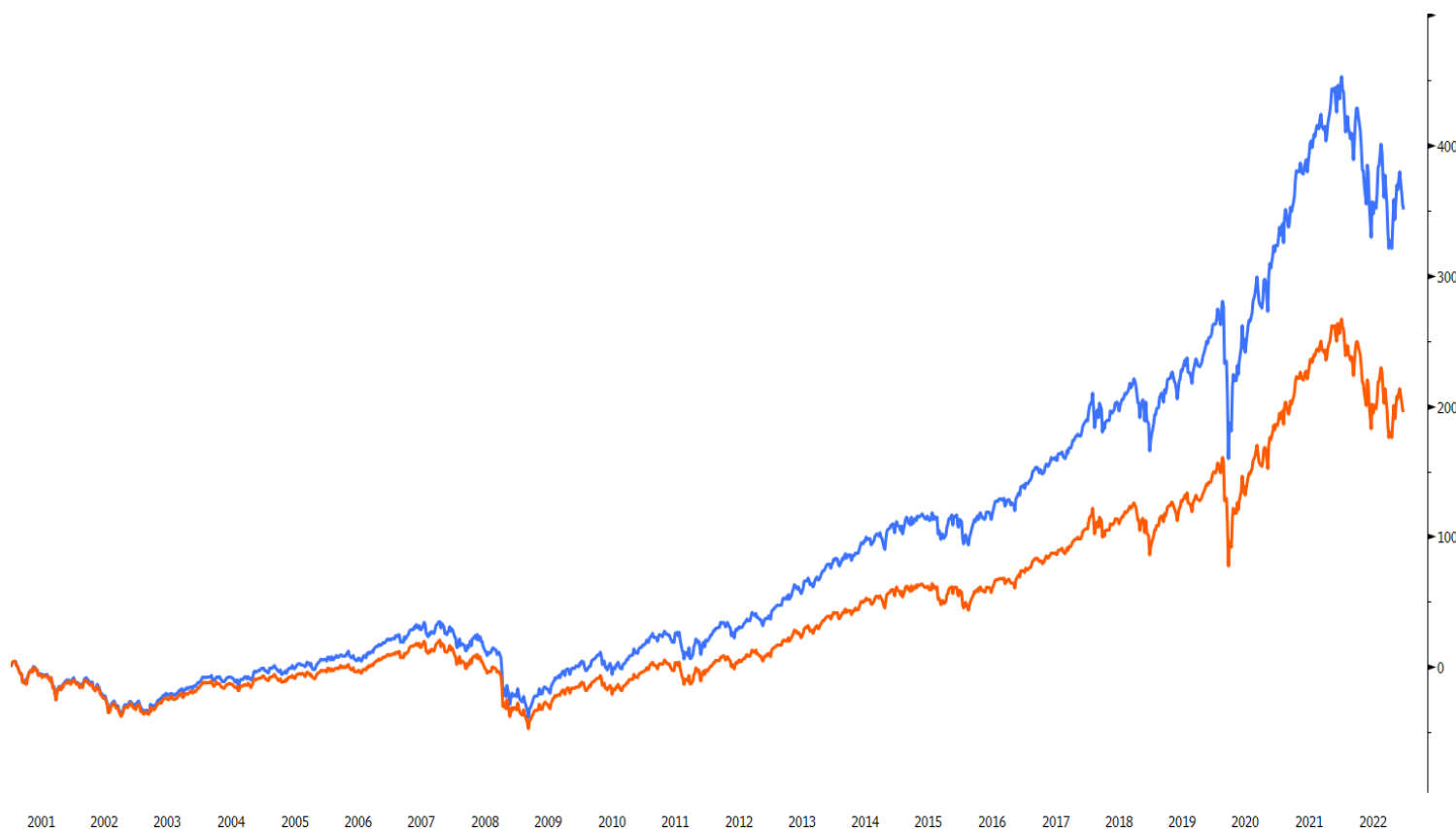
Source: Worth Charting, Bloomberg, FactSet

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And given the fact that the chart on the preceding page depicts total return... the presumption is that a high yielding strategy is more efficacious.

Indeed, the comparative chart below of the S&P 500 Index versus the S&P 500 Total Return Index reminds us – one and all – just how important dividends are to overall long-term results.

S&P 500 Total Return Index (+2051%) vs. the S&P 500 Index itself (+989%) 1990 to present



Source: Worth Charting, Bloomberg, FactSet

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Moving on... the table below comprises the 30 stocks in the Dow Jones Industrial Average at present with each stock's current dividend yield, as well as the stock's year-to-date performance. The table is sorted by yield from highest to lowest, revealing the **Dogs of the Dow** in calendar year of 2022.

		Current Dividend Yield	2022 Price % Change
VZ	VERIZON COMMUNICATIONS	6.8%	-26.3%
INTC	INTEL CORP	5.6%	-49.6%
DOW	DOW INC	5.6%	-11.5%
WBA	WALGREENS BOOTS ALLIANCE	5.0%	-26.3%
MMM	3M CO	4.9%	-31.5%
IBM	INTL BUSINESS MACHINES	4.7%	5.4%
CVX	CHEVRON CORP	3.3%	46.6%
CSCO	CISCO SYSTEMS	3.2%	-25.3%
AMGN	AMGEN INC	3.2%	17.9%
JPM	JPMORGAN CHASE & CO	3.1%	-17.5%
GS	GOLDMAN SACHS GROUP	2.9%	-9.7%
KO	COCA-COLA CO/THE	2.8%	7.0%
MRK	MERCK & CO. INC.	2.6%	45.1%
JNJ	JOHNSON & JOHNSON	2.6%	3.5%
HD	HOME DEPOT INC	2.4%	-23.8%
PG	PROCTER & GAMBLE CO/THE	2.4%	-7.0%
MCD	MCDONALD'S CORP	2.3%	-0.9%
CAT	CATERPILLAR INC	2.0%	14.9%
TRV	TRAVELERS COS INC/THE	2.0%	19.7%
HON	HONEYWELL INTERNATIONAL	1.9%	1.8%
WMT	WALMART INC	1.6%	-0.8%
AXP	AMERICAN EXPRESS CO	1.4%	-11.2%
UNH	UNITEDHEALTH GROUP	1.3%	5.0%
NKE	NIKE INC -CL B	1.2%	-30.0%
MSFT	MICROSOFT CORP	1.1%	-29.2%
V	VISA INC-CLASS A SHARES	0.9%	-5.4%
AAPL	APPLE INC	0.7%	-25.5%
DIS	WALT DISNEY CO/THE	0.0%	-44.0%
CRM	SALESFORCE INC	0.0%	-49.2%
BA	BOEING CO/THE	0.0%	-6.5%

Source: Worth Charting, Bloomberg, FactSet

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And here are the current **Dogs of the Dow** on their own.

As a group, they have an average dividend yield of 4.5% versus 2.1% for the DJIA itself... and are -11.8% year-to-date versus a -8.8% for the Dow.

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IBM	INTL BUSINESS MACHINES	4.7%	5.4%
CVX	CHEVRON CORP	3.3%	46.6%
CSCO	CISCO SYSTEMS	3.2%	-25.3%
AMGN	AMGEN INC	3.2%	17.9%
JPM	JPMORGAN CHASE & CO	3.1%	-17.5%
	Dogs of the Dow Universe	4.5%	-11.8%
	Dow Jones Industrial Average Itself	2.1%	-8.8%

On the pages that follow you will find several charts of Verizon (VZ), our Dogs of the Dow Pick for 2023.

Source: Worth Charting, Bloomberg, FactSet

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For starters... here we have the year-to-date chart of the DJIA itself (-8.7%) versus VZ (-26.3%).

VZ: A “Dog” that has underperformed the DJIA for several years (see charts that follow), that has come to life in the past several weeks (relative to the DJIA).

Dow Jones Industrial Average (-8.7%) vs. Verizon (VZ) (-26.3%) YTD Price Percentage Change



Source: Worth Charting, Bloomberg, FactSet

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Here's that same chart on a 2-year basis.

"Dog" underperformance... the DJIA itself +10.1% versus VZ -34.7%.

Dow Jones Industrial Average (+10.1%) vs. Verizon (VZ) (-34.7%) 2-Year Price Percentage Change



Source: Worth Charting, Bloomberg, FactSet

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Here's that same chart on a 5-year basis.

“Dog” underperformance... the DJIA itself +34.1% versus VZ -27.7%.

Dow Jones Industrial Average (+34.1%) vs. Verizon (VZ) (-27.7%) 5-Year Price Percentage Change



Source: Worth Charting, Bloomberg, FactSet

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Here's that same chart, long term.

“Dog” underperformance over the past ten years, the DJIA itself +156% versus VZ -10.3%.

Dow Jones Industrial Average (+156%) vs. Verizon (VZ) (-10.3%) 10-Year Price Percentage Change



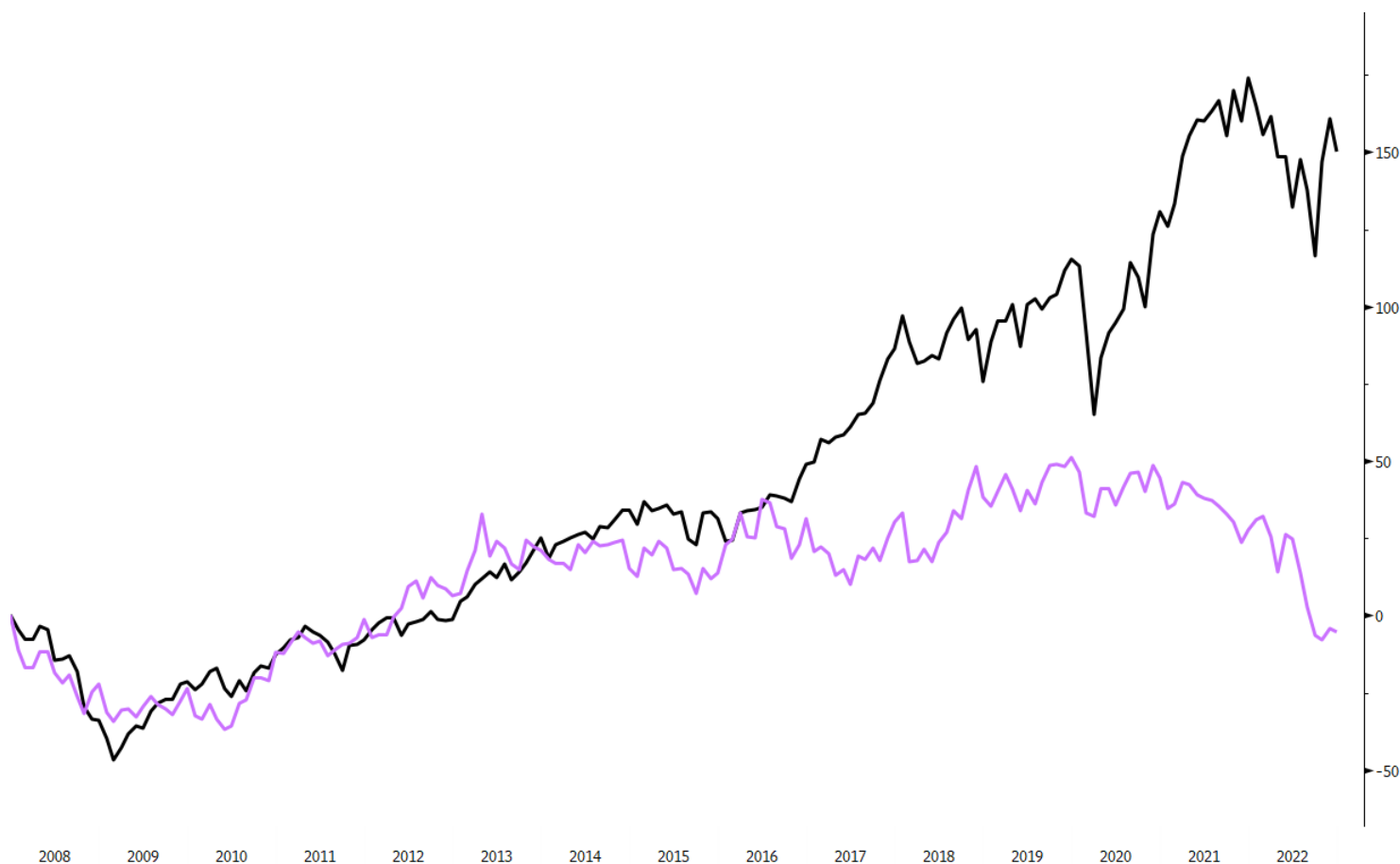
Source: Worth Charting, Bloomberg, FactSet

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Here's that same chart, long term.

“Dog” underperformance over the past fifteen years, the DJIA itself +150% versus VZ -5.3%.

Dow Jones Industrial Average (+150%) vs. Verizon (VZ) (-5.3%) 15-Year Price Percentage Change



Source: Worth Charting, Bloomberg, FactSet

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Finally, a few charts of VZ, on its own...

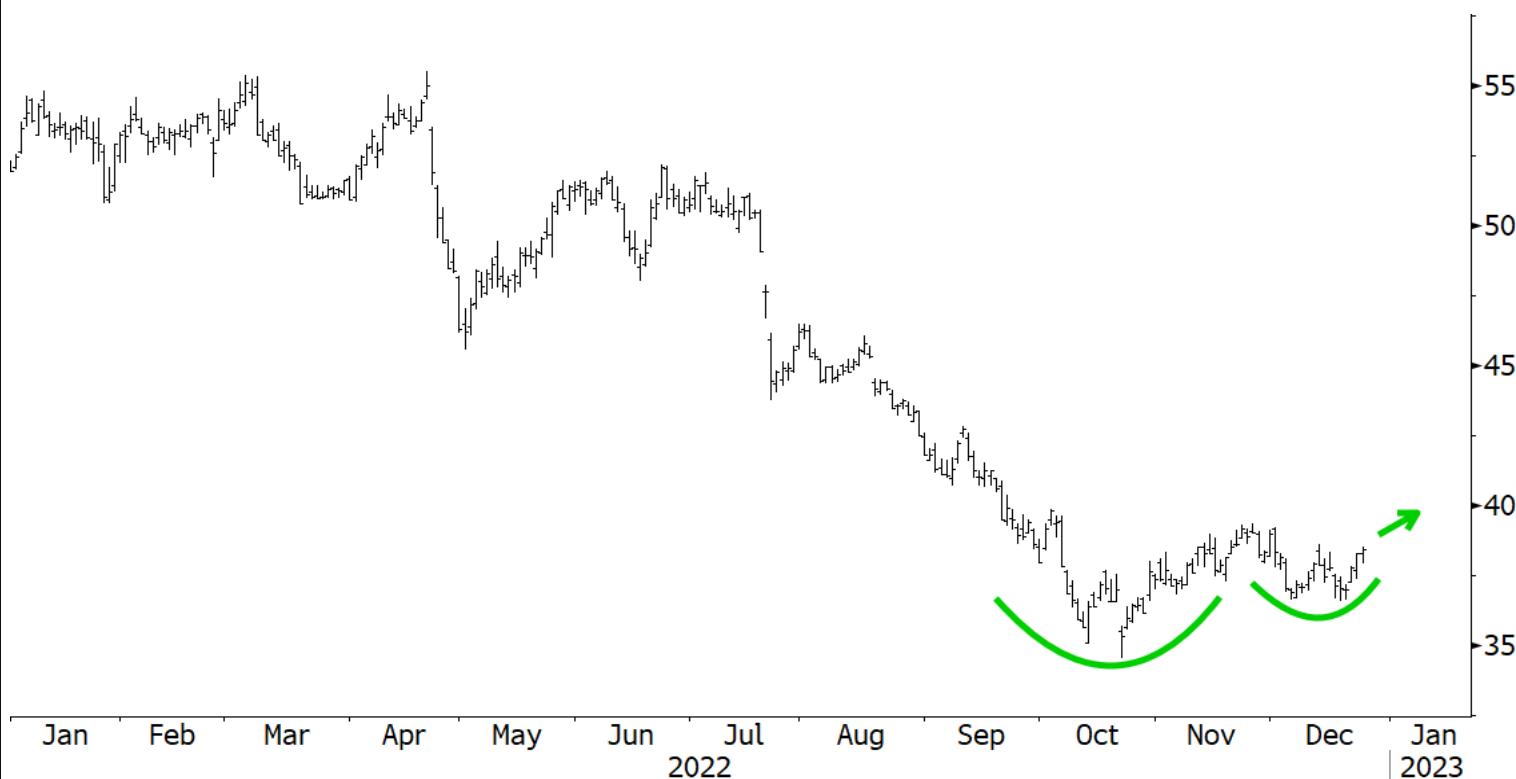
Source: Worth Charting, Bloomberg, FactSet

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Chart 1 of 3:

Verizon: here's what "our eye sees"...

Verizon 1-Year Chart



Source: Worth Charting, Bloomberg, FactSet

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Chart 2 of 3:

Verizon: here's what "our eye sees"...

Verizon 1-Year Chart



Source: Worth Charting, Bloomberg, FactSet

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Chart 3 of 3:

Verizon: here's what "our eye sees"...

Verizon 1-Year Chart



Source: Worth Charting, Bloomberg, FactSet



Source: Worth Charting, Bloomberg, FactSet

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