A “No Drama” 6.7% Dividend to Buy Right Now

By: BNK Invest
Posted: 7/11/2019 9:30:00 AM
Referenced Stocks: SPY;SPXX;MSFT;AAPL;JPM

By Michael Foster

Imagine if you could find a single signal that would warn you when a recession is on the horizon.

Well, one such indicator does exist and it tells us that storm clouds are indeed building. That means it is time for contrarians like us to get greedy for income (and gains)!

I explain this seeming contradiction and name a 6.7%-yielding fund that should be on your list in a second. First, here more on this reliable recession indicator.

A Three-Decade History of Being Right

Campbell Harvey, an economist at Duke University, knows all about this recession signal: he was the first person to run across it, over 30 years ago.

In 1986, Harvey discovered that every time long-term Treasury yields were lower than short-term Treasury yields, a recession would occur within a year and a half. Since then, the reinverted yield curve has become one of the most widely recognized signs of a looming downturn.

So what is it saying today?

Recession Signal Flashes Yellow

As you can see, the yields on the one-month and three-month Treasuries have broken out above the yield on the 10-year Treasury in blue.

A classic inverted yield curve.

So does this mean a recession is coming? Perhaps. While no one knows the future, this indicator does, in fact, say a recession is on the way. And if we follow its signal over history, that recession could start at the end of 2020 or the start of 2021.

So is it time to panic?

No way! As I mentioned, it is time to buy (so long as you are buying the right stocks and funds, of course). Here’s why.

I first started hearing from worried investors back in late 2015, when the yields on shorter-term Treasuries started their march toward those on longer-term notes, as you can see in the chart above.
But if you'd wait to sell until recession fears pushed you into selling back then, you would have missed out
on this:

**Panic Selling Brings a Big Cost**

Investors who took their nest egg out of the market when short-term yields started rising have
missed out on their money growing by nearly half while they aEURoewait out aEUR the recession.

Remember the late-2018 bear market? Those who *did* aEURtmd sell according to the recession
indicator in late 2015 were still up 20% at the worst part of that correction.aEUR"not bad!

And if you think it would be smart to sell now and avoid a potentially looming recession, you risk
collapsing into the same trap these folks did. ThataEURtms because we could see 20% gains from
now until the end of 2020. And remember that at its average, the stock market goes up about 7.5%
per year.

ThataEURtms not all. Investors often forget that a recession typically means a stock-market panic
that quickly reverses itself. While the crashes of 2001 and 2008 were different in that they took
years to recover, these are rarities.aEUR"more common is the quick snap-back, like we saw in
1990aEUR"91.

**A Short Interruption to Growth**

Investors who saw that recession coming and waited until it ended to get back in found themselves
selling and buying at the same price. But that aEURosafety aEUR cost them two things: dividend
payouts while they were out of the market and a chance to buy cheap, which investors who bought
at the low points of the pullback took advantage of.

**What to Buy: Stock-Focused Closed-End Funds**

So with at least a year and a half (and maybe more) of gains to enjoy, what should we buy now?

For many folks, the automatic answer would be an index fund like the SPDR S&P 500 ETF (SPY).
But savvy contrarians (and income-seekers) that we are, weaEURtmre going to pass on SPY
and its skimpy 1.8% dividend and skip to stock-focused closed-end funds (CEFs).

A great example: the Nuveen S&P 500 Dynamic Overwrite Fund (SPXX), which holds many of
the same household names as SPYaEUR” Microsoft (MSFT), Apple (AAPL), JPMorgan
Chase (JPM) and Visa (V) among them.

So you can look forward to a portfolio that, like SPY, aims to track the S&P 500. But thereaEURtms
one major difference: SPXX is an actively managed fund that sells call options against the stocks
in its portfolio.aEUR"and that helps it generate extra income.

That, in turn, helps drive a much bigger dividend: an outsized 6.7% yield, in fact. With a cash
stream like that, you can choose when (or if) you want to reinvest your dividends. Meantime, your
nest egg stays invested and benefits from the market.aEURtms long-term gains.

**30% Gains. 8.7% Dividends. Get Both Here.**

If you want growth, income and aEURoecrash insurance.aEUR (and who doesnaEURtmd?), my 4
favorite CEFs now are perfect.

They pay an outsized 8.7% average dividend. And, unlike SPXX, they trade at huge discounts to net asset value (NAV, or the what their underlying portfolios are worth).

That gives us two critical wealth-building benefits:

- **Price upside**: If the markets hold steady or rise, these 4 stout income playsaEURtm big discounts will slam shut, catapulting them to market-beating price gains (laEURtmm calling for a 20%+ jump, on average, in the next 12 months.) With dividends, youaEURtmre looking at a potential 30%+ total return here!

- **Downside aEURoeinsuranceaEUR**: If the market falls out of bed, these 4 fundsaEURtm big discounts set them up to simply trade flat. And weaEURtm still collect their massive 8.7% dividends.

These 4 aEURoeheads you win, tails you win.aEUR income plays (the highest payer of the bunch throws off an incredible 10.7% payout!) are waiting for now.

Simply click right here to get full details on all 4 of these reliable income-generating CEFs: names, ticker symbols, buy-under pricesaEUR"the works"!