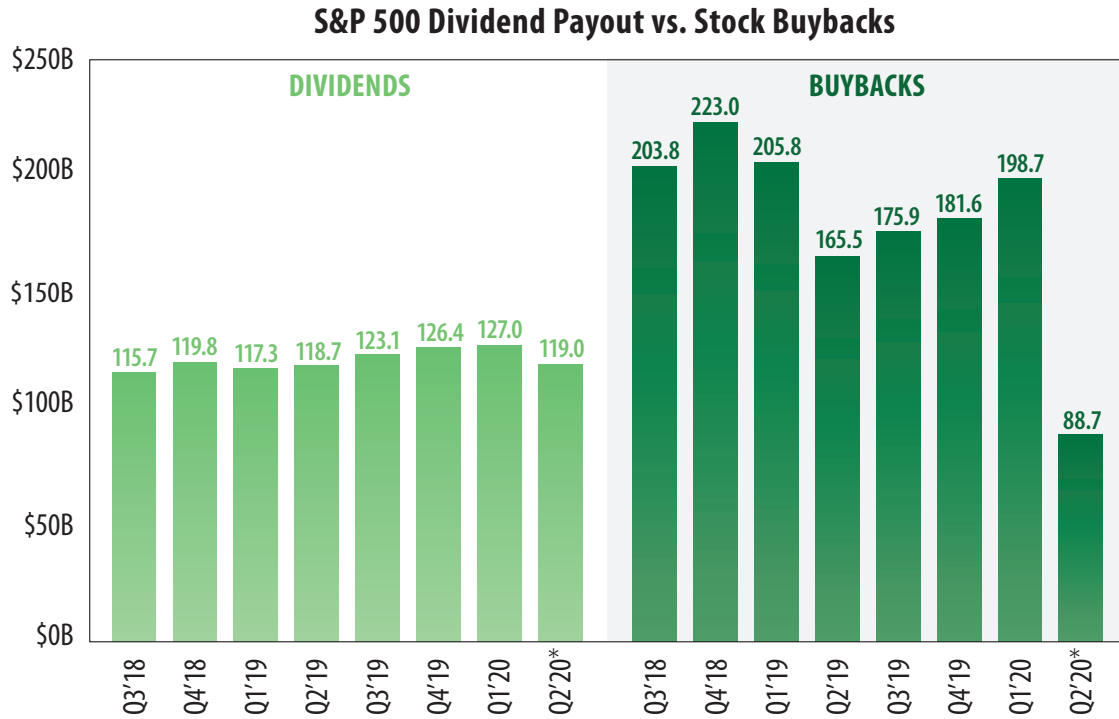


S&P 500 Index Dividend Payout Holding Up But Stock Buybacks Plunge



Source: S&P Dow Jones Indices. Quarterly data points. *Q2'20 data is preliminary.

View from the Observation Deck

1. Companies have a number of ways in which to return capital to their shareholders. Two of the more popular ways in recent years are cash dividends and stock buybacks.
2. Today's blog post shines a light on the huge disparity between the S&P 500 Index dividend payout and stock buyback activity in Q2'20. For comparative purposes, we include the dividend distributions and share buybacks for the past eight quarters.
3. The all-time high for the S&P 500 Index's quarterly dividend payout was the \$127.0 billion distributed in Q1'20. The record for quarterly stock buybacks was the \$223.0 billion registered in Q4'18, according to data from S&P Dow Jones Indices.
4. As indicated in the chart, the \$88.7 billion in buyback activity posted in Q2'20 was dramatically lower than in recent quarters. It reflected a 55.4% plunge from the \$198.7 billion repurchased in Q1'20 and was the lowest total since Q1'12.
5. In Q2'20, 49% of S&P 500 Index companies executed buybacks, down from 79% in Q1'20, according to S&P Dow Jones Indices. It cited impact to sales, liquidity and business lines from the COVID-19 pandemic as reasons for the reduction in share repurchases. Significant buyback reductions are expected to continue in Q3'20.
6. The S&P 500 Index's dividend payout of \$119.0 billion in Q2'20, while down from the previous three quarters, was up slightly on a year-over-year basis (see chart). We believe that companies, in general, are more likely to defend their dividend payout than their share repurchase plans.
7. Overall, the companies in the S&P 500 Index are still flush with cash. In Q1'20, S&P 500 Industrials (Old) cash and equivalents stood at a record high \$1.675 trillion. This figure does not include cash held by Financials, Real Estate, Utilities and Transports, which maintain high cash reserves as part of their normal operations.

This chart is for illustrative purposes only and not indicative of any actual investment. There can be no assurance that any of the projections cited will occur. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance.

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