



“Show Me The Money”! Blue Chips Take The Lead...

What a volatile market!

I've been studying the markets for 28 years and have seen a lot of volatility. But recent stock market gyrations – down days not seen since the 1940s, then dramatic reversals to the up-side without any apparent reason – are enough to drive even the most hardened among us crazy. Right now, it is very hard to predict what lies in store for the markets in the weeks or even the months ahead.

However, the people who run America's best corporations seem to have a different, more confident picture of where this economy is headed.

Many companies are now sitting on more cash than they have in the past, and are starting to return more of that money to shareholders - either by initiating stock dividends for the first time, by raising existing dividends, or by announcing share buybacks.

This June, Viacom (parent of Paramount Pictures and MTV) initiated a quarterly cash dividend of \$0.15 per share and resumed a share buyback program which it suspended in early 2009 due to weak economic conditions.

Retail giant, Target Corporation, announced a 47 percent increase in its quarterly dividend to \$0.25 per share. "Target's cash generation is well above the amount needed for optimal reinvestment in our core business," said Gregg Steinhafel, Target's CEO.

Target rival, Walmart, whose stock has languished over the past few years, raised its annual dividend by 11 percent to \$1.21 per share **and** unveiled a **\$15 billion** share repurchase program.

Caterpillar raised its quarterly dividend to \$0.44 from \$0.42 per share. Apparel-maker American Eagle Outfitters hiked its quarterly dividend by 10 percent.

And Monsanto announced a \$1 billion 3-year share repurchase program.

When a company initiates a stock dividend program, it makes a long-term commitment to its shareholders. Dividend programs signal corporate confidence in future earnings' prospects.

By significantly raising its dividend, Target makes its shares more attractive for investors who would like nothing more than to earn a fat dividend from a great company while they wait for the economy to turn around.

A stock buyback can be a one-time event. However, when a company buys back shares, there are fewer shares outstanding, effectively increasing earnings per share. This should, theoretically, increase the value of each share over time and benefit shareholders.

In this environment of stock volatility and economic uncertainty, one would expect corporations to button-down and hang-on to all

the cash they have. Instead, corporate chiefs are voluntarily returning excess capital to shareholders.

So take heart – corporate actions suggest that perhaps the economy may be on a path to get better sooner rather than later.

Focusing on the fundamentals, rather than on daily market fluctuations, may lead you to making good investment decisions. Or, at the very least, may give you the fortitude to hang-tough with the positions you already own.