

# Global Equity Strategy

## Alert: Global CDS-Adjusted Dividend Screen

- **CDS-Adjusted Dividend Yields** — We provide an update of the Global CDS-Adjusted Dividend screen, which looks for stocks with high dividend yields and solid prospects according to the CDS market ([Global Equity Strategist – Global CDS-Adjusted Dividends](#), 6 June 2012).
- **Criteria** — We screen for stocks in the MSCI AC World Index with Market Cap greater than \$10bn, dividend yield 1% higher than the median-yielding stock, positive 12m forward dividend momentum according to consensus forecasts and CDS in the lowest third of our universe.
- **Year-to-Date Performance** — The screen has performed strongly so far this year, returning 9.0%, better than the MSCI AC World Index (+7.9%) and the MSCI World High Dividend Yield Index (+8.2%).
- **Long-Term Performance** — The CDS screen has performed well as investors continue to [search for yield](#). Since 2006, the strategy has returned 10.3% per annum. Its Sharpe ratio is higher than MSCI AC World and MSCI World High Dividend Yield Index, but not as high as Bunds and US High Yield Credit (although it is catching them up).
- **Current Screen** — The global screen of 49 companies offers an average yield of 3.9%, is forecast to grow dividends by 6.3% in 2014E, and has an average CDS of 34. The screen remains overweight global defensives. The most represented sectors in the screen are Utilities, Telecoms and Consumer Staples.

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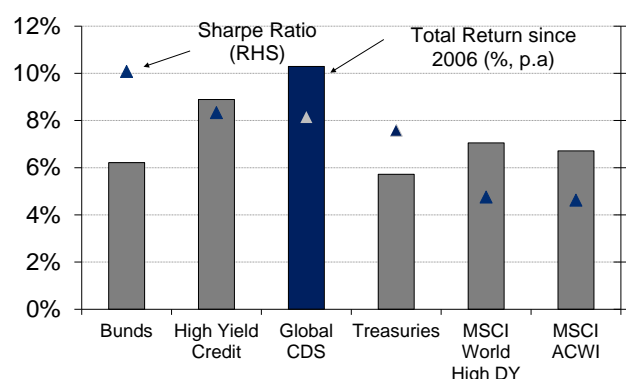
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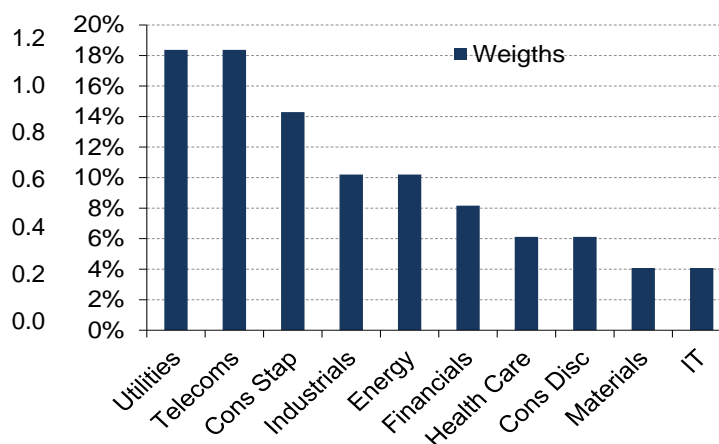
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Figure 1. Return, Sharpe Ratio



Source: MSCI, Factset, Citi Research

Figure 2. Sector Weights of Current Screen



Source: MSCI, Factset, Citi Research

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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Figure 3. Current Global CDS Adj Dividend Screen. CDS < 46, DY > 3.0, Mkt Cap > \$10bn, Div Mo > 0

RIC	Name	Country	Sector	Mcap (\$bn)	5Y CDS	Div Yld	Div Grw 2014E %	Price (lcl ccy)	6M Div Mo	New to Screen
<b>Asia</b>										
TLS.AX	Telstra Corp Ltd	Australia	Telecoms	23.1	43.0	5.2	4.5	5.65	4%	
7751.T	Canon	Japan	IT	37.4	21.2	3.7	0.8	3471	1%	
8031.T	Mitsui & Co.	Japan	Industrials	27.9	28.0	3.7	15.3	1714	16%	
9437.T	NTT DoCoMo	Japan	Telecoms	26.6	18.8	3.3	0.7	1842.5	1%	
8053.T	Sumitomo Corp.	Japan	Industrials	14.5	30.0	3.7	7.0	1360	0%	
STEL.SI	SingTel	Singapore	Telecoms	25.0	43.5	4.3	1.9	3.91	1%	
<b>Europe</b>										
SASY.PA	Sanofi SA	France	Health Care	131.9	36.3	3.3	3.7	85.49	5%	
TOTF.PA	Total	France	Energy	143.6	34.0	4.6	4.7	51.0	4%	
ALVG.DE	Allianz SE	Germany	Financials	79.1	34.0	4.0	11.3	133.2	9%	
BASFn.DE	BASF SE	Germany	Materials	94.0	35.1	3.4	5.4	78.6	3%	
DAIGn.DE	Daimler AG	Germany	Cons Disc	80.1	33.9	3.5	6.9	65.2	8%	
DPWGr.DE	Deutsche Post	Germany	Industrials	32.2	30.0	3.1	7.1	25.7	6%	
MUVGr.DE	Munich Re	Germany	Financials	34.6	35.0	4.7	2.9	154.0	2%	
SIEGr.DE	Siemens	Germany	Industrials	101.4	39.5	3.0	5.8	98.4	5%	
UNc.AS	Unilever NV	Netherlands	Cons Stap	68.7	25.0	3.4	5.5	32.5	5%	
TEL.OL	Telenor ASA	Norway	Telecoms	17.6	35.0	4.8	11.3	143.8	4%	
SHBa.ST	Svenska Handelsbanken AB	Sweden	Financials	23.7	38.5	3.4	-0.3	329.8	12%	
TLSN.ST	TeliaSonera AB	Sweden	Telecoms	17.0	36.0	6.0	3.7	50.1	2%	
SCMN.VX	Swisscom AG	Switzerland	Telecoms	13.4	38.0	4.1	0.0	530.5	1%	
SYNN.VX	Syngenta AG	Switzerland	Materials	32.6	35.0	3.1	11.8	325.2	8%	
AZN.L	AstraZeneca PLC	UK	Health Care	94.3	33.5	3.7	0.9	45.3	2%	Y
NG.L	National Grid PLC	UK	Utilities	55.8	45.0	4.6	3.0	9.1	1%	Y
RDSa.L	Royal Dutch Shell	UK	Energy	157.9	33.5	4.5	2.5	24.6	1%	Y
<b>North America</b>										
BCE.TO	BCE Inc.	Canada	Telecoms	11.7	45.0	5.0	6.1	49.2	2%	
HSE.TO	Husky Energy	Canada	Energy	10.3	45.0	3.7	0.1	32.4	1%	
MO.N	Altria Group Inc	US	Cons Stap	85.7	36.7	4.8	9.0	43.4	4%	
AEP.N	American Electric Power Co Inc	US	Utilities	25.9	23.5	3.8	4.5	53.9	2%	
T.N	AT&T Inc	US	Telecoms	181.4	41.5	5.3	2.2	35.2	1%	
CNP.N	CenterPoint Energy Inc	US	Utilities	10.1	42.7	3.8	14.7	25.0	8%	Y
CVX.N	Chevron	US	Energy	241.4	18.3	3.4	7.8	127.4	4%	
CSCO.O	Cisco Systems, Inc.	US	IT	127.6	32.5	3.1	20.2	25.0	6%	Y
COP.N	ConocoPhillips	US	Energy	98.0	26.4	3.7	4.1	80.4	4%	
ED.N	Consolidated Edison Inc	US	Utilities	16.9	32.1	4.4	1.9	58.1	1%	
EXC.N	Exelon Corp	US	Utilities	28.8	43.5	3.7	-13.2	33.8	0%	Y
GIS.N	General Mills Inc	US	Cons Stap	32.9	35.5	3.1	10.9	53.8	4%	
KMB.N	Kimberly-Clark	US	Cons Stap	40.5	25.5	3.1	3.9	107.5	4%	
KRFT.O	Kraft Foods Group Inc	US	Cons Stap	34.8	40.7	3.6	5.1	58.8	3%	
LMT.N	Lockheed Martin Corp.	US	Industrials	47.0	22.2	3.1	15.1	174.6	6%	
MCD.N	McDonald's Corp	US	Cons Disc	91.9	18.1	3.5	5.7	93.1	2%	
NU.N	Northeast Utilities	US	Utilities	14.5	30.1	3.4	7.1	46.6	4%	
PFE.N	Pfizer	US	Health Care	187.1	23.1	3.5	21.2	29.7	1%	
PM.N	Philip Morris International	US	Cons Stap	133.7	30.0	4.4	6.3	85.5	5%	
PG.N	Procter & Gamble Co	US	Cons Stap	226.5	23.4	3.1	6.7	83.8	2%	
SPG.N	Simon Property Group Inc	US	Financials	52.9	40.5	3.1	11.3	173.2	6%	
SO.N	Southern Company Inc	US	Utilities	39.3	41.1	4.8	3.0	44.8	1%	
TGT.N	Target Corp	US	Cons Disc	36.7	43.3	3.4	23.6	61.1	16%	Y
VZ.N	Verizon Communications Inc	US	Telecoms	205.9	43.5	4.3	1.1	49.9	2%	
WEC.N	Wisconsin Energy Corp	US	Utilities	10.1	29.6	3.5	6.8	45.6	4%	Y
XEL.N	Xcel Energy Inc	US	Utilities	16.0	28.4	3.8	6.5	32.5	4%	
Average					33.5	3.9	6.3			

Source: MSCI, Bloomberg, Factset, Citi Research. \*Consensus forecast used for all stocks; #12m trailing; Shaded stocks are new to the screen

## Appendix A-1

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