

## McDonald's stock suffers longest weekly losing streak in 4 years amid consumer-spending concerns

By Tomi Kilgore October 6, 2023

Stock falls to 1-year low, to boost dividend yield to the highest levels in more than 3 years

McDonald's Corp. investors were suffering through the worst weekly losing stretch in four years, amid increasing concerns that the recent surge in interest rates will crimp consumer spending.

The fast-food giant's stock (MCD) fell 1.4% in afternoon trading, putting it on track for the lowest close since Oct. 17, 2022.

The stock has shed 5.6% this week, making it the worst weekly performer among Dow Jones Industrial Average DJIA components. It was also headed for the sixth-straight weekly decline, which would be the longest weekly losing streak since the six-week stretch that ended Nov. 8, 2019.

Friday's stock weakness followed the release of stronger-than-expected September jobs data. While more jobs might seem to be a positive for consumer spending, the worry is that a strong jobs market will make the Federal Reserve more inclined to continue its interest rate-raising policy.

"A challenging macro environment including rising interest rates and elevated costs continues to create volatile consumer confidence levels and put pressure on consumer spending," said McDonald's Chief Financial Officer Ian Borden in a late-July conference call with analysts following second-quarter results, according to an AlphaSense transcript.

McDonald's is scheduled to report third-quarter results on Oct. 30.

The yield on the 10-year Treasury note, which is what the rates of a number of consumer loans are based on, including mortgages and car loans, reached a 16-year high of 4.887% in intraday trading, before pulling back to 4.776% in afternoon trading Friday after the jobs data.

"Given the record high level of debt in the private sector, a 10-year yield that exceeds 5% for more than a quarter could shut down business and consumer spending," wrote **Bernard Baumohl, chief global economist of The Economic Outlook Group LLC** in a research note Friday.

McDonald's stock's weakness on Friday also comes two days after the company increased its quarterly dividend by 10%, to \$1.67 a share, from \$1.52 a share. Shareholders of record on Dec. 1 will receive the new dividend on Dec. 15.

Based on current stock price, the new annual dividend rate of \$6.68 a share implies a dividend yield of 2.684%, which is the highest implied yield since July 2020.

The yield is also about triple that of the yield of the Consumer Discretionary Select Sector, which is 0.89%, and more than a percentage point above the implied yield for the S&P 500 index SPX of 1.61%.

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