

3 High Dividend Stocks Bucking The Spring Pullback May 11, 2012

By Robert Hauver

The S&P 500 has pulled back approx. 4% since its early April highs, which begs the question, are there any dividend paying stocks that have beaten the market since then? We took 3 dividend stocks from our [High Dividend Stocks By Sector tables](#), and researched how they've done in all of the various rallies and pullbacks since last summer.

These 3 stocks have all held up better than the market in pullbacks, and have also participated in rallies. Not surprisingly, these defensive dividend stocks hail from the Healthcare and Utilities sectors: NextEra Energy, (NEE), Xcel Energy, (XEL), and Eli Lilly Co., (LLY):

TICKER	5/11/12 PRICE	% CHANGE SINCE 4/2/12 MARKET HIGHS	11/29/11 - 4/2/12 RALLY	NOV. PULLBACK :10/28/11-11/29/11	OCT. 2011 RALLY CHANGE %	SEPT 2011 PULLBACK	AUG. 2011 RALLY	JULY 2011 PULLBACK
S&P 500	\$1,362.31	-4.00%	18.73%	-6.99%	16.91%	-9.79%	8.85%	-17.27%
NEE	\$65.29	5.61%	13.66%	-4.63%	7.89%	-6.79%	13.06%	-13.57%
XEL	\$27.62	3.91%	3.38%	-0.77%	6.63%	-1.50%	12.39%	-10.95%
LLY	\$41.25	1.90%	12.01%	-5.59%	5.37%	-3.15%	7.79%	-8.06%

(We used 5/11/12 intraday prices in our tables.)

In addition to their defensive characteristics, these stocks have been some of the best stocks to buy for price gains since Dec. 2010, and all 3 have beaten the market since the beginning of last summer's market meltdown, which began right after July 7th, 2011. Even with its strong showing since last fall, the S&P is still flat since its highs last July:

TICKER	YTD	CHANGE SINCE JULY 7 2011 HIGH	CHANGE SINCE 12/30/10
S&P 500	8.21%	0.67%	8.32%
NEE	7.29%	12.49%	25.60%
XEL	-0.14%	12.05%	17.28%
LLY	-0.65%	8.98%	17.72%

Dividends: NEE raised its quarterly dividends to \$.60/share, from \$.55 in 2012, and XEL raised its dividend to \$.26, from \$.25 in 2011. LLY hasn't raised its dividend since 2008, when they raised to \$.49, from \$.47, right in the midst of the market turmoil.

Company	Ticker	Sector	Market Cap	Dividend Yield	Dividend Payout Ratio	Quarterly Dividend	Next Ex-Dividend Date approx.
NEE	NextEra Energy, Inc.	Utilities	\$27.15B	3.69%	44.60%	\$0.60	6/1/12
XEL	Xcel Energy Inc.	Utilities	\$13.24B	3.83%	62.24%	\$0.26	6/21/12
LLY	Eli Lilly & Co.	Healthcare	\$47.93B	4.75%	52.77%	\$0.49	8/10/12

Covered Calls: If you want to improve upon its dividend yield, LLY's near-the-money **covered call options currently pay over 4 times its quarterly dividend** in the October trade listed below. (LLY is listed along with over 30 high yield options trades in our [Covered Calls Table](#).)

TICKER	5/11/12 PRICE PER SHARE	DIVIDEND PER SHARE \$ PAID PRIOR TO CALL EXPIRATION	ANNUAL'D DIVIDEND YIELD %	CALL OPTION EXPIRATION DATE & STRIKE PRICE	CALL BID PREMIUM	ANNUAL'D CALL YIELD	TOTAL ANN'D STATIC YIELD	POTENTIAL ASSIGNED YIELD
LLY	\$41.44	\$0.49	2.71%	10/20/2012 \$42.00	\$2.16	11.97%	14.68%	17.78%

Cash Secured Puts: Another lucrative options trading strategy is to sell cash secured put options below a stock's price, so that you can achieve a lower potential entry cost. The other benefit of this strategy is that, as with selling call options, you'll get paid your put premium \$ within 3 days of making the trade, often even the same day.

The differences between the 2 strategies are: Put sellers don't collect dividends, and they also don't buy the underlying stock in order to place the trade. Instead, they may have the stock sold/assigned to them at expiration, if the stock's price is below their strike price around that time. Similar to the covered call trade, this **put option pays over 5 times what the dividends pay** for this 5-month term.

(You can find more details for this and over 30 other high yield Cash Secured Puts trades in our [Cash Secured Puts Table](#).)

TICKER	5/11/12 PRICE PER SHARE	DIVIDEND PER SHARE \$ PAID PRIOR TO PUT EXPIRATION	PUT OPTION EXPIRATION DATE-& STRIKE PRICE	PUT BID PREMIUM	ANNUAL'D PUT YIELD	100% CASH RESERVE AMOUNT	BREAK-EVEN PRICE	52-WEEK LOW
LLY	\$41.44	\$0.49	10/20/2012 \$41.00	\$2.59	14.50%	\$4,100.00	\$38.85	\$33.75

Earnings Growth & Valuations: Although Utilities aren't known for growth, NextEra did put up good numbers in its most recent quarter, and is projected to grow over 9% in its next fiscal year. NEE is trading much closer to the low range of its 5 year P/E range. Lilly, along with many of its peers, had a

mediocre quarter, thanks to ongoing drug patent expirations, but it's projected to bounce back next year, and actually has an undervalued PEG of .85:

Ticker	P/E	5-Year P/E Range	EPS growth Most recent Fiscal year	EPS growth next Fiscal year	PEG: NEXT FISCAL YEAR	EPS growth quarter over quarter	Sales growth quarter over quarter	Price/Book	Price/Sales
NEE	12.86	10.97 to 20.70	-3.14%	9.29%	1.38	73.55%	7.56%	1.78	1.74
XEL	16.18	12.69 to 16.79	6.51%	6.78%	2.39	-9.90%	-8.47%	1.55	1.27
Utility Industry Avgs.	17.86	10.18 to 36.18	5.09%	14.20%	1.26	-22.16%	19.02%	0.49	1.95
LLY	10.70	7.64 to 19.72	-14.87%	12.54%	0.85	-4.67%	-4.06%	3.23	1.99
Big Pharma Industry Avgs.	39.84	13.60 to 29.65	86.99%	4.19%	9.52	0.24%	7.48%	2.39	4.24

Financials: All 3 of these defensive dividend stocks have financial metrics that are superior to their peers:

Ticker	Return on Assets	Return on Equity	Return on Investment	Total Debt/Equity	Interest Coverage	Operating Margin
NEE	3.76%	14.19%	4.33%	1.57	3.24	24.11%
XEL	2.89%	9.76%	3.24%	1.20	3.30	16.66%
Utility Industry Avgs.	0.34%	-0.73%	0.42%	0.97	0.07	10.47%
LLY	13.46%	29.91%	17.30%	0.36	49.00	22.50%
Big Pharma Industry Avgs.	4.85%	10.22%	7.65%	0.34	2.96	14.07%

Disclosure: Author had no positions in any of the above stocks at the time of this writing.

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