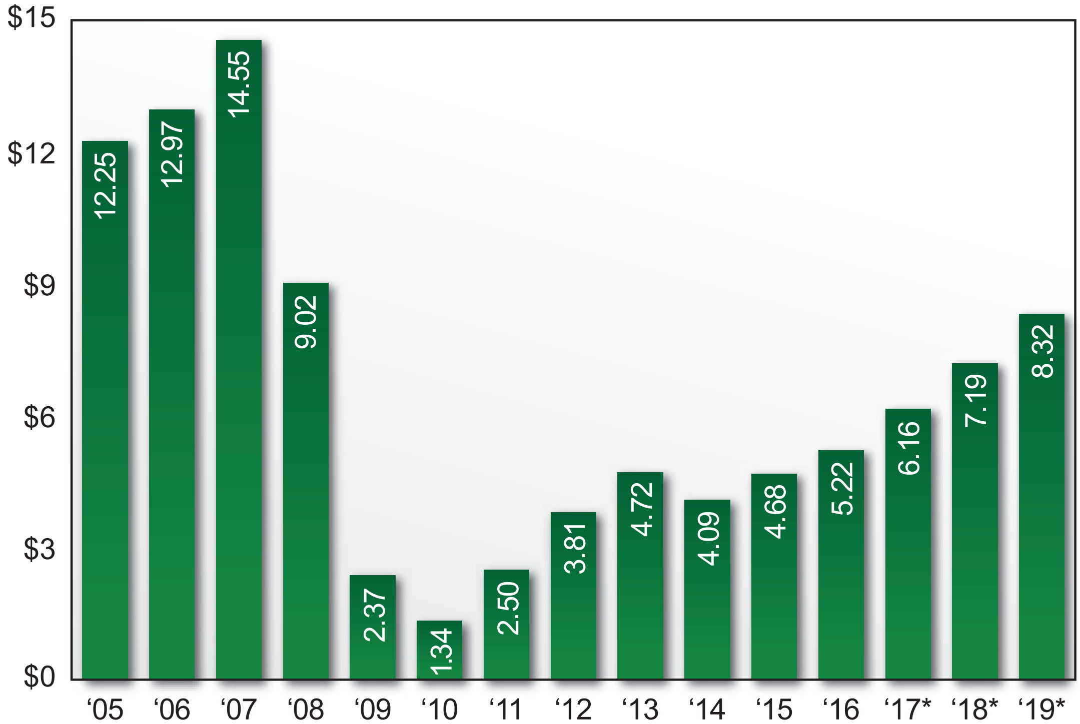
The Big Banks Just Got The Green Light To Boost Their Dividend Payouts

S&P 500 Banks Index Actual & Estimated Dividend Payouts



*Source: Bloomberg. Past performance is no guarantee of future results. *Estimates as of 6/28/17.*

View from the Observation Deck

1. Today's blog post comes on the heels of the news that all 34 banks subjected to the Federal Reserve's annual stress testing process all passed, meaning they had sufficient capital to withstand a massive financial shock and deep recession, as well as the wherewithal to return more capital to shareholders via dividend increases and stock buybacks.
2. It was the first time since the annual tests began in 2011 that all of the financial institutions received passing grades, according to *The Wall Street Journal*.
3. The chart provides a timeline showing how much the constituents in the S&P 500 Banks Index were distributing in dividend payments, on a per share basis, before and after the 2008-2009 financial crisis. It also includes future estimates.
4. As indicated in the chart, from 2005 through 2016, the peak in annual dividend distributions was $14.55 in 2007, while the low was $1.34 in 2010. Due to the crisis, many banks either significantly reduced or suspended their dividend payouts.
5. The dividend yield on the S&P 500 Banks Index stood at 5.29% at the end of 2007 (not shown in chart), compared to just 0.90% at the close of 2010, according to Bloomberg.
6. While the broader stock market indices have been setting new highs in 2017, as of the close of trading on 6/28/17, the S&P 500 Banks Index stood 29.01 % below its all-time high set on 2/20/07, according to Bloomberg.
7. The recovery in the banking sector is still a work in progress. The successful outcome of the stress tests could be a positive catalyst for bank stocks moving forward, in our opinion.

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