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BLOG POST

Yield Comparisons
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While the onset of the COVID-19 outbreak was highly stressful, in hindsight, it provided a compelling buying opportunity for some income-oriented investors. The chart below compares the yield paths of dividend-paying stocks (US DIV), investment-grade credit (CREDIT), and US Treasuries (TRES). At the height of the selloff in March, yields on dividend stocks reached almost 6%, while the yield on investment-grade credit reached roughly 4% before the Federal Reserve stabilized the bond market. Meanwhile, yields on Treasuries have only drifted lower.

- Going forward, yields on relatively safe haven Treasuries are likely to remain around current levels or even lower. To move up the yield ladder, investors currently have the opportunity to pursue yields above 4% on a broad basket of dividend-paying U.S. equities.

- Keep in mind, however, that in general, equities that have paid dividends have underperformed the broader market during the COVID-19 outbreak (hence the higher yields). The Dow Jones Select Dividend Index is down roughly -20% year-to-date. However, with a long-term investment horizon, buying dividend stocks today might prove to be a wise decision.