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# Dividends, buybacks, mergers are positive signs for investors

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By Matt Krantz, USA TODAY

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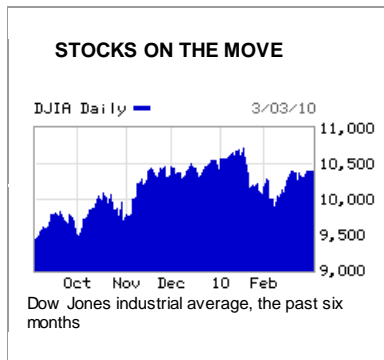
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Some people say that bad news comes in threes. But now investors are seeing that good news can, too.

Companies are generating three simultaneous trends that arguably offer bright signs about their health and view of the future. Specifically, companies are busily boosting their dividends, buying back their stock and heating up merger-and-acquisition activity.

"These are some of the most powerful things going on for the market right now," says Michael Cannivet, portfolio manager at Palo Capital.



So while economic data seem to oscillate from good news to bad each week, investors are keying on encouraging clues from companies including:

**Recovering dividends.** One of the brightest trends is the cash payments made by companies to shareholders. February was the best month for dividends in two years with 47 companies in the Standard & Poor's 500 index either boosting or starting to pay a dividend, and just one company, Tesoro, cutting its payout, S&P's Howard Silverblatt says. The trend continued Wednesday when General Dynamics boosted its quarterly dividend by 10.5%.

**Rising buybacks.** Companies are famous for buying back their stock at the wrong time, but they're at least confident enough to use some of their cash. Stock buybacks are expected to be 37% higher in the fourth quarter compared with the third quarter of 2009, Silverblatt says. For companies, "There's no better way than dividends and buybacks to prove to everyone, 'I'm OK,'" he says.

**Increasing M&A activity.** The track record for companies successfully buying other firms is spotty, but again, an uptick in M&A shows confidence and appetite for risk. The number of U.S. deals is up 13% this year to 1,579, Dealogic says. And the dollar value of deals targeting U.S. companies is up 46% to \$144 billion, Thomson Reuters says.

The fact that U.S. companies are willing to spend at least part of their record \$820 billion hoard of cash shows they're moving away from the stuff-cash-under-the-mattress mentality, says Jack Ablin of Harris Private Bank.

Still, none of these three developments pronounces the end of companies' woes.

While more companies are increasing their dividends, the dollar value of the payments is still down 15% this year from last year and won't match 2008 levels until 2012, S&P says. Buybacks have been mainly soaking up extra shares created by giving employees stock options and they're still down 66% from the fourth quarter of 2007. And the dollar value of all U.S. M&A deals is down 13% this year vs. the same period last year, Dealogic says.

These factors make some investors worry the seemingly good news could be fleeting if the economy can't sustain itself without government help. "We're seeing really good signs" says Michael Farr of Farr Miller & Washington. "But we're not sure how long they will last."

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c laird478 (13 friends, [send message](#)) wrote: 8m ago

From the article; The fact that U.S. companies are willing to spend at least part of their record \$820 billion hoard of cash shows they're moving away from the stuff-cash-under-the-mattress mentality, says Jack Ablin of Harris Private Bank.

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So much for the Republicans' claim that companies aren't hiring workers because they don't have enough money and therefore need more huge tax breaks.

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DARTH SLACKER (0 friends, [send message](#)) wrote: 28m ago

The Bard (0 friends, [send message](#)) wrote: 7h 48m ago  
The stock buybacks are a trick used to inflate the stock prices in order to pay bigger bonuses to the execs. They also serve to keep the unemployment high, which they perceive as bad for the Democrats. The money that goes into stock buybacks could be used building the company and hiring back laid off employees. But that would make Obama look good, and no self respecting Republican would ever do that.

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You should invest in a tin foil hat manufacturer.

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Too bad we elected tax and double-spend liberals, making companies afraid of their costs going up, keeping market growth stunted. Companies know the boom is going to fall on them. It still baffles me why we would elect such people at one of the worst possible times. I guess we deserve what we get.

-----  
This problem started with Ronnie Reagan, was escalated by Bush Sr and then was exploded by Bush Jr...and you blame Obama for not fixing it in a year? lol....ignorance knows no bounds.

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The US economy cannot just increase forever...not with the rest of the world now sharing the market.

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Besides, the past economic growth was dependent on cheap, abundant energy (oil) and those days are over for good. There is NO cheap abundant energy to build a new economy on...just increasingly more and more expensive energy that will put the brakes on expansion everywhere.

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burpootus (0 friends, [send message](#)) wrote: 4m ago  
Too bad we elected tax and double-spend liberals, making companies afraid of their costs going up, keeping market growth stunted. Companies know the boom is going to fall on them. It still baffles me why we would elect such people at one of the worst possible times. I guess we deserve what we get.

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It's pretty clear that's why we elected these "people". It had become the worse possible time with the previous "people". These "people" stopped the recession from becoming another depression. So I'm sure all the bluster on these comments page will continue, but I know we would be much worse off if those "people" were still in charge. And now the market will reflect it. 11000 before years end.

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burpootus (0 friends, [send message](#)) wrote: 1h 38m ago  
Too bad we elected tax and double-spend liberals, making companies afraid of their costs going up, keeping market growth stunted. Companies know the boom is going to fall on them. It still baffles me why we would elect such people at one of the worst possible times. I guess we deserve what we get.

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Wilbur Clark (0 friends, [send message](#)) wrote: 4h 25m ago  
DOW 11,000 by the end of the year at the latest!

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The Bard (0 friends, [send message](#)) wrote: 8h 18m ago  
The stock buybacks are a trick used to inflate the stock prices in order to pay bigger bonuses to the execs. They also serve to keep the unemployment high, which they perceive as bad for the Democrats. The money that goes into stock buybacks could be used building the company and hiring back laid off employees. But that would make Obama look good, and no self respecting Republican would ever do that.

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Bill T. (66 friends, [send message](#)) wrote: 9h 45m ago  
Just the same faux money sloshing around with nowhere to go. No real improvement...more unemployment, more homes lost, less consumerism...same old sales pitch for the Market Casino...

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