

# Investor who helped popularize the winning 'Dogs of the Dow' strategy picks five Dow stocks for '17



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At the beginning of each year, investors who employ the classic "Dogs of the Dow" strategy buy the 10 highest-yielding stocks in the Dow Jones industrial average, holding on to those names for one year.

The method, brought to the fore in Michael B. O'Higgins' 1991 book "Beating the Dow" (where he does not include the canine-related phrase), is intended to outperform the price-weighted index by selecting constituent names that may be out of favor — and hence have a high dividend relative to price. As the thinking goes, the names promise to yield capital returns, if not price appreciation.

In 2016, the stocks that were the highest yielding at the end of 2015 performed well as a group, led by huge rallies in [Caterpillar](#) and [Chevron](#).

In a Friday interview on CNBC's "Trading Nation," O'Higgins named his top five Dow stocks for 2017: [Verizon](#), [Pfizer](#), [Merck](#), [Cisco](#) and [Coca-Cola](#). Each has a dividend yield north of 3 percent (Verizon has the highest, at 4.33 percent).

This isn't O'Higgins' first time recommending Merck. In "Beating the Dow," O'Higgins praised the company, even noting that the inside front cover of its 1989 annual report was "wholly devoted to a listing of the awards and distinctions this superb company earned in 1989: most admired, best managed, product of the year," among others.

Broadly, though, he is not entirely bullish on stocks — or "Dogs of the Dow" — in the coming year.

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"The Dogs of the Dow have beaten the Dow seven years in a row, which is the longest winning streak in history," O'Higgins said Friday. "So given the fact that trees don't grow to the sky, I would say I think there's a good chance that both stocks and Dogs of the Dow may not do so well in the near future."

That said, he advises sticking with it.

"It's not a strategy that one jumps on in a given year and then abandons it," O'Higgins, who is also president of Miami Beach-based O'Higgins Asset Management, said Friday.

**Rebecca Ungarino**  
Associate Producer



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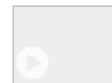
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