Why Wall Street’s "Most Hated" Stocks are Your Next Happy Place

By winkler · April 21, 2026

TL;DR

This blog post explores why Wall Street's 'most hated' stocks, particularly in the Consumer Staples sector, present a unique investment opportunity. With high dividend yields and potential for long-term capital appreciation, these undervalued stocks could serve as effective 'bond replacements' for investors. The anticipated shift in monetary policy may further drive interest in these dividend payers.

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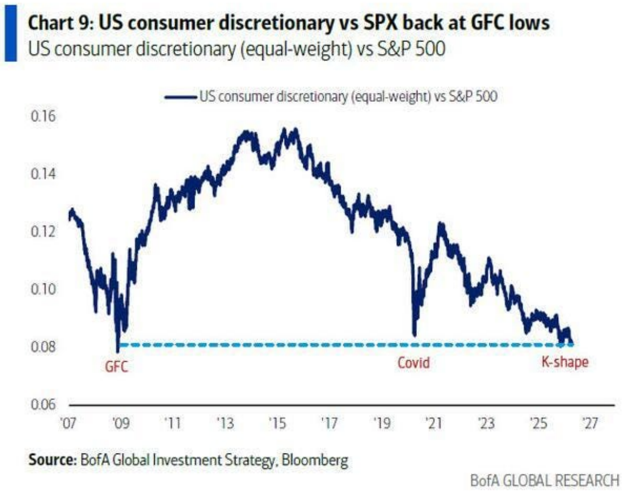
Video: https://youtu.be/OYv48HvUOpA

Executive Thesis

The core lesson regarding dividends is that **market complacency at all-time highs often leaves high-quality "Consumer Staples" deeply out of favor, creating a rare window for "bond-replacement" yields and long-term capital appreciation.**



Macro Factors for Dividend Investors

1. **Yield on Basis vs. Dividend:** The "Warren Buffett Coca-Cola" lesson. By buying quality companies when their yields are historically high (due to low stock prices), your "yield on basis" can grow to 15–20% over 10–14 years as the companies continue to raise their dividends annually.

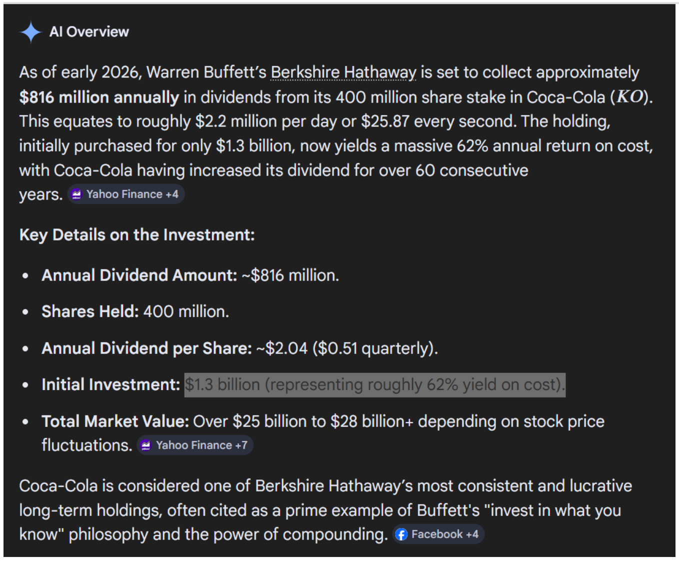
The "Yield on Cost" (YOC)

This is the most important concept for long-term wealth. **Yield on Cost** is the dividend yield calculated using your original purchase price, not the current market price.

Example: The 10-Year Horizon

1. You buy a "hated" staple at **$20** with a **$1.00** dividend. Your yield is **5%**.
2. Fast forward 10 years. The company has performed well and raised the dividend every year. The dividend is now **$2.50**.
3. The stock price has also recovered and is now **$50**.
4. The "Current Yield" the public sees is **5%** ($2.50 / $50).
5. **BUT... your Yield on Cost is 12.5%** ($2.50 / $20 original price).

This is how Warren Buffett earns a roughly **50% yield on his original cost** for Coca-Cola (KO$83.49+1.04%). He isn't getting a special deal; he just bought it decades ago at a low price and the dividend kept growing.



AI Overview

As of early 2026, Warren Buffett’s Berkshire Hathaway is set to collect approximately **$816 million annually** in dividends from its 400 million share stake in Coca-Cola (*KO*). This equates to roughly $2.2 million per day or $25.87 every second. The holding, initially purchased for only $1.3 billion, now yields a massive 62% annual return on cost, with Coca-Cola having increased its dividend for over 60 consecutive years. Yahoo Finance +4

Key Details on the Investment:

- **Annual Dividend Amount:** ~$816 million.
- **Shares Held:** 400 million.
- **Annual Dividend per Share:** ~$2.04 ($0.51 quarterly).
- **Initial Investment:** $1.3 billion (representing roughly 62% yield on cost).
- **Total Market Value:** Over $25 billion to $28 billion+ depending on stock price fluctuations. Yahoo Finance +7

Coca-Cola is considered one of Berkshire Hathaway’s most consistent and lucrative long-term holdings, often cited as a prime example of Buffett's "invest in what you know" philosophy and the power of compounding. Facebook +4

1. **The "Warsh" Catalyst:** With the anticipated appointment of Kevin Warsh as Fed Chair, we expect a regime shift toward rate cuts. This will cause investors to "clamor" for dividend payers, driving up stock prices as yields normalize.
2. **Inflation**: Staples as "Bond Proxies"; however, high-quality Staples have pricing power, allowing them to grow nominal dividends to outpace inflation over time
3. **Input costs:** Spikes in raw materials (aluminum, grains, energy) and freight during the Iran conflict have temporarily crimped gross margins
4. **GLP-1 (weight-loss drug):** An exaggerated fear of mass adoption of weight-loss drugs (Ozempic/Wegovy) will lead to a permanent, terminal decline in caloric intake, destroying demand for snack and processed food portfolios

This "trifecta of fear" has driven valuations to 20-year lows. We argue these fears are not reflected in the actual cash flows, making the current sector "despondent" and thus a "generational buy".

Quick Terms

Dividend Per Share (DPS): This is the actual **dollar amount** the board of directors agrees to pay you. If the company pays $0.42 per quarter, the annual DPS is **$1.68**.

Dividend Yield: This is the percentage calculation: (Annual DPS / Stock Price) * 100

Individual Dividend Stock Picks

Here is a "basket" of staples that he views as superior cash replacements:

Ticker	**Company Name**	**Yield**	**Analysis / Lessons**
CAG$13.78+1.25%	Conagra Brands	**9.8%**	Historically yields 2-3%. If the dividend compounds at 5%, your yield on basis doubles in 14 years. Brands like Slim Jim and Healthy Choice are "durable".
CPB$22.73+1.70%	Campbell Soup	**7.8%**	A "complete dumpster fire" currently, which we love. Includes Goldfish and Pepperidge Farm; cash flow per share is steady despite sentiment.
GIS$35.40+1.72%	General Mills	**7.0%**	Expected to provide a 14% yield on basis a decade out, alongside a likely double or triple in the stock price.
HRL$24.81+1.43%	Hormel Foods	**5.6%**	**Core Holding:** A "Dividend Aristocrat" with a 10% return on capital. We see a margin turnaround ahead.
CLX$95.27-0.12%	Clorox	**4.75%**	Historic yield is 2.2%. Despite private label competition, We view it as a "needed" brand that will recover its margins.
MKC$50.92-3.65%	McCormick	**3.57%**	Historic yield is 1.8%. You are getting a "double yield" because the price is down.
DEO$95.44+0.45%	Diageo	**N/A***	**New Pick:** Trading at 12x forward earnings (cheapest since GFC). New CEO Dave Lewis ("Drastic Dave") is "kitchen-sinking" the quarter and cutting costs.

BTI$58.95-1.78%	British American Tobacco	**N/A**	Mentioned in passing as a high-conviction dividend play that is "unbelievably cheap".

*Diageo recently cut its dividend to a floor of 50c to "right-size" for the turnaround.

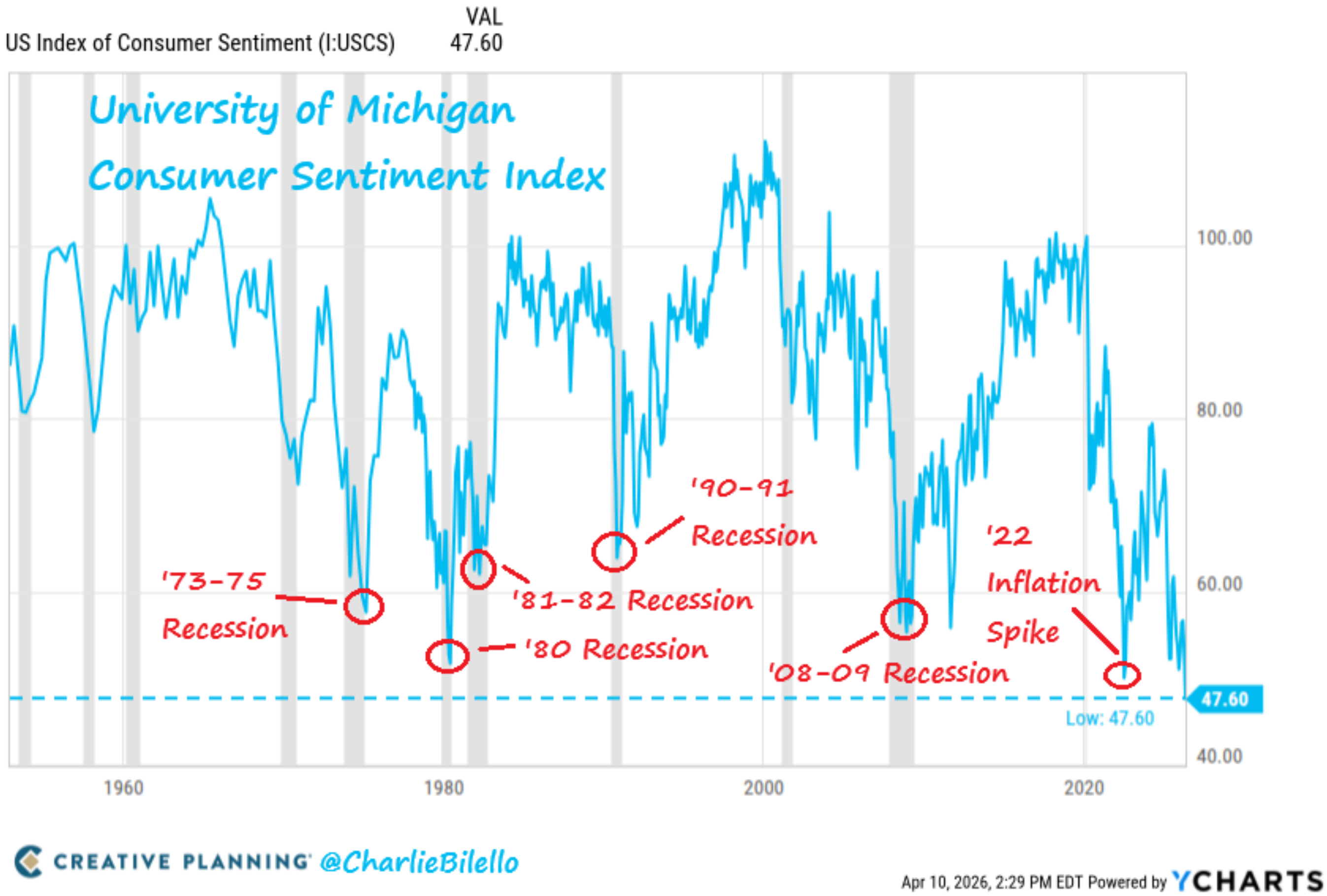
The "Safe Money" Strategy

We concluded that for investors with significant cash, buying these "boring" companies when no one wants them provides a **12% blended yield** and a capital triple over a decade, far exceeding the returns of sitting in a 5% money market fund that will soon see lower rates.

Appendix

From: https://bilello.blog/2026/the-week-in-charts-4-17-26

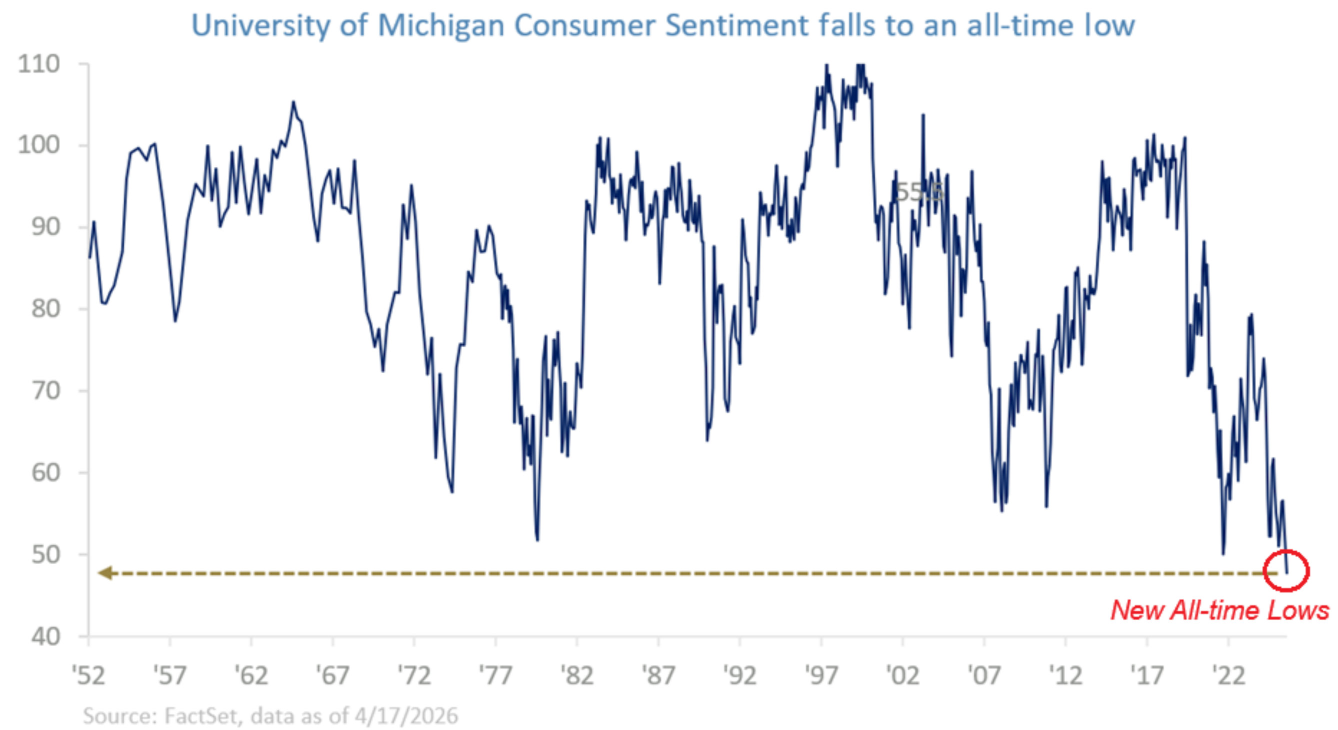
The US consumer sentiment index from the University of Michigan goes back to 1952. Incredibly, it has never been lower than it is today. This is a period that includes the stagflationary 1970s recession, the Global Financial Crisis and the covid downturn.



Why are consumers so gloomy?

Substantial increases in their concerns over high prices. This much is clear: consumers really, really hate inflation. But the question, of course, is do they hate it enough to reduce their discretionary spending? That remains to be seen.

"The University of Michigan Consumer Sentiment Index just broke down to new all-time lows" - TendLabs



FAQ

What are 'Consumer Staples' stocks?

'Consumer Staples' stocks are companies that produce essential products, such as food and household items, that consumers buy regardless of economic conditions.

Why are these stocks considered 'most hated'?

These stocks are labeled 'most hated' due to current market sentiment, which has driven their valuations to lows not seen in 20 years, despite their strong cash flows.

What is 'Yield on Cost'?

'Yield on Cost' is the dividend yield calculated based on the original purchase price of a stock, which can significantly increase over time as dividends grow.

How can high-quality staples outpace inflation?

High-quality staples have pricing power, allowing them to raise prices and grow dividends at a rate that can outpace inflation over time.

What is the expected impact of Kevin Warsh's appointment as Fed Chair?

His anticipated appointment may lead to rate cuts, increasing demand for dividend-paying stocks as investors seek stable income sources.