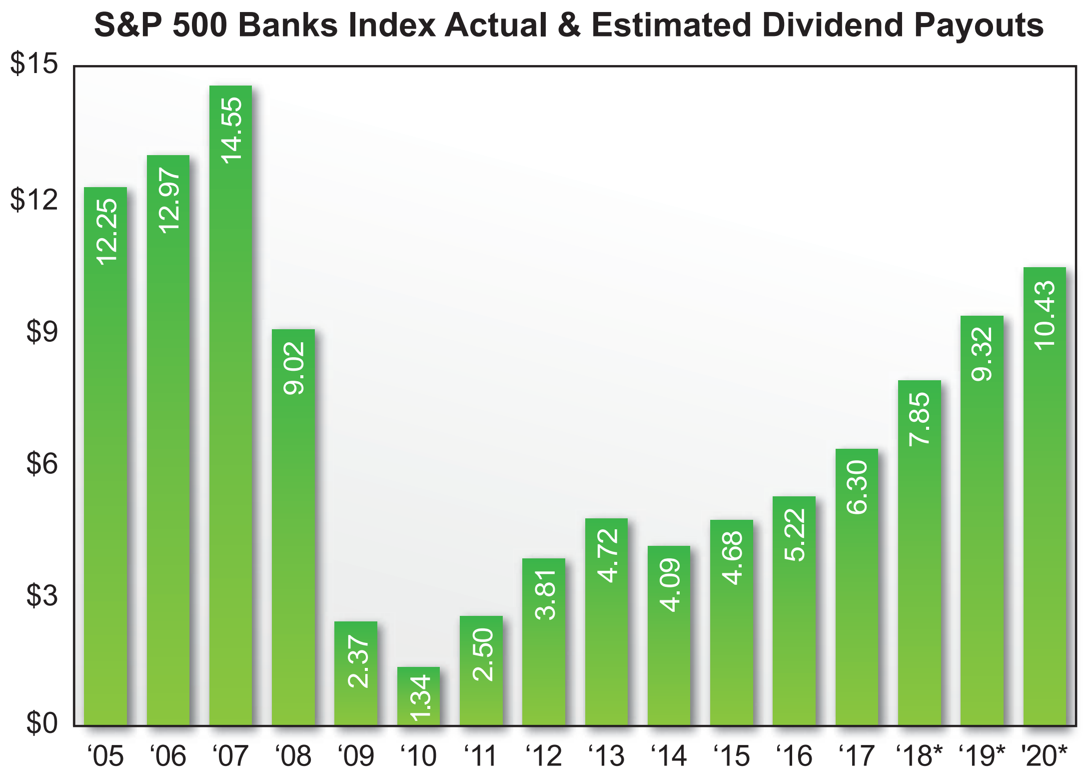
Let's Call It A Comeback



Source: Bloomberg. Past performance is no guarantee of future results. *Estimates as of 5/7/18.

View from the Observation Deck

1. Today's blog post on bank dividends revisits the one we did last June (click here).
2. The main difference between today's chart and last June's is that the estimated dividend payments for 2018-2019 have been raised, particularly the projection for 2019.
3. Since the biggest banking institutions in the U.S. were at the epicenter of the 2008-2009 financial crisis, investors should not be surprised that the recovery has been a bit of a slow grind to this point, in our opinion.
4. As indicated in the chart, the bottom in annual dividend distributions for the S&P 500 Banks Index was $1.34 in 2010. The recovery in dividend payments is now in its eighth year. Even if the $10.43 per share dividend for 2020 proves accurate, it would still stand 28.32% below 2007's payout.
5. As of the close of trading on 5/7/18, the S&P 500 Banks Index stood 19.42% below its all-time high set on 2/20/07, according to Bloomberg.
6. The outlook for earnings is encouraging. As of 5/4/18, Bloomberg's consensus earnings growth rate estimates for the S&P 500 Banks Index for 2018, 2019 and 2020 were 23.3%, 11.6% and 11.7%, respectively.
7. The recovery in the banking sector remains a work in progress, and therein lies the opportunity for investors, in our opinion.

First Trust

First Trust Portfolios L.P. • 1-800-621-9533 • www.ftportfolios.com • 5/8/18