



# Of the Time to Unleash the Dogs of the Dow in 2023?

*The Dogs of the Dow strategy reminds us of the importance of dividends*

Stock markets in the U.S. and around the globe turned in a rotten 2022, with fears of inflation, rising rates, and supply chain issues swirling around the economy and markets all year.

Seven interest rate hikes from the Fed, 40-year inflation highs, a cooling off housing market, slowing manufacturing and a war in Ukraine all provided a steady – if not howling – wind blowing against the markets all year.

When investors review their account statements for the year, they will see that there really were not too many places to hide, as the stock and bond markets set records that we won't soon forget:

- For equity investors, 2022 brought the biggest losses since the 2008 great financial crisis.
- For bond investors, this was the worst year on record for the Barclay's U.S. Aggregate Bond Index since it began over 45 years ago.

## Remembering the Dogs of the Dow

As you know, the Dow Jones Industrial Index (the Dow or DJIA) is one of the most widely-followed benchmark for tracking U.S. stocks and stock market performance. It is made up of 30 large publicly traded companies in the U.S., which are selected by Dow Jones & Company based on their market

capitalization, liquidity, and industry sector representation.

The Dow Dogs of the Dow strategy is an investment approach which involves buying an equal dollar amount in the 10 highest-yielding Dow stocks at the start of each year and holding them for a year. At the end of the year, the process is to be repeated by selling the previous year's picks and buying the new highest yielding stocks (one variation of the process is buying the stocks and holding for a year plus a month, so that dividends are collected and another variation involves rebalancing quarterly).

## The Dogs of the Dow Did Well in 2022

Over the years, the Dogs of the Dow strategy has generated mixed results, but in a year like 2022, dividends really made a difference.

In fact, in 2022 the Dow Dogs of the Dow outperformed the Dow Jones Industrial Index, returning +2.2% versus a -8.8% for the DJIA. This strong performance can be attributed to DJIA components like IBM, Chevron, Merck, Amgen and Coca-Cola, which all posted gains last year. Chevron, for example, jumped a staggering 53% in addition to yielding 4.6%.

## The 2023 Dogs of the Dow

Looking ahead, the 2023 Dow Dogs of the Dow strategy may continue to outperform the DJIA – but it might not. If it does, it will likely be due to the attractive dividend yields that these stocks offer.

STOCK	DIVIDEND YIELD	RANK IN 2022
Verizon	6.62%	2
Dow Inc.	5.56%	1
Intel	5.52%	10
Walgreens	5.14%	5
3M	4.97%	8
IBM	4.68%	3
Amgen	3.24%	7
Cisco Systems	3.19%	-
Chevron	3.16%	4
JPMorgan Chase	2.98%	-

Overall, Dow Dogs of the Dow can offer investors a unique way to gain exposure to U.S. stocks while taking advantage of attractive dividend yields and potential upside from investing in Dow components

And while you might consider this strategy for your portfolio in 2023, before making any changes, make sure you talk to your financial advisor.