

# 2020 DIVIDENDS: A YEAR IN REVIEW

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This has been a whirlwind year in countless ways.

The usually staid topic of [dividend](#) announcements has even had its fireworks, with significant dividend cuts made from a diverse set of household names like Wells Fargo, Boeing and Disney.

[S&P 500](#) dividends per share in 2019 set a record of \$58.24. With the backdrop of a steady economy, expectations entering this year were for dividends to improve about 4% from that record, to \$60.80.

By the end of February, expectations had inched up to \$61.40 before nosediving as the economy plummeted into a coronavirus-induced contraction. Through March, expectations shifted to a 28% contraction in 2020 dividends relative to 2019—an outcome that would have set a record for negative growth in S&P 500 dividends in a calendar year.

Nearing the end of this year, with just about all dividend payments having been announced, S&P 500 dividends are expected to be off by just 1% relative to the 2019 high watermark—a welcome positive outcome for income-oriented investors.

## S&P 500 Dividends (\$ Per Share)



Sources: WisdomTree, Bloomberg, data from 11/30/15–12/10/20. Futures contracts are based on the annual dividends paid by a portfolio tracking the S&P 500. The futures contract is settled based on the total dividends paid during that calendar year. Investors use this contract to hedge portfolios and speculate on the total dividends paid for the year, making this a widely followed gauge for expectations for calendar year dividends. You cannot invest directly in an index. Past performance is not indicative of future returns.

But this 1% decline obscures the dire outcomes that transpired across segments of all U.S. dividend payers—not just the S&P 500 [blue chip](#) names.

Segmenting dividend growth across sectors within the [WisdomTree U.S. Dividend Index](#) (which includes [large-](#), [mid-](#) and [small-cap](#) dividend payers) helps illustrate the greatest dividend pain and where there was relative safety.

The “stay-at-home” sectors—Health Care, Info. Tech., Consumer Staples and Utilities—fared better than the sectors now dubbed “reopening” plays—Consumer Discretionary, Real Estate, Industrials and Energy.

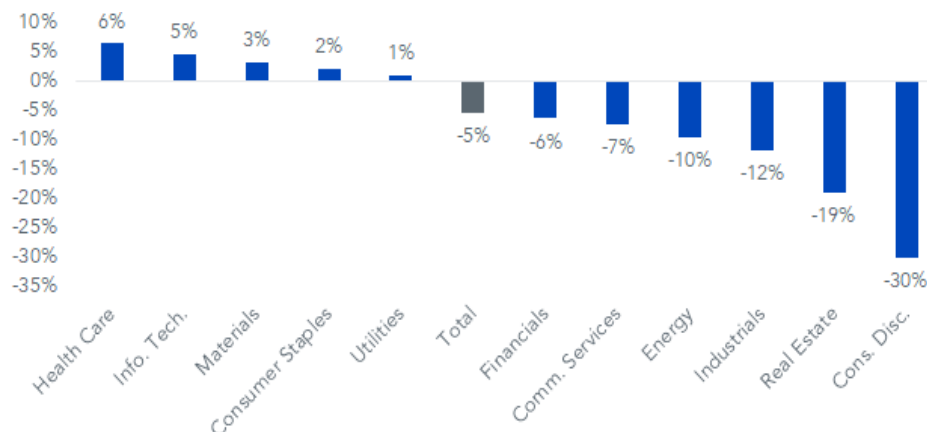
One sector that fared relatively well, perhaps contrary to some people’s expectations, was Financials. As a sector, dividends were only down 6%—about in line with the broader Index.

Of the largest U.S. banks—a list that includes some of the largest dividend payers globally—only Wells Fargo and Capital One Financial were forced to cut dividends. This is a far cry from what transpired in the last recession when that sector was the epicenter of severe dividend cuts.

This time around, regulators forced banks to suspend share buybacks, but dividends were by and large left untouched—unlike European peers that were forced to suspend payouts.

Many would argue that U.S. banks have taken their medicine in the years since the financial crisis and carry much greater capital today than they did then. As a payoff to this restructuring of balance sheets, banks were able to keep payouts steady.

#### Dividend Growth Across Sectors in the WisdomTree U.S. Dividend Index



Sources: WisdomTree, FactSet, 11/29/19–12/10/20. November 29, 2019 used as the start date based on the annual Index screening date for the WisdomTree U.S. Dividend Index. You cannot invest directly in an index.

The below tables provide some context to the individual companies with the greatest increase in their [Dividend Stream®](#) this year, as well as the greatest decrease.

While you may not be surprised by most of the names on the top 10 list, Chevron's appearance may be a bit of a surprise given the plunge in oil prices this year.

Chevron is an example of a company that increased its dividend prior to the onset of the recession in January. If oil prices do not materially recover in 2021, a potential cut from Chevron's dividend—a move that would mirror moves from its global oil competitors—could weigh on dividend growth next year.

#### WisdomTree U.S. LargeCap Dividend Index

Top 10 Increases in Dividend Stream					
Ticker	Name	Sector	11/29/19	11/30/20	Difference
MSFT US Equity	Microsoft Corporation	Information Technology	\$15.56	\$17.09	\$1.53
AVGO US Equity	Broadcom Inc.	Information Technology	\$4.20	\$5.16	\$0.95
AAPL US Equity	Apple Inc.	Information Technology	\$13.69	\$14.57	\$0.89
NEM US Equity	Newmont Corporation	Materials	\$0.46	\$1.31	\$0.85
CVX US Equity	Chevron Corporation	Energy	\$9.00	\$9.76	\$0.76
ABBV US Equity	AbbVie, Inc.	Health Care	\$6.98	\$7.69	\$0.71
UNH US Equity	UnitedHealth Group Incorporated	Health Care	\$4.09	\$4.74	\$0.64
JNJ US Equity	Johnson & Johnson	Health Care	\$10.00	\$10.63	\$0.63
HD US Equity	Home Depot, Inc.	Consumer Discretionary	\$5.93	\$6.54	\$0.61
TXN US Equity	Texas Instruments Incorporated	Information Technology	\$3.37	\$3.81	\$0.45

Top 10 Decreases in Dividend Stream					
Ticker	Name	Sector	11/29/19	11/30/20	Difference
WFC US Equity	Wells Fargo & Company	Financials	\$8.63	\$1.69	-\$6.94
BA US Equity	Boeing Company	Industrials	\$4.63	\$0.00	-\$4.63
DIS US Equity	Walt Disney Company	Communication Services	\$3.17	\$0.00	-\$3.17
OXY US Equity	Occidental Petroleum Corporation	Energy	\$2.82	\$0.04	-\$2.79
LVS US Equity	Las Vegas Sands Corp.	Consumer Discretionary	\$2.37	\$0.00	-\$2.37
F US Equity	Ford Motor Company	Consumer Discretionary	\$2.34	\$0.00	-\$2.34
GM US Equity	General Motors Company	Consumer Discretionary	\$2.17	\$0.00	-\$2.17
DAL US Equity	Delta Air Lines, Inc.	Industrials	\$1.04	\$0.00	-\$1.04
SPG US Equity	Simon Property Group, Inc.	Real Estate	\$2.58	\$1.60	-\$0.98
D US Equity	Dominion Energy Inc	Utilities	\$3.02	\$2.07	-\$0.95

Sources: WisdomTree, FactSet. Data as of 12/10/20. November 29, 2019 used as the start date based on Index screening data for the WisdomTree U.S. Dividend Index. You cannot invest directly in an index.

Looking forward, S&P 500 [dividend futures](#) indicate a further drop of 2% in 2021 dividends relative to this year, which is an improvement from a 6% drop indicated just 2 weeks ago. This expected drop is likely caused by the roughly 60 companies that suspended or cut their dividends in 2020 that will have reduced first quarter dividend payouts in 2021 compared to those paid out in January and February this year.

As the market prices in greater confidence in the reopening of the economy next year, we have seen the share prices of the high-dividend payers that have lagged the most this year begin to outperform.

In recent months, the [WisdomTree U.S. High Dividend Index](#)—an Index heavily populated by companies in the “reopening” sectors—has outperformed the S&P 500 by more than 700 [basis points](#). Both for investors with income needs and those looking to tap into the reopening theme, the high-dividend payers that have lagged for much of 2020 and the previous years’ growth rally may be a place to consider.

### Index Cumulative Returns



Sources: WisdomTree, Bloomberg, 9/2/20–12/10/20. Returns based on total returns. You cannot invest directly in an index. Past performance is not indicative of future returns.

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

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## **DEFINITIONS**

**Dividend** : A portion of corporate profits paid out to shareholders.

**S&P 500 Index** : Market capitalization-weighted benchmark of 500 stocks selected by the Standard and Poor's Index Committee designed to represent the performance of the leading industries in the United States economy.

**Blue chip** : Stocks that have the reputation for quality, reliability and the ability to operate profitably in good times and bad.

**Large-Capitalization (Large-Cap)** : A term used by the investment community to refer to companies with a market capitalization value of more than \$10 billion. Large cap is an abbreviation of the term "large market capitalization". Market capitalization is calculated by multiplying the number of a company's shares outstanding by its stock price per share.

**Mid-Cap** : Characterized by exposure to the next 20% of market capitalization (after the top 70% have been removed) within the Value, Blend or Growth style zones with the majority of the fund's weight.

**Small caps** : new or relatively young companies that typically have a market capitalization between \$200 million to \$2 billion.

**Dividend Stream** : Refers to the regular dividends per share multiplied by the number of shares outstanding.

**Futures/Futures Contract** : Reflects the expected future value of a commodity, currency or Treasury security.

**Basis point** : 1/100th of 1 percent.