

Five For Friday- Modified Sharpe Ratio Dividend Stocks

This Five for Friday takes a unique approach to finding bond surrogates in the equity market. By this, we mean higher dividend-yielding stocks with price volatility levels more similar to the Treasury bond market than the broader stock market.

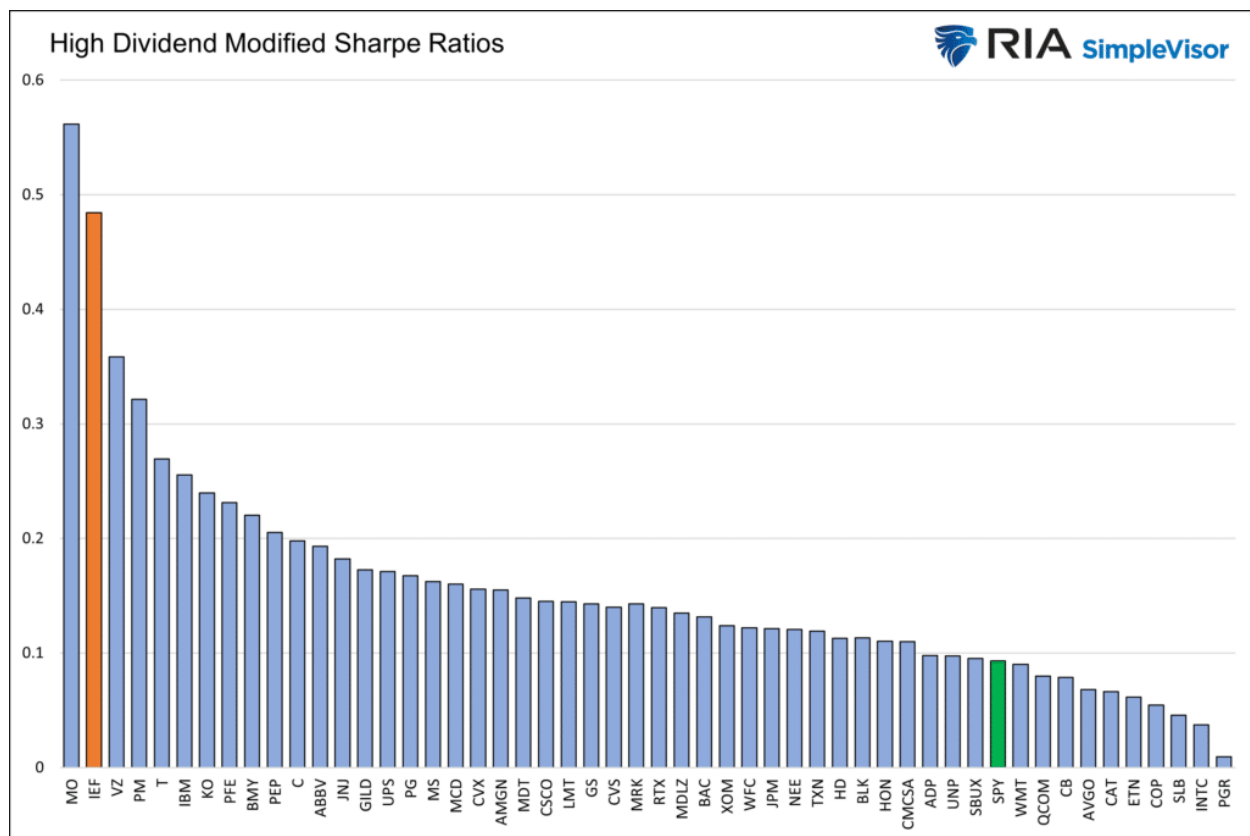
Our starting point for this scan is the top fifty holdings of the Vanguard High Dividend Yield ETF (VYM). We then calculate a modified Sharpe Ratio for each stock based on daily prices over the last year. The Sharpe Ratio measures a stock's total return as a function of risk, aka volatility. The higher the Sharpe Ratio, the more the investor gets paid per unit of risk.

Our modified Sharpe Ratio uses the dividend yield, not the total return (price and dividend), in the numerator. Like the Sharpe Ratio, the denominator is annualized volatility.

The five stocks we chose have the highest modified Sharpe Ratios. The table below shows the five stocks and the S&P 500 and ten-year UST bonds to help put their ratios, yields, and volatility in context. The graph shows the ratio for all fifty stocks.

Note that all five stocks have a modified Sharpe Ratio of nearly 3x or more than the S&P 500. Altria (MO) is the only stock with a Sharpe Ratio greater than the 10-year UST note.

| | Dividend Yield | Annualized Volatility | Modified Sharpe Ratio |
|-----------|----------------|-----------------------|-----------------------|
| MO | 9.26% | 0.165 | 0.5612 |
| VZ | 7.84% | 0.219 | 0.3580 |
| PM | 5.35% | 0.168 | 0.3185 |
| T | 7.34% | 0.273 | 0.2689 |
| IBM | 4.52% | 0.177 | 0.2553 |
| S&P 500 | 1.51% | 0.162 | 0.0932 |
| 10-YR UST | 4.53% | 0.093 | 0.4871 |



Company Summaries

Altria (MO)

Altria Group, Inc. (MO) - Tobacco

Description [\(Read Less\)](#)

Altria Group, Inc., through its subsidiaries, manufactures and sells smokeable and oral tobacco products in the United States. The company provides cigarettes primarily under the Marlboro brand; cigars and pipe tobacco principally under the Black & Mild brand; moist smokeless tobacco products and snus products under the Copenhagen, Skoal, Red Seal, and Husky brands; and on! oral nicotine pouches. It sells its tobacco products primarily to wholesalers, including distributors; and large retail organizations, such as chain stores. The company was founded in 1822 and is headquartered in Richmond, Virginia.

Latest Price (Sep 28, 2023, 10:25:19 AM)

\$42.12 ▲ (\$0.21) (0.49%)

Last Close

\$41.91

Open

\$41.99

Volume

1,493,591

Annual Div.

\$3.76

Mkt Cap (mn)

\$74,737.70

52 Week Range

\$40.35

Day Range

\$41.78

Day Range

\$41.78

\$42.17

Avg. Volume (3m)

N/A

Div. Yield

8.97%

Beta

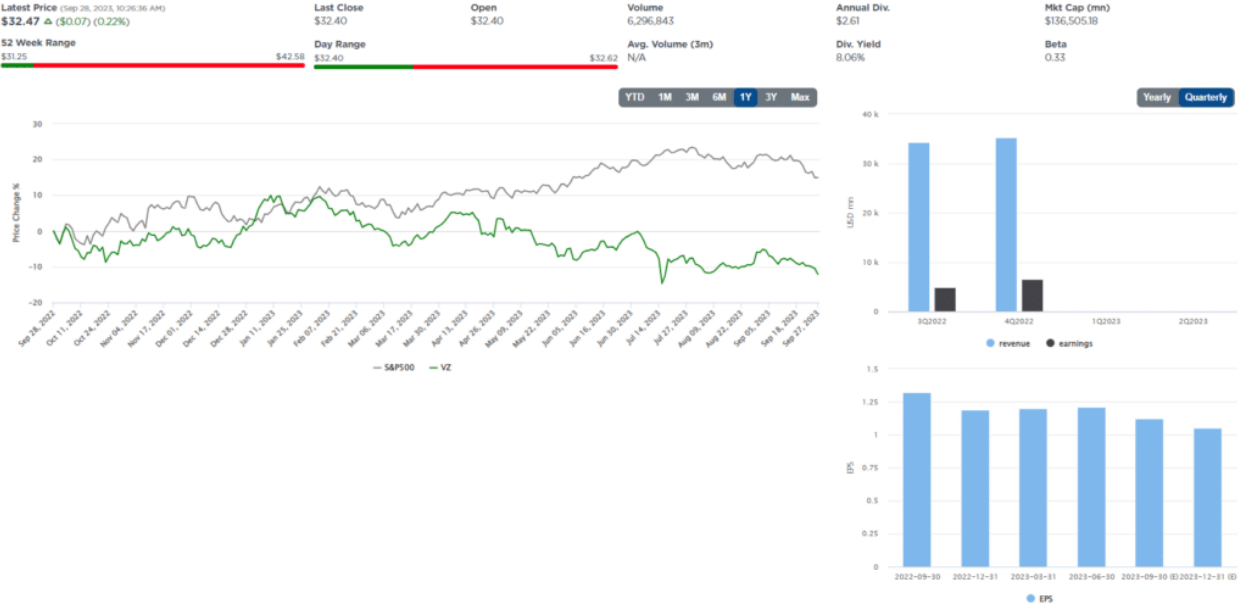
0.62



Verizon (VZ)

Verizon Communications Inc. (VZ) - Telecom Services

Description [Read Less](#)
Verizon Communications Inc., through its subsidiaries, provides communications, technology, information, and entertainment products and services to consumers, businesses, and governmental entities worldwide. It operates in two segments, Verizon Consumer Group (Consumer) and Verizon Business Group (Business). The Consumer segment provides wireless services across the wireless networks in the United States under the Verizon and TracFone brands and through wholesale and other arrangements; and fixed wireless access (FWA) broadband through its wireless networks. It also offers wireline services in the Mid-Atlantic and Northeastern United States, as well as Washington D.C. through its fiber-optic network, Verizon Fios product portfolio, and a copper-based network. The Business segment provides wireless and wireline communications services and products, including data, video, conferencing, corporate networking, security and managed network, local and long-distance voice, network access, and various IoT services and products, as well as FWA broadband through its wireless networks. The company was formerly known as Bell Atlantic Corporation and changed its name to Verizon Communications Inc. in June 2000. Verizon Communications Inc. was incorporated in 1983 and is headquartered in New York, New York.



AT&T Inc. (T) - Telecom Services

Description [\(Read Less\)](#)

AT&T Inc. provides telecommunications and technology services worldwide. The company operates through two segments, Communications and Latin America. The Communications segment offers wireless voice and data communications services; and sells handsets, wireless data cards, wireless computing devices, and carrying cases and hands-free devices through its own company-owned stores, agents, and third-party retail stores. It also provides Virtual Private Networks, AT&T Dedicated Internet, Ethernet, data services, security, cloud solutions, outsourcing, and managed and professional services, as well as customer premises equipment for multinational corporations, small and mid-sized businesses, governmental, and wholesale customers. In addition, this segment offers broadband services, including fiber connections and legacy telephony voice communication services to residential customers. This segment markets its communications services and products under the AT&T, Cricket, AT&T PREPAID, and AT&T Fiber brand names. The Latin America segment provides postpaid and prepaid wireless services in Mexico under the AT&T and Unifon brand names, as well as sells smartphones through its owned stores, agents and third-party retail stores. The company was formerly known as SBC Communications Inc. and changed its name to AT&T Inc. in 2005. AT&T Inc. was incorporated in 1983 and is based in Dallas, Texas.

Latest Price (Sep 28, 2023, 10:29:16 AM)
\$14.90 ▲ (\$0.03) (0.21%)

Last Close
\$14.87

Open
\$14.89

Volume
6,479,272

Annual Div.
\$1.11

Mkt Cap (mn)
\$106,526.54

52 Week Range
\$13.43

Day Range
\$14.67

Day Range
\$14.67

Avg. Volume (3m)
N/A

Div. Yield
7.46%

Beta
0.75



IBM (IBM)

International Business Machines Corporation (IBM) - Information Technology Services

Description [\(Read Less\)](#)

International Business Machines Corporation, together with its subsidiaries, provides integrated solutions and services worldwide. The company operates through four business segments: Software, Consulting, Infrastructure, and Financing. The Software segment offers hybrid cloud platform and software solutions; software for business automation, AI/ops and management, integration, and application servers; data and artificial intelligence solutions; and security software and services for threat, data, and identity. This segment also provides transaction processing software that supports clients' mission-critical and on-premise workloads in banking, airlines, and retail industries. The Consulting segment offers business transformation services, including strategy, business process design and operations, data and analytics, and system integration services; technology consulting services; and application and cloud platform services. The Infrastructure segment provides on-premises and cloud-based server and storage solutions for its clients' mission-critical and regulated workloads; and support services and solutions for hybrid cloud infrastructure, as well as remanufacturing and remarketing services for used equipment. The Financing segment offers lease, installment payment, loan financing, and short-term working capital financing services. The company has collaboration agreement with Siemens Digital Industri Software to develop a combined software solution. The company was formerly known as Computing-Tabulating-Recording Co. International Business Machines Corporation was incorporated in 1911 and is headquartered in Armonk, New York.

Latest Price (Sep 28, 2023, 10:30:05 AM)
\$141.04 ▼ (-\$2.13) (-1.49%)

Last Close
\$143.17

Open
\$142.14

Volume
1,921,235

Annual Div.
\$6.61

Mkt Cap (mn)
\$128,506.50

52 Week Range
\$115.55

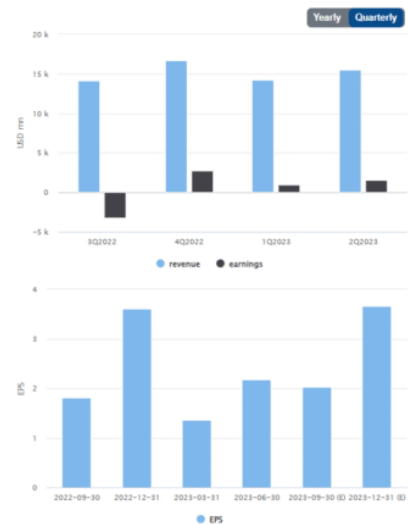
Day Range
\$153.21

Day Range
\$140.21

Avg. Volume (3m)
N/A

Div. Yield
4.62%

Beta
0.85



Five for Friday

Five for Friday uses stock screens to produce five stocks that we expect will outperform if a particular investment theme plays out in the future. Investment themes may be relevant to the current or expected market, industry and/or economic trends. Investment themes may not always represent our current forecast.

Disclosure

This report is not a recommendation to buy or sell the named securities. We intend to elicit ideas about stocks meeting specific criteria and investment themes. Please read our [disclosures](#) carefully and do your own research before investing.