



Carla Pasternak's

Dividend Opportunities

STREETAUTHORITY

About Us

DividendOpportunities.com

Issue Archives

Premium Content

Research Reports

Subscribe

Wednesday, September 10, 2008

[Printer-Friendly](#) | [PDF Version](#) | [Whitelist Us](#) | [Trouble viewing images?](#)

Decoding the Dividend Yield Unlocks Massive Profit Potential

-- By Nick Lanyi

The Pythagorean Theorem isn't going to make you any money. Nor the quadratic equation. But there is a financial formula -- an immutable law of investing -- that can help you choose stocks that will pay a double-digit yield for as long as you own them.

In this issue of *Global Dividend Opportunities* we'll help you profit using this fundamental investing principle -- which works in any market, up or down. We'll also show you how to use this tool to juice your portfolio's returns with rich dividend streams -- double digit payouts you otherwise wouldn't be able to obtain. *(Full Story Below)*

Also in Today's Issue...

Capture 14% Yields and Total Returns up to +185.6%

On the last trading day of 2009, 94% of the picks in this high-yielding portfolio were up. Most of them have returned more than +10%, and several have returned +100% or more. But the best part is that these picks carry stable yields of up to 14.3%!

[Go here to see for yourself.](#)

Turn a \$200 investment into \$1 Million

There's a reason penny stocks have been Wall Street's favorite hidden investment for years now: they give the best shot at winning it big.

[Click Here to get in on these Hidden Investments!](#)

Decoding the Dividend Yield Unlocks Massive Profit Potential

Today we're going to review a financial topic that absolutely baffles 99.9% of investors.

It's not complicated or esoteric. But it's still a bit of investing minutia that people tend to overlook or just get wrong.

Mastering this snippet of Wall Street mathematics can change the way you invest. It will show you how to lock in double-digit yields *you ordinarily wouldn't be able to obtain*. It's not a complicated scheme. It's perfectly legit. It's just simple math.

Here it is:

A stock's yield is calculated by dividing the per-share dividend by the purchase price, not the market price.

Income Notes

Thailand's market decline has left its benchmark index valued at 9.9 times the earnings of its 476 companies, the cheapest since December 2006. Dividend payouts for Thai companies in the index reached 5.12 percent of share prices Sept. 2, the highest since March 2007.

-- Bloomberg

Czech companies will pay Kc130.6 billion in dividends this year, the highest ever, according to Czech National Bank statistics and Raiffeisenbank estimates. Strong growth and profits are credited for the increase. One Czech korona buys \$0.057, which puts the dollar value of Czech dividends at \$7.4 billion. Total dividends are estimated to grow about 15% next year.

-- Andy Obermueller

One Stock a Month is All You'll Ever Need

For the entire 2009 calendar year 100% of Amy Calistri's *Stock of the Month* picks have been winners. ALL of her picks are up -- as much as +58.4% in just a few months. And her subscribers are making

Price and yield move in opposite directions. As stock prices rise, dividend yields go down. As stock prices fall, dividend yields rise.

Let's look at an example: A fictitious stock trades for \$100 a share and pays a \$5 dividend. You don't even need a calculator to determine its yield: It's 5%.

Conventional thinking is that if the price of this mythical company rises, say to \$200, then its dividend yield will fall. And indeed it will -- it will be cut in half. $\$5 / \$200 = 2.5\%$. But that only applies to investors who bought the shares at the new price. The investor who bought at \$100 is still earning a 5% yield.

But here's where things get interesting -- and profitable. If the share price moves in the other direction, down, and it drops to \$50, then the dividend yield will rise: $\$5 / \$50 = 10\%$.

Once again, though, that's only true for the investors who bought their shares for \$50. The investors who bought at \$100 are still earning their 5%. For most investors, yields do not "change," they're only "established." And their stocks keep paying that yield unless the company's actual dividend payout changes.

Yield has nothing to do with the current market price -- only the current dividend, and the price you paid for your shares. If you bought your shares at \$100, a \$5 dividend earns you 5% no matter what happens to the share price, again assuming the dividend remains constant.

That's why a bear market presents an immediate opportunity for investors seeking significant dividend income. Most stocks are deep into the red: Here at home the S&P 500 Index is down -20% for the past 12 months, with most world indexes similarly in the red. Stocks in China are off -64.9%. These depressed prices mean dramatically higher yields. When a market falls -50%, its dividend yields double.

And here's the kicker: When you buy a stock with a depressed price and a high yield, you lock in that oversized return, just as if you'd put your money into a CD and locked in the interest rate.

Remember: Buying a stock just for the dividend alone is a bad idea. Dividends are never guaranteed. And a high yield isn't always a good thing -- some of these companies could be worthless tomorrow, like Freddie. You want the same traits in a dividend payer as you would in any other company you're considering: A solid financial footing and a strong history of rising profits and dividend increases.

To that end, we screened for U.S. companies. We narrowed the list to 2,890 companies, then axed every company paying less than 7%. That winnowed the list to 44.

These 44 companies are paying an average 17.7% yield.

No serious income investor should wait to lock in such rich income streams. You can't afford to sit on the sidelines. Bear-market buying opportunities just don't come around very often. Most of the time, of course, that's a good thing. But since a down market is already here, you might as well profit from it by locking in these extraordinarily high yields.

You see, no company -- or very, very few -- set out to pay a 17.7% yield. That's a tremendous yield no matter where you go. In this country, a 5% dividend stream is above average, even robust. But in a down market, even a 5% yield can rise dramatically, purely because stock prices are falling. That's the power of the dividend yield formula.

money hand over fist alongside her. One has made \$10,272... another is up \$46,002.

[Click here to get her latest pick.](#)

Recent Articles

[The Billionaire Watch](#)

By Nick Lanyi
June 25, 2008

A billion dollars may not be what it used to be, but it's still a serious pile of cash. So why are more and more of the world's most eye-popping fortunes being made in foreign countries? Because that's where the growth is.

[Read On...](#)

['Hidden' Yield in a High-Growth Market](#)

By Nick Lanyi
Sept. 3, 2008

Some cartographers say the map used by most of the world understates the size of South America. Certainly many investors have made this mistake and underestimated Brazil, the planet's fifth largest country and tenth largest economy. As its market returned nearly 1,000%, several strong, steady companies have been paying double-digit yields.

[Read On...](#)

[The Best of Both Worlds: A 10.1% Yield and Exposure to Foreign Markets](#)

By Nathan Slaughter
July 30, 2008

With the average yield of the S&P 500 hovering at 2.4% and the U.S. one-year Treasury Bill offering a paltry 2.36%, investors need to travel

Take a look at our table. It shows what various price drops would do to the dividend yield of a stock that normally paid out 5%. The lower the price falls, the higher the yield goes.

Now, if a -40% price drops seems unrealistic, consider: Of the 30,000 equities that trade on U.S. exchanges, 4,000 of them are down more than -40% so far this year.

Keep in mind, also, that companies with share-price performance like this are very, very reluctant to reduce their dividend payouts. Wall Street usually interprets dividend cuts as a sign of serious trouble, and executives don't want to give investors any additional reasons to sell stock and further damage its share price.

Price Change	New Yield
-10%	5.6%
-20%	6.3%
-30%	7.1%
-40%	8.3%
-50%	10.0%
-60%	12.5%

Adding in Capital Appreciation

But as strong as those rich yields are, the dividend is only half of the potential return picture for these stocks.

We often talk about the huge returns possible by combining "growth" and "income" strategies by investing in international markets. It's remarkable how far a fast-growing economy can propel a nation's equity markets. But today, we're going to combine income with a "value" approach.

Value investors look for otherwise stable, industry leading companies with depressed share prices that are out of favor on Wall Street. They buy cheap and sell dear, as one famous such operator eloquently explained.

Our list of 44 stocks has already fallen an average -20.9% for the year. This discount is a significant value opportunity. The one-two payoff is a massive double-digit dividend stream AND an average +26.4% capital gain when the market rights itself.

And that's going to happen. It always does. You need look no further than the history books: In 1966, the S&P returned -11.7%. But it jumped +30.9% the next year.

In 1981, the market lost -5.1%. In 1982, it gained +21.1%, followed by a rise of +22.4% the year after. In 2002, the market ended a three-year losing streak with a total decline for the year of -22.1%. But in 2003, the bulls roared back into town, pushing prices up +28.7% in 2003 and +10.9% in 2004.

You can choose to let current market losses erode your portfolio or force you from the market -- or you can decide to leverage these declines to your benefit. Entering the market at these reduced prices and capturing these high dividend yields is a powerful strategy for huge profits.

When "Income" Meets "Value" in the Real-World

This isn't just an academic exercise. Let's look at a real company. One of the largest in the nation, as a matter of fact.

On Oct. 11 of last year, these shares were trading for \$52.96. The shares were paying a \$0.64 quarterly dividend, or \$2.56 a year. Investors who bought them that day locked in a 4.8% dividend -- a decent payout, nearly twice the average for an S&P 500 company.

farther afield to find steady double-digit yields.

Find out how exchange-traded funds can let you search the far reaches of the globe for the best yielding opportunities.

[Read On...](#)

We're Finding Stocks Paying \$26,500 a Year in Dividends

Now is a great time to invest. Every dollar we're investing is giving us two, three, four even five times as much income as it did just a year ago -- it's as if a giant "multiply your money" certificate has dropped into our laps.

[Click here to learn more.](#)

Reader Favorites

[Escape the U.S. Financial Turmoil](#)

By Andy Obermueller

[How to Add a Margin of Safety to Your Stock Portfolio in a Tumultuous Market](#)

By Andy Obermueller

Special Offers

[The Next Way the Government Will Make Investors Rich](#)

The *StreetAuthority Investor Update* is a free weekly newsletter designed to help you track down the market's most profitable stocks, funds, and ETFs. Sign

Then came the subprime mess and the resultant economic slowdown. The stock was recently trading at \$33, a drop of -37.7%. For the investor who bought on Oct. 11 -- the shares' 52-week high -- the yield is still 4.8%. (The dividend hasn't changed.)

But you'd earn 7.8% if you were to buy those shares today.

And what happens if the price goes back up to \$52.96? You'll still be earning a steady 7.8% dividend stream -- and you'd have a capital gain of some 70% on your hands. In fact, you'll earn that same 7.8% until this company raises its dividend. And then your yield rises.

This company is obviously very good at increasing its revenue. The "top line" grew +70.7% from 2003 to 2007. Profits rose nearly +40%. But dividends? They rose +153.7%. In fact, this company's commitment to its shareholders was such that even in 2007, when revenue fell -8.3% and profit -29.1%, the dividend still rose +11.2%. This company has increased its payout 10 times in the past 10 years.

This American company is not alone. It has dozens of international peers that present similar opportunities -- a depressed share price and a high yield.

Here are three that we've uncovered:

- An Australian company that sells natural gas to customers in South Australia, Queensland and the Northern Territory. It had AUS\$331 million in revenue last year and paid \$81 million in dividends. On Jan. 1, 2007, shares were selling for AUS\$1.145 and paying a \$0.10 dividend, for a yield of 8.7%. Today, shares are selling for \$0.69 -- and are still paying the dime dividend for the year. As the price fell nearly -40%, the dividend yield nearly doubled, to 14.5%

- A British telecommunications firm that provides phone service throughout the United Kingdom. The company has paid \$3 billion in dividends in the past three years, and has increased its total payout by \$200 million a year during that time. Investors who bought their shares in 2007 earned a 4.9% yield. The shares have since fallen to \$29.51, a decline of -50%, and, again, the dividend yield has nearly doubled. It is now 9.7%.

- A Canadian company that operates 200 funeral homes and 16 cemeteries in rural areas has increased its net income +72.3% in the past three years. In May, these shares were yielding 9.1%. They've since fallen -40%, and the yield has increased to 15.3%. Investors who bought in May are earning 9.1% Buy now and you'll be earning 15.3%.

These are the sort of compelling stock picks subscribers find each month in our premium *High-Yield International* newsletter. It brings you in-depth research on international markets and examines the broader economic conditions around the world -- and shows you how to make money from it. My staff combines the best financial research with their keen investing acumen to bring subscribers the most profitable income strategies the world has to offer - - all in an interesting, easy-to-understand presentation.

Oh, the first company we talked about above? It's none other than Bank of America (NYSE: BAC). If you'd like the names of those three other exciting companies yielding more than 13%, that's easy, too. [Just take the next step](#) and read more about them now.

up today and you'll also receive a free in-depth research report -- *The Next Way the Government Will Make Investors Rich.*



Nick Lanyi

-- Nick Lanyi

Co-Editor

Global Dividend Opportunities

GlobalDividends.com

839-K Quince Orchard Blvd.

Gaithersburg, MD 20878-1614

P.S. -- Don't miss a single issue! Add our address,
Editors@GlobalDividends.com, to your Address Book or Safe List. For
instructions, [go here](#).

[Home](#) | [Issue Archives](#) | [About Us](#) | [Meet the Staff](#) | [Subscribe](#)
[Premium Content](#) | [Research Reports](#) | [Media Coverage](#) | [Testimonials](#)

We sincerely hope that you benefit from your subscription to this newsletter, and we're willing to do whatever it takes to keep you as a satisfied customer. However, if at any time you wish to discontinue your complimentary subscription, you can do so by simply [visiting this link](#) and confirming your request, or by calling (301) 216-2005.

Please note that StreetAuthority, LLC is not a registered investment firm or broker/dealer. Readers are advised that the material contained herein should be used solely for informational purposes. StreetAuthority does not purport to tell or suggest which investment securities members or readers should buy or sell for themselves. Site users should always conduct their own research and due diligence and obtain professional advice before making any investment decision. StreetAuthority will not be liable for any loss or damage caused by a reader's reliance on information obtained in this newsletter or on our web site. Our readers are solely responsible for their own investment decisions.

The information contained herein does not constitute a representation by the publisher or a solicitation for the purchase or sale of securities. Our opinions and analyses are based on sources believed to be reliable and are written in good faith, but no representation or warranty, expressed or implied, is made as to their accuracy or completeness. All information contained in this report should be independently verified with the companies mentioned. The editor and publisher are not responsible for errors or omissions. StreetAuthority receives no compensation of any kind from any companies that may be mentioned in our newsletters or on our web site. Any opinions expressed are subject to change without notice. Owners, employees and writers may hold positions in the securities discussed in this report or on our web site.

(C) Copyright 2001-2010. StreetAuthority LLC All Rights Reserved.
Unauthorized Reproduction or Distribution is Strictly Prohibited.