

# Have You Noticed That Many Dividend Stocks are Finally in a Bear Market? General Mills Inc.: Part 1

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## Introduction

For quite some time I have been complaining that most best-of-breed dividend growth stocks were overvalued. Frankly, for the most part I continue to hold that opinion. On the other hand, I am also starting to see what I'll call a stealth bear market for many dividend growth stocks. In some cases, this stealth bear market has brought several dividend growth stocks close to fair value, and in a few cases down to undervalued territory. Furthermore, there are also dividend growth stocks that have fallen 10% to 20% or more and yet remain significantly overvalued.

Consequently, I am beginning to suspect that my long-awaited reversion to the mean may finally be happening. However, so far valuation reversions have been somewhat selective. In other words, although the valuations of most high-quality dividend stocks remain extended, the stock prices of several specific individual dividend growth stocks have been dropping and/or moving sideways recently.

Therefore, I thought it would be helpful to provide FAST Graphs analyze out loud videos on several dividend growth stocks that have corrected from high valuation levels to more reasonable levels. My first research candidate is General Mills Inc (GIS). The following slide summarizes General Mills' business makeup.



## FAST Graphs Analyze out Loud Video: General Mills

General Mills has fallen more than 40% off its high established in July 2016. Additionally, General Mills' stock price has fallen over 29% since the beginning of calendar year 2018. However, as I intend to illustrate in the following analyze out loud video, nothing fundamentally has really changed with the company. In 2016 General Mills was extremely overvalued, and it entered 2018 still overvalued but not at the extreme level it was in 2016. Thanks to this correction this quality consumer staples company now offers investors a dividend yield exceeding 4 1/2%.

## Summary and Conclusions

If you're looking for a good income investment to add to your portfolio, then General Mills might just be the ticket. On the other hand, if you're looking for capital appreciation, then General Mills might also represent a valuation arbitrage situation. In other words, if the company were to produce the modest growth expected by analysts and the market decided to once

again value the stock at its normal premium P/E ratio, capital appreciation potential could also be superior. Both scenarios appear to be predicated on conservative forecasts. However, I would strongly suggest conducting your own comprehensive research and due diligence.

Disclosure: Long GIS

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