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For 30 straight months bond funds have attracted more money than stock funds. The differences are dramatic. Stock funds have experienced \$232 billion in redemptions, while bond funds have seen \$559 billion in inflows. There is definitely a crowd mentality that has developed here, and the question is; should you be part of it?

The first hint to the answer to this question can be found in the home mortgage market. With rates for 30 year mortgages now down at 4.4%, do you think now is good time to refinance, or should you wait for 4%, or maybe even 3.5%? Most people look at this as an opportunity, and at this point are not too concerned where the bottom lies, but are more interested in getting something (paying a historical low interest rate) they have never seem before. If you agree that you or everyone else should refinance their mortgage, you are in effect selling your debt into the market place. If, however, this same scenario is reframed to whether you should buy a house now to take advantage of low rates, the answer is less clear. Mortgage rates may be cheap, but the focus becomes more about risk since the house you buy may become a little cheaper next month. The context of the question can sure influence your answer.

Since the stock market has been a loser for the past decade, its current performance offers no compelling motivation that the trend may soon change. Jeremy Siegel and Jeremy Schwartz argue in the opinion section of the *Wall Street Journal* on August 18th, that what appears to be compelling, and what represents actual value are two different things. They begin by implying that the bond market has approached a valuation that is similar to the technology sector in 2000 where some companies reached 100

times earnings. The four-year treasury now yields 1%, so in effect you are paying \$100 for \$1 of annual interest. After stating that the economy may not be as dire as is presently perceived, they give their alternative choice to buying bonds.

The Russell 3000, a broad based stock market index, is still negative even after a decade. But the Russell 3000 value index (lower priced stocks compared to book value of the Russell 3000) has returned 35% since 2000. By paying attention to what is more attractively priced, returns can improve significantly. They speculate that high paying dividend stocks offer much better value than following everyone else into the bond market. They give an example of the largest dividend payers such as AT&T, Exxon, Procter & Gamble and seven others offering an average dividend yield of 4%. These trade at only 11 times earnings. The S&P 500 has seen its dividends grow by 5% per year since 1957, so by the end of this next decade, your income should grow even higher. Investors buying the 10-year treasury bond are guaranteeing themselves 2.6% at the end of 10 years. The stock market can remain at 10,000 for the next 10 years and still beat the bond market.

You may be wondering how the current 10 largest dividend payers have performed if they would have been purchased in 2000? The market declined by 26% while the dividend payers were down 6% not counting dividends. The 10-year treasury started 2000 at 6.02%. The dividends paid to shareholders doubled from 2000 to 2010, beginning the decade paying 2% and now yielding 4%. The odds sure seem to be stacked in favor of dividends with treasuries currently yielding 2.6%.