

Dividend Growers Poised for Rebound

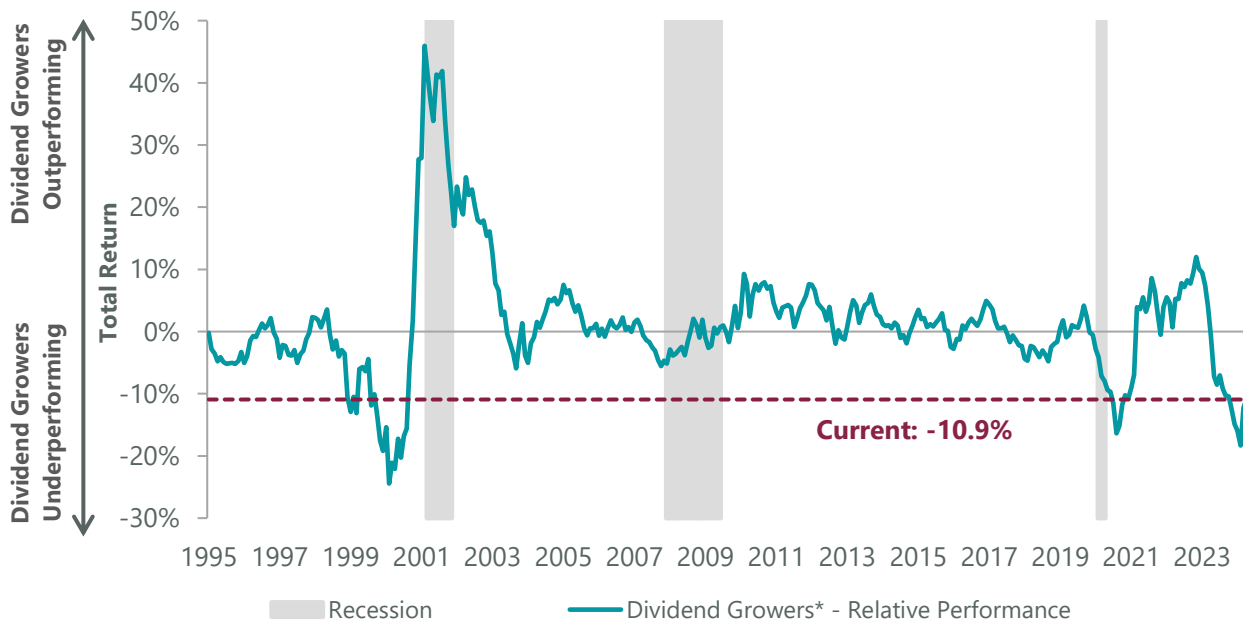
AOR Insights

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Ten-year U.S. Treasury yields have risen since early March, largely due to fears of stickier inflation following hot prints in the first quarter. These fears may be further amplified by rising geopolitical risks in the Middle East. Such uncertainty creates opportunity for dividend payers that have leveraged superior pricing power through a period of generationally high inflation to grow earnings and consistently raise their dividends. In addition, many of these dividend growers have a high degree of earnings visibility, which investors tend to favor when geopolitical risks increase.

S&P 500 Index constituents with a track record of positive dividend growth over the past three years have recently underperformed the index to a degree rarely seen over the last three decades. However, past instances of similar underperformance were followed by strong rebounds, with dividend growers averaging over 10% relative outperformance in the subsequent year.

12-Month Rolling Performance Relative to S&P 500 Index



*Dividend Growers are S&P 500 stocks with three consecutive trailing years of positive dividend growth (inclusive of special dividends) on a rolling basis (quarterly), evaluated monthly, equal weighted. Data as of April 30, 2024. Sources: S&P, NBER, Bloomberg.

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