

These Stock Market “Dogs” Could be Best in Breed

Here we are in the early days of 2024 – that time of year that drives us to refocus, reset, and ask: *What’s the game plan? What’s the play to run here that gets me to my goals?*

Well, if your goals are “more income, less volatility,” then you’re in good company...

This is exactly why so many investors start looking at “The Dogs of the Dow” here in January.

The strategy is one of my favorites, too. High dividends, low risk – and simplicity itself:

- Just select the 10 highest-yielding stocks from among the 30 Dow Jones Industrial Average (DJIA) components at the first of the year.
- Hold through year-end.
- Collect rich dividends along the way and the possibility of market-beating returns in the process.

The technique (and its catchy name) dates back to Michael O’Higgins’ 1991 book, “Beating the Dow,” which highlights that the best-yielding Dow stocks at the beginning of the year are often among the worst-performing dogs from the year before... Hence, the high dividend yields.

For example, here are the top 10 stocks in the Dow dog pound for 2024:

Dogs of the Dow 2024 Edition

Dow stock	Ticker	Dividend yield
Walgreens Boots Alliance	WBA	7.37%
Verizon Communications	VZ	7.11%
3M	MMM	5.68%
Dow	DOW	5.09%
International Business Machines	IBM	4.13%
Chevron	CVX	4.01%
Amgen	AMGN	3.22%
Coca-Cola	KO	3.17%
Cisco Systems	CSCO	3.14%
Johnson & Johnson	JNJ	3.07%

Source: Kiplinger.com, 12/22/23

It's a simple and effective way to find stocks that can provide higher current income with less volatility.

Does the Dividend Dog Strategy Work?

Not every year, no. But over time, it has proven to outperform the DJIA.

Since 2010, the Dogs strategy has outperformed the DJIA in nine out of 14 years.

But, the Dogs' total return of 10.02% over the past 10 years has trailed the full DJIA return of 11.48%.

Alas, in 2023 the Dogs of the Dow lost the scent, with the Dogs up just 7.1% compared to a 16.2% gain for the DJIA.

But will the Dogs find the scent again in 2024? I see a good chance they will. Here's why.

Last year's 24% gain for the S&P 500 Index looks good on paper. But don't forget that it was almost all due to the outstanding performance of just a handful of stocks, the "Magnificent 7."

The other 493 stocks in the index collectively didn't do much in 2023.

And to paraphrase one of my big investment themes for 2024: "The last shall be first."

I expect the stocks and sectors that were left out of last year's rally will play catch-up this year. And I suspect that could include stocks that fit the Dogs strategy – blue-chip, high-dividend-yield stocks.

So, with that in mind I turned to our trusty *TradeSmith* Screener tool this week to develop a Dow Dogs strategy of my own. Let's call it "Mike's Dividend Dogs." Here's how to go about it.

The Screener is available to anyone with access to *Ideas by TradeSmith*. I'm also using indicators from *Ratings by TradeSmith*. (Note: my Screener may look a little different from yours since I have Platinum-level access.)

How to Screen for Dividend Dogs

Be sure you are signed in to *TradeSmith Finance*. Click on the **Invest** menu at the top, then the **Screener** tab. First, you'll see a few pre-built *TradeSmith* screens that you may want to explore later.

For now, click on **+ Create new screener**, then **+ Manage Filters**.

- Under the **TradeSmith** section, check **TradeSmith Strategies** and **Business Quality Score**.
- Next, under the **General** section, check **Markets**.
- Then in the **Fundamentals** section, check **Trailing Dividend Yield**.

Here's a screenshot to show you the filters and values I selected for each filter.

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Create new screener

+ Manage Filters

TradeSmith Strategies **Dividend Growers**

First qualified for the selected strategies within the last calendar days.

Markets **S&P 500 (SPX)** **Dow 30 (DJIA)** +

Trailing Dividend Yield **more than** **3%**

Business Quality Score **more than** **50**

Display & Sort Results **Show top** **250** Sort results by **Trailing Dividend Yield** **DESC**

Save As New Save Changes **Run Screener**

- Under **TradeSmith Strategies** and **Ideas Lab**, I selected our proprietary **Dividend Growers** list. These stocks not only pay above-average dividends but they have consistently grown their payouts.
- For Markets, I chose the **Dow 30 (DJIA)** plus the **S&P 500 Index (SPX)** to give us a larger blue-chip stock selection.
- For the official 2024 Dogs of the Dow shown above, the minimum yield is 3%. So I set **Trailing Dividend Yield** to **more than 3%** to find the higher-yielding stocks.
- I added **Business Quality Score (BQS)** and set to **more than 50**. This way you have an extra check on the quality of the business being in the top half of all stocks we track.
- Last but not least, under **Display & Sort Results**, be sure to sort by **Trailing Dividend Yield DESC** (descending) to get the highest-yielding stocks at the top.

I got 14 results as shown below, which is plenty to select your own top 10 Dividend Dogs for 2024.

Saved Screeners (14 results)

☐	Ticker	Rating	Health	VQ%	P/E Ratio	Trailing Divi...	Market Cap	Sector	Latest Close	52 Week High	1 Y Change %	Money Movers Score	Business Quality Score
☐	VZ Verizon Comm	Strong Bullish		14.61%	7.60	6.96%	\$158.5B	Communication Ser...	\$37.70	\$42.33	2.71%	-25	81
☐	KMI Kinder Morgan-P	Bullish		18.96%	16.02	6.38%	\$39.2B	Energy	\$17.64	\$17.90	4.10%	-50	59
☐	MMM 3M	Strong Bullish		18.31%	-8.18	5.49%	\$60.4B	Industrials	\$109.32	\$122.49	-3.33%	-58	65
☐	WMB Williams Compani	Bullish		19.21%	15.71	5.14%	\$42.4B	Energy	\$34.83	\$36.98	11.86%	-25	65
☐	ED Edison Intl	Bullish		18.00%	18.88	4.19%	\$27.4B	Utilities	\$71.49	\$72.60	17.37%	-50	60
☐	IBM IBM	Strong Bullish		14.97%	21.77	4.05%	\$149.3B	Information Techno...	\$163.55	\$166.34	21.85%	-25	79
☐	ZION Zions Bancorp	Strong Bullish		35.55%	7.75	3.74%	\$6.5B	Financials	\$43.87	\$52.56	-6.29%	-25	66
☐	PEG Publ Svcs Enterp	Bullish		17.00%	10.92	3.73%	\$30.5B	Utilities	\$61.15	\$64.95	3.62%	-50	67
☐	ESS Essex Prop REIT	Bullish		19.85%	28.78	3.73%	\$15.9B	Real Estate	\$247.94	\$250.54	21.97%	-50	58
☐	GILD Gilead Sciences	Strong Bullish		16.31%	17.38	3.70%	\$100.9B	Health Care	\$81.01	\$85.01	-1.99%	0	97
☐	DLR Digita Rity REIT	Bullish		23.27%	1.49	3.63%	\$40.8B	Real Estate	\$134.58	\$138.11	39.95%	-25	58
☐	MDT Medtronic	Strong Bullish		17.74%	26.76	3.34%	\$109.5B	Health Care	\$82.38	\$89.78	9.58%	0	86
☐	PSX Phillips 66	Strong Bullish		28.68%	8.05	3.15%	\$58.6B	Energy	\$133.14	\$136.69	33.07%	-58	76
☐	BK Bank of NY Mello	Strong Bullish		21.33%	11.48	3.04%	\$40.0B	Financials	\$52.05	\$52.32	18.52%	-25	61

The yields range from a generous 6.9% for **Verizon (VZ)** to **Bank of New York Mellon (BK)** at 3.04%. Also, the full list has a nice degree of diversification, with eight different sectors represented. Energy showed up the most, with three stocks in the sector. Financials, Utilities, Health Care, and Real Estate each had two stocks make the cut.

And if you want to whittle down the list to just 10, like the Dogs of the Dow, then I suggest choosing stocks with the best combination of high yield plus high BQS.

Mike Burnick's Bottom Line: The Dogs of the Dow strategy can be as simple as it is effective at uncovering blue-chip stocks with high dividend yields and lower risk for your portfolio. I take it a step further in my Dividend Dogs list by choosing stocks included in our Dividend Growers strategy and with high Business Quality Scores.

Good investing,

Mike Burnick

Senior Analyst, *TradeSmith*