

High Dividend Stocks Outperforming The Market Pullback

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By Robert Hauver

Looking for defensive dividend paying stocks? It makes sense – May is turning out to be one of the worst months in quite some time, with the S&P 500 down over 6%, the DOW down nearly 6%, and the NASDAQ and RUSSELL 2000 Small Caps both down over 7%.

Here are two dividend stocks from our [High Dividend Stocks By Sector Tables](#) that have outperformed the market since the start of the spring pullback in April. United-Guardian, (UG), is a NY-based microcap, and Wisconsin Energy, (WEC), is a large cap electric utility:

Ticker	Company	Sector	Industry	Country	Market Cap
UG	United-Guardian Inc.	Consumer Goods	Personal Products	USA	\$95.63M
WEC	Wisconsin Energy Corp.	Utilities	Electric Utilities	USA	\$8.52B

Performance: Both UG and WEC have beaten the market quite handily in these time periods...

TICKER	YTD	CHANGE SINCE JULY 7 2011 HIGH	CHANGE SINCE 12/30/10
S&P 500	3.93%	-3.41%	3.93%
UG	37.31%	45.62%	49.57%
WEC	5.89%	16.56%	25.89%

But things get really interesting, when you look at their performance during rallies and pullbacks over the past 11 months.

Both stocks have beaten the S&P in pullbacks, and have participated in rallies:

TICKER	5/18/12 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	\$1,307.03	-7.88%	18.73%	-6.99%	16.91%	-9.79%	8.85%	-17.27%
UG	\$20.94	15.37%	41.20%	0.54%	1.72%	0.00%	11.88%	-9.87%
WEC	\$37.02	4.69%	14.53%	-1.49%	5.63%	-1.74%	13.24%	-12.03%

Dividends: UG pays a semi-annual dividend, which it just raised by 17%. The ex-dividend date is coming up on June 1st. WEC also increased its dividend, by 15%, to \$.30, from \$.26/share, in the first quarter of 2012. Both stocks have an attractive dividend yield and dividend growth rate:

Ticker	Dividend Yield	Dividend Payout Ratio	5-Year Dividend Growth Rate	Quarterly Dividend	Next Ex-Dividend Date approx.
UG	4.14%	76.94%	11.22%	\$0.42 (Semi-Annual)	6/1/12
WEC	3.24%	48.63%	17.72%	\$0.30	8/10/12

Earnings & Valuations: Given the run that these 2 stocks have had, you can't say that they're oversold, but, UG still looks like it's undervalued, on a PEG basis, (P/E/Earnings Growth). WEC, being a utility, isn't a stock you'd buy for growth, but it still has had some EPS growth in 2011, and its most recent quarter, plus it's projected to have growth in 2012 that's in line with industry averages:

Ticker	P/E	5-Year P/E Range	EPS growth Most recent Fiscal year	Estimated EPS growth 2012	PEG: NEXT FISCAL YEAR	EPS growth quarter over quarter	Sales growth quarter over quarter	Price/Book
UG	19.99	14.39 - 17.46	27.96%	32.50%	0.62	5.36%	6.77%	6.21
Industry Avgs.	78.73	12.28 - 79.70	-16.37%	16.00%	4.92	190.00%	14.95%	1.57
WEC	16.89	13.97 - 17.19	13.54%	4.50%	3.75	2.17%	-10.35%	2.09
Industry Avgs.	24.28	15.18 - 101.2	16.50%	4.90%	4.96	19.12%	13.99%	0.53

Options: There are no options available for UG. We researched selling covered calls and Cash Secured Puts for WEC, but there's insufficient option volume and bids at present.

If you're interested in creating extra income via selling Covered Calls, you'll find over 30 high yield options trades in our [Covered Calls Table](#).

Likewise, we also list over 30 high yield Cash Secured Puts trades in our [Cash Secured Puts Table](#).

Financials: Both firms have Mgt. Efficiency and Debt ratios, and margins, that outshine their peers:

Ticker	Return on Assets	Return on Equity	Return on Investment	Current Ratio	Total Debt/Equity	Operating Margin
UG	29.26%	32.26%	32.15%	10.99	0	42.65%
Industry Avgs.	4.75%	8.33%	6.67%	1.81	0.19	16.62%
WEC	3.81%	12.92%	4.20%	1.09	1.27	20.41%
Industry Avgs.	0.68%	0.36%	0.84%	0.52	1.00	10.95%

Technical Data: These are both low-beta stocks, due to their lack of correlation to the market, which makes them some of the best stocks to buy for defense against downward market swings:

TICKER	Beta	Variance From 52-Week High	Variance From 52-Week Low	Relative Strength Index (14)
UG	0.41	-7.80%	71.34%	61.78
WEC	0.34	-1.26%	41.69%	65.50

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

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