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If you have been watching the markets for as long as I have you will understand that the FTSE 100 is currently in a rather unique position of offering investors some very appealing yields on quality blue chip stocks. This coupled up with the potential for long term capital growth once the domestic stocks start to recover after Brexit makes for an appealing time to set up an income portfolio. There is a lot of decent companies out there that are pinned down not necessarily due to any problems themselves but more so due to hesitation due to Brexit, but for the investor that can see beyond short term noise the recoveries and yields certainly are appealing.

“High dividend yields are easy” I hear you say!

but a high yield is not always an indication of a bargain, it can also highlight “problems at the mill” and raise concerns over sustainability. Finding a good yield on a strong stock is harder than it may sound. It is not as simple as finding the highest yield and getting in, the dividend needs to be sustainable and the long-term prospects need to be sound. Sometimes a higher yield can covertly signal problems more than anything else.

Warren Buffett once said: - “it is wise to be Fearful when others are greedy and greedy when others are fearful.”

Lloyds Banking Group Dividend yield of 6.48% at 49.7p

Lloyds is one of the most followed stocks in the FTSE and recent price action and announcements have put the company back in the spotlight. They are followed right across the board, whether you’re an income or a growth investor, long term investor or short-term trader. Those that still feel it is a 100p plus share and those eternally optimistic holders that hope it will be back to the former glory of over 400p.

Lloyds have received a lot of praise recent years, mainly due to a return to boring comfortable banking – current accounts, mortgages, personal and business loans, life insurance...sound dull? Thank goodness.

Fund managers in the City used to mockingly call Lloyds “the world’s most boring bank”, who knew that would become a compliment.

The more aggressive approach towards Brexit from Boris Johnson and the fact they are still stashing cash away to cover the PPI miss selling provision has certainly added pressure to Lloyds share price

and with Lloyds the main player in the UK domestic banking sector the share price is certainly being pinned down more so than the other main banks.

However once clarity on how and if we will ever leave the EU has been sought then I would expect to see investors taking advantage of the current share price and yield on offer.

Prudential Dividend yield of 3.66% at 1355p

We see Prudential as undervalued at current prices. Largely due to the recent market selloffs and the current demerger which is going to plan but has left investors cautious ahead of any final developments. The outcome will be two separate listings, with the Asian and US operations under the name of Prudential, while the other will be its UK division called M&G Prudential. The idea being that they will be able to create more value for shareholders.

Prudential also continues to develop its Asian arm and is now the leading European insurance player in that area. The rise of the middle class across Asia should provide a good growth for some time to come. The Asian market has driven a 13 per cent rise in new business profit and 6 per cent growth in underlying cash generation for the life and asset management businesses. All the right ingredients for a company with strong long-term prospects.

Overall, we see the market applying a significant discount to the UK valuation of Prudential due to the uncertainties of the proposed UK demerger. Once the demerger is complete it should leave the share price free to return to fair value.

Vodafone Dividend Yield of 5.2% at 155p

Over the last 12 months, Vodafone has managed to make most brokers, analysts and market participants look or feel stupid. Despite ratings remaining firm and commentaries remaining bullish, the share price has continued to march lower. The firm has also been under pressure from shareholders fed up with its lack of strategy and lack of growth, the only thing they have offered investors in the last year is a strong dividend yield and that has recently been cut. The shares have fallen over 30% in the past 12 months alone.

The dividend cut was always on the cards after the decline in the price and despite the cut, it still offers a good yield for those buying in at existing prices. The yield on Vodafone shares has remained appealing at around 5%. The group has also committed to returning to a progressive dividend policy. So, it looks like a case of short-term pain for longer term gains.

Standard Life Aberdeen Dividend yield of 8.56% @249.7p

Standard Life and Aberdeen Asset Management merged together in 2017 to form the current group. The group's products and services include pensions, individual savings accounts, investment bonds, and mutual funds. The merger created one of the largest asset managers and gave opportunities for cost savings. They are targeting a cost to income ratio below 60%. The share price suffered heavily when the company lost their largest commercial client Lloyds last year. This added to concerns on how the sector will fair as we leave the European Union has left the shares languishing. In the near term the continued uncertainty over passporting facilities are creating a drag on prices. Again, though there are a lot of positives to focus on, the ongoing share buyback scheme, Inflow of funds boosted by the joint venture with Virgin Money and the continued focused on growing its international proposition with distribution now in markets such as Singapore, Dubai and China.

British Petroleum Dividend yield of 6.74% @ 505p

BP is an oil and petrochemicals company, the company explores for and produces oil and natural gas, refines, markets, and supplies petroleum products, generates solar energy, and manufactures and markets chemicals. The business has converted over recent years to a more focussed oil and gas company, as a result of disposals. They have also seen increases in Production levels improved in 2018 and are set to rise further during 2019 as new projects come online. The net debt has risen to $46.5bn, leaving the gearing ratio at 31%, higher than their target range of 20-30%.

They have made a recent acquisition of BHP Billiton's shale assets which will help diversify their revenue stream. The dividend is also appealing and has seen rises and this is coupled up with a share buyback programme being announced. Despite the near-term pressure on oil BP will remain a global leader.

About Atlantic Capital Markets

We are a Multi-Asset Brokers with a depth of stock market experience you will find hard to equal. We offer clients the ability to trade shares either in a traditional fashion with standard shares and options or taking advantage of leverage and trading via a CFD. Our clients can take advantage of our short-term trading alerts received direct to your mobile phone with our self-trade accounts or decide if they want an allocated advisor to help monitor and advise your existing portfolio, whilst also working by your side on any shares you may want to buy or be holding elsewhere.

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