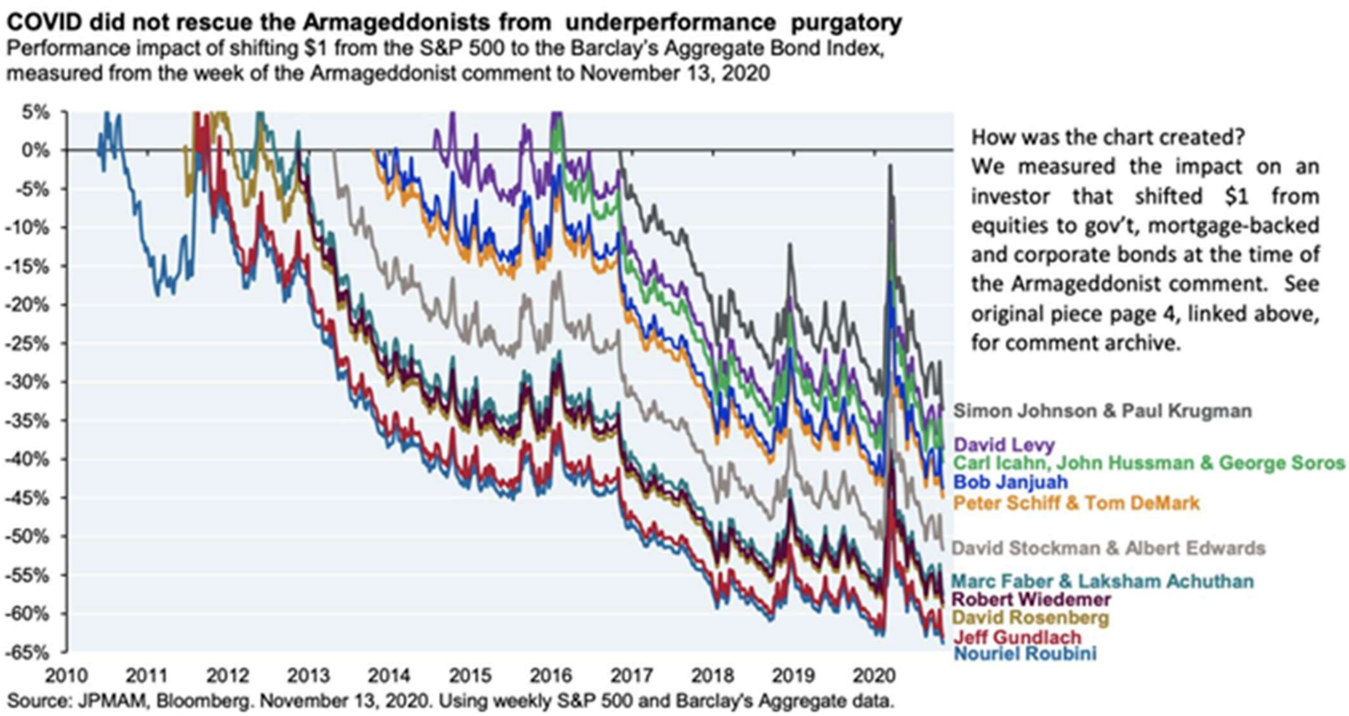
BISON WEALTH

Market Insights

July 31, 2023

Be Careful with Bears

A saying that we refer to often is "avoid the noise." The chart below is from late 2020, but one would suspect it could be even worse in many instances today. The study, completed by JP Morgan, observes a number of well-known names in the financial industry that tend to be outspoken in the media, often with very negative views. JP Morgan measured the impact on an investor that shifted out of equities to bonds, at the time of the negative comment. As evidenced in the trendlines below, there is tremendous value destruction for any investor that has followed their respective bearish leads.

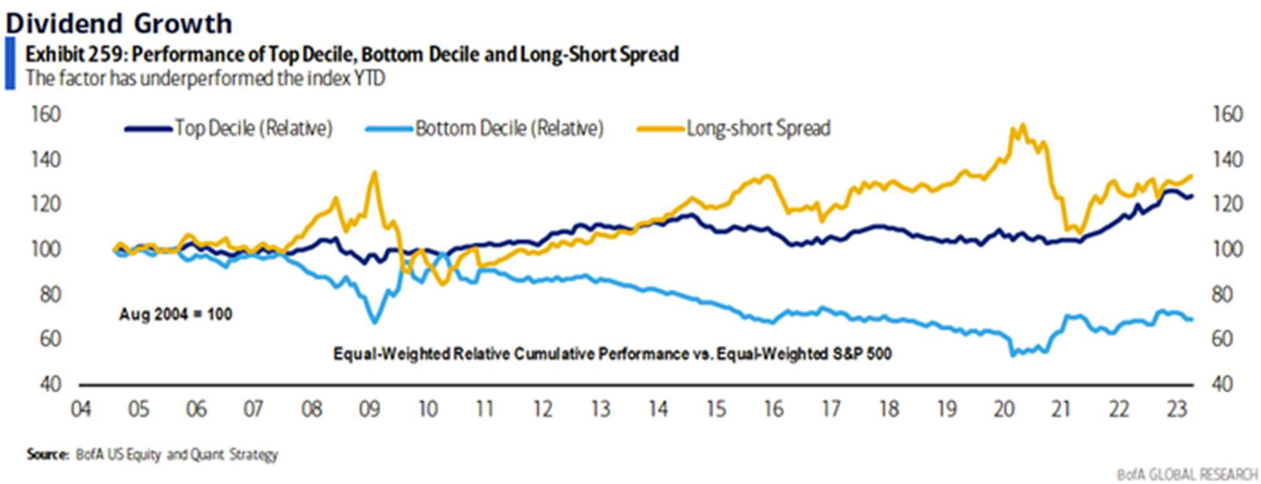


Obviously, bearish periods occur but no one can consistently predict when that will be. The names above and many others use their voices to try and sell and/or entertain. Be very careful when listening to such consistently one-sided views.

Dividend Growth Long-Term Success

It has been a difficult first half of the year on a relative basis for dividend oriented strategies. The market has been led by mega-cap tech related names. Of course, all of us in the industry know the dangers of short-term focus. After all, it was just last year that dividend focused strategies substantially outperformed in a down market.

Looking back over twenty years, focus on the dark blue line below and the outperformance when compared to the equal weight S&P 500. That line represents dividend growers in the top decile. Meanwhile, the light blue line represents the bottom decile of dividend growers, which dramatically underperformed the equal weight S&P 500.



This chart helps explain why we think it is important to focus on dividend growth and not just a high dividend yield. Also, we suspect that real world accounts invested similar to the above could have even more disparity due to investors likely being less apt to make an emotional mistake when invested in good dividend growers compared to not.