



Dudack Research Group

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February 27, 2019

DJIA: 26057.98
SPX 2793.90
NASDAQ: 7549.30

US Strategy Weekly

Significant Geopolitical Week

POLITICAL PRESSURE EVERYWHERE

This could prove to be an important week in the political affairs of several countries. British Prime Minister Theresa May is now offering lawmakers the opportunity in mid-March to vote on a disorderly no-deal Brexit or to vote for a delay in Britain's exit from the European Union. However, May indicated that the only way a no-deal option would be off the table would be to revoke Article 50, which she will not support. In sum, this new development means if May fails to get a deal approved by the current March 12 deadline, Parliament has the opportunity to push the Brexit cliff date out to the end of June. If so, the Brexit saga may simply continue to weigh on the European continent for three additional months. Nevertheless, the pound rallied on the news.

In South America the Venezuelan humanitarian crisis deepens. On a visit to Bogotá, US Vice President Mike Pence stated that President Nicolas Maduro's action to block aid to the people of Venezuela has solidified America's resolve to support opposition leader Juan Guaido. The US responded with a new round of sanctions and asked the United Nations Security Council to vote on a draft resolution calling for immediate elections in Venezuela and the delivery of humanitarian aid.

This week also includes another historic summit between President Donald Trump and North Korean leader Kim Jong Un in the Vietnamese capital of Hanoi. This is their second get-together in twelve months and the US delegation hopes this meeting will move both leaders closer to a deal that will include tangible steps by North Korea to dismantle its nuclear weapons program. Meanwhile in Washington DC, Trump's prison-bound former personal attorney Michael Cohen will respond to questions from lawmakers in both private and public forums regarding President Trump's personal finances. These meetings are transpiring as reports circulate that Special Counsel Robert Mueller may be nearing the end of his investigation into whether Russia and Trump's campaign colluded to interfere in the 2016 presidential election. The Democratic-based House of Representatives just passed new legislation to terminate President Trump's proclaimed national emergency at the U.S.-Mexico border and this sets up a vote for the bill in the narrowly-led Republican US Senate. In our opinion, it would be refreshing if Congress would re-direct its energy from political power plays on the border to more productive work like comprehensive immigration policy reform.

Federal Reserve Chairman Jerome Powell is giving his semi-annual Monetary Policy Report to the Congress this week and it began with Tuesday's meeting with the Senate Banking Committee. Unfortunately, many questions from Senate Committee members to the Fed Chief were directed more toward politics rather than monetary policy and were frequently statements rather than questions. This trend is apt to escalate as he heads to the House Financial Services Committee on Wednesday which is now led by California Democrat Maxine Waters and now includes new liberal members such as freshmen Representatives Alexandria Ocasio-Cortez, Rashida Tlaib and Katie Porter. Chairman Powell has already expressed skepticism about modern monetary theory and other aspects of the new Democratic-sponsored Green Deal so we expect Wednesday's testimony could be confrontational and will therefore be watched closely by many.

But the stock market appears surprisingly unfazed by these political events and has focused instead on the expectation that progress appears to be made on a US-China trade deal. The year-to-date gains in the DJIA and SPX are currently 11.7% and 11.5%, respectively, which means the DJIA and SPX are now up 19.6% and 18.8% from their December 2018 lows and only 2.9% and 4.7%, respectively, from their all-time highs. Our technical indicators are implying that the December trough represented a significant low in equities. Equally important, after a decline of 10% or more, history shows that the average DJIA advance lasts an average of 24 months and gains an average 81.7%. The average advance in the SPX after a decline of 10% or more has lasted 15.2 months and generated an average gain of 55.9%. See pages 3 and 4. But while the underpinnings of the current rally are strong, we expect the advance will and should consolidate after solid double-digit gains. In short, we expect a near term trading range market.

CONFIDENCE BUILDING

Last week we noted that the preliminary results for February's University of Michigan consumer sentiment survey showed a gain after some worrisome weakness in January. And we hoped that the rebound in the University of Michigan survey would be the first of a series of better data points in sentiment. (See "CONFLICTING ECONOMIC DATA LEAVES FED ON HOLD" February 20, 2018 page 4.) This week's release from the Conference Board was reassuring since it too had a recovery. The Conference Board consumer confidence index rose sharply from 121.7 in January to 131.4 in February. Also encouraging is the fact that both surveys had robust gains in the "expectations" index implying that consumers are becoming more hopeful about their financial future. See page 5. This helps to explain the stock market's recent confidence and shows that investors are more focused on economic factors like trade, than on divisive political rhetoric.

Investors will get more information about the state of the economy on February 28th when the initial estimate for fourth quarter GDP is released. Recent data suggests that corporate investment slowed at year end and for that reason economists are expecting to see a sharp decline from the second quarter pace of 4.2% and the third quarter rate of 3.4%. These last two reports indicated that US economic activity was well above the long-term average rate of 3.2%. Many forecasts are looking for the fourth quarter's pace to fall well below 3% and the Atlanta Fed's GDPNow forecast is currently at 1.8%. Anything substantially stronger than that could be a boost to sentiment. See page 6. Also released this week will be December's personal income and personal expenditures. In November, a 3-month average of personal consumption expenditures showed spending was growing at a 4.8% YOY pace, faster than the 4.3% rate in personal income. In our view, the personal income report will be a better indicator of 2019's economic potential than GDP. See page 7.

STEADY IMPROVEMENT IN TECHNICALS

Technicals continue to be strong and the 200-day moving averages have been exceeded in all three popular indices. The Russell 2000 index is the one index yet to break above this significant resistance level, however it is testing its 200-day MA this week and the trend looks favorable. See page 10. The 25-day up/down volume oscillator is at 3.04 (preliminarily) this week, barely in overbought territory, but this still represents the indicator's 22nd consecutive day in overbought territory. As a result the current reading is the longest overbought condition since the 27 of 29 consecutive day overbought reading seen in May 2009. The current signal is now the 4th longest overbought reading since 2008, up from last week's 8th place ranking. Also, the oscillator reached a high of 6.84 at the end of January which was the highest overbought reading since August 13, 2009's 6.90. Note that this 2009 reading appeared early in a new bull trend. Long and extreme overbought readings are characteristics of bull markets and the strongest overbought level typically appears at the beginning of a new bull market cycle. In short, this oscillator is definitively bullish and we remain bullish for the longer-term with a target of SPX 3150. We would buy all dips.

Technical indicators are suggesting that the December trough in equities was a significant low. At the present time, the DJIA is up 19.6% subsequent to an 18.8% decline from the DJIA's 2018 high. Note that after a decline of 10% or more, the average DJIA advance usually lasts 24 months and gains 81.7%.

DJIA Peaks & Troughs - Using 10% as a Minimum Decline								
DJIA Peaks			DJIA Troughs			Peak to Trough	Trough to Peak	Trough to Trough
Date	Price	Increase	Date	Price	Decline	Months	Months	Months
Mar 20, 1923	105.38	64.9%	Aug 24, 1921	63.90	-46.6%			
Sep 3, 1929	381.17	344.5%	Oct 27, 1923	85.76	-18.6%	7.3	70.3	26.1
Apr 17, 1930	294.07	48.0%	Nov 13, 1929	198.69	-47.9%	2.3	5.1	72.6
Sep 7, 1932	79.93	93.9%	Jul 8, 1932	41.22	-86.0%	34.2	2.0	31.8
Feb 5, 1934	110.74	120.8%	Feb 27, 1933	50.16	-37.2%	5.7	11.3	7.7
Mar 10, 1937	194.40	127.3%	Jul 26, 1934	85.51	-22.8%	5.6	31.5	16.9
Nov 12, 1938	158.41	60.1%	Mar 31, 1938	98.95	-49.1%	12.7	7.4	44.2
Sep 12, 1939	155.92	28.4%	Apr 8, 1939	121.44	-23.3%	4.8	5.2	12.3
May 29, 1946	212.50	128.7%	Apr 28, 1942	92.92	-40.4%	31.5	49.1	36.7
Jun 15, 1948	193.16	18.4%	May 17, 1947	163.21	-23.2%	11.6	13.0	60.7
Jan 5, 1953	293.79	81.8%	Jun 13, 1949	161.60	-16.3%	11.9	42.8	24.9
Apr 6, 1956	521.05	103.9%	Sep 14, 1953	255.49	-13.0%	8.3	30.7	51.1
Jan 5, 1960	685.47	63.3%	Oct 22, 1957	419.79	-19.4%	18.5	26.5	49.3
Dec 13, 1961	734.91	29.8%	Oct 25, 1960	566.05	-17.4%	9.7	13.6	36.1
Feb 9, 1966	995.15	85.7%	Jun 26, 1962	535.76	-27.1%	6.4	43.5	20.0
Nov 29, 1968	985.08	32.3%	Oct 7, 1966	744.32	-25.2%	7.9	25.8	51.4
Apr 28, 1971	950.82	50.6%	May 26, 1970	631.16	-35.9%	17.9	11.1	43.6
Jan 11, 1973	1,051.70	31.8%	Nov 23, 1971	797.97	-16.1%	6.9	13.6	18.0
Sep 21, 1976	1,014.79	75.7%	Dec 6, 1974	577.60	-45.1%	22.8	21.5	36.5
Sep 8, 1978	907.74	22.3%	Feb 28, 1978	742.12	-26.9%	17.3	6.3	38.8
Apr 27, 1981	1,024.05	38.0%	Apr 21, 1980	759.13	-16.4%	19.4	12.2	25.7
Nov 29, 1983	1,287.20	65.7%	Aug 12, 1982	776.92	-24.1%	15.5	15.6	27.7
Aug 25, 1987	2,722.42	250.4%	Jul 24, 1984	1,086.57	-15.6%	7.8	37.1	23.4
Jul 16, 1990	2,999.75	72.5%	Oct 19, 1987	1,738.74	-36.1%	1.8	32.9	38.9
Jul 17, 1998	9,337.96	294.8%	Oct 11, 1990	2,365.10	-21.2%	2.9	93.2	35.8
Jan 14, 2000	11,722.98	55.5%	Aug 31, 1998	7,539.07	-19.3%	1.5	16.5	94.7
Nov 27, 2002	8,931.68	22.6%	Oct 9, 2002	7,286.27	-37.8%	32.8	1.6	49.3
Oct 9, 2007	14,164.53	88.3%	Mar 11, 2003	7,524.06	-15.8%	3.4	55.0	5.0
Apr 23, 2010	11,204.28	71.1%	Mar 9, 2009	6,547.05	-53.8%	17.0	13.5	72.0
Apr 29, 2011	12,810.54	31.6%	Jul 1, 2010	9,732.53	-13.1%	2.3	9.9	15.7
May 19, 2015	18,312.39	71.9%	Oct 3, 2011	10,655.30	-16.8%	5.2	43.5	15.1
Jan 26, 2018	26,616.71	70.0%	Feb 11, 2016	15,660.18	-14.5%	8.8	23.5	52.3
Oct 3, 2018	26,828.39	12.4%	Feb 8, 2018	23,860.46	-10.4%	0.4	7.8	23.9
Feb 26, 2019	26,057.98	19.6%	Dec 24, 2018	21,792.20	-18.8%	2.7	2.1	10.5
Average		81.7%	Average		-27.4%	11.1	24.1	35.4
Median		65.3%	Median		-22.8%	7.9	15.6	35.8
Minimum		12.4%	Minimum		-10.4%	0.4	1.6	5.0
Maximum		344.5%	Maximum		-86.0%	34.2	93.2	94.7
Selected Average		97.7%	Selected Average		-32.1%			

Source: Dudack Research Group; Thomson Reuters *Trough lower than previous trough
Selected peaks & troughs = levels noted by other strategists as bull/bear turning points

The SPX has been more volatile over time, yet the historical data is very similar to that of the DJIA. The SPX is up 18.8% after its 19.8% decline from a record 2018 high.

The average advance in the SPX after a decline of 10% or more has continued for 15.2 months and generated an average gain of 55.9%. See below.

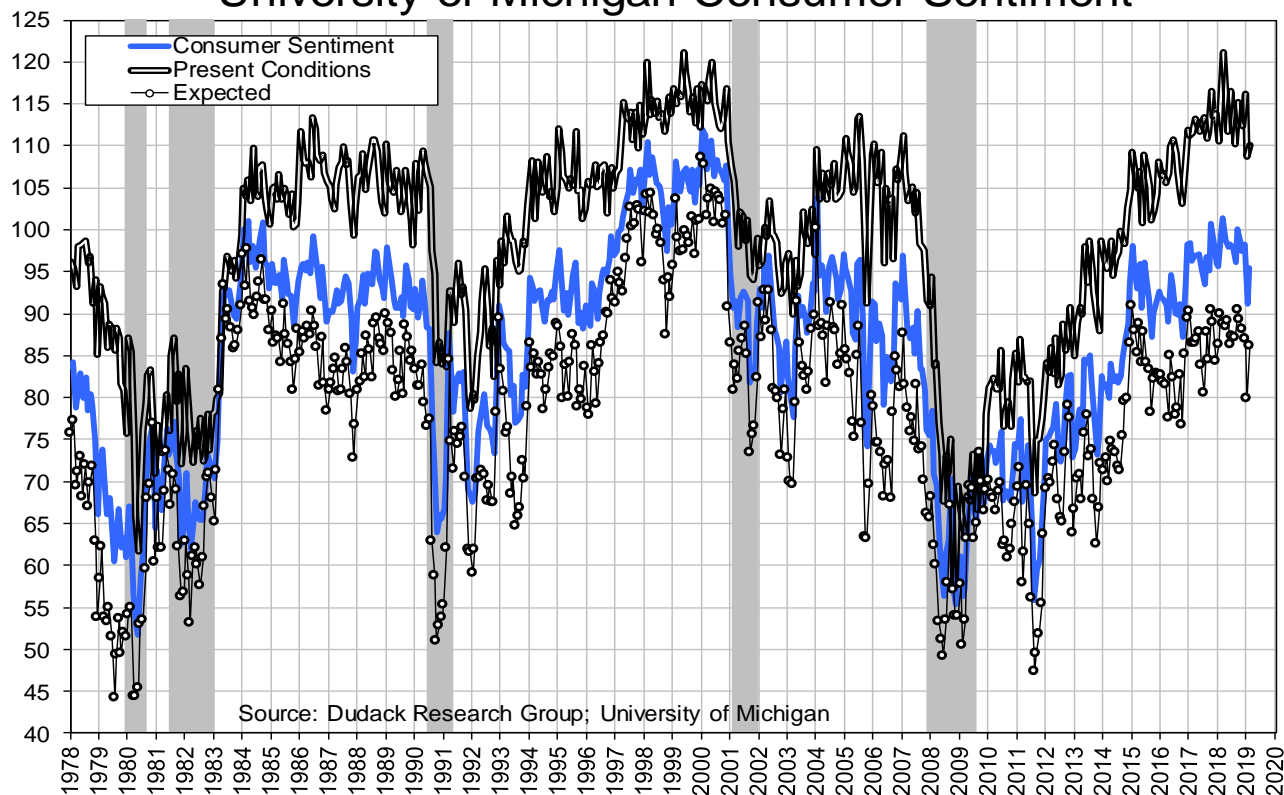
SPX Peaks & Troughs (Using 10% as a Minimum Decline)								
SPX Peaks			SPX Troughs			Peak to Trough	Trough to Peak	Trough to Trough
Date	Price	% Increase	Date	Price	% Decline	Months	Months	Months
Feb 24, 1931	18.17	17.5%	Jan 19, 1931	15.46	-4.7%			
Nov 9, 1931	11.52	30.6%	Oct 5, 1931	8.82	-51.5%*	7.3	1.2	8.5
Sep 7, 1932	9.31	111.6%	Jun 1, 1932	4.40	-61.8%*	6.7	3.2	7.9
Mar 16, 1933	6.93	25.3%	Feb 27, 1933	5.53	-40.6%	5.7	0.6	8.9
Jun 12, 1933	10.89	86.2%	Mar 31, 1933	5.85	-15.6%	0.5	2.4	1.1
Jul 18, 1933	12.20	25.3%	Jun 15, 1933	9.74	-10.6%	0.1	1.1	2.5
Aug 25, 1933	11.28	16.9%	Jul 21, 1933	9.65	-20.9%*	0.1	1.2	1.2
Feb 6, 1934	11.82	37.9%	Oct 21, 1933	8.57	-24.0%*	1.9	3.6	3.0
Jun 18, 1934	10.37	10.9%	Jun 2, 1934	9.35	-20.9%	3.8	0.5	7.4
Apr 6, 1936	15.51	92.4%	Mar 14, 1935	8.06	-22.3%*	8.8	12.8	9.4
Mar 6, 1937	18.68	91.8%	Apr 29, 1936	13.53	-12.8%	0.8	10.2	13.5
Nov 9, 1938	13.79	42.9%	Mar 31, 1938	8.50	-54.5%*	12.8	7.3	23.0
Nov 9, 1940	11.40	33.0%	Jun 10, 1940	8.99	-34.8%	19.0	5.0	26.4
Jul 14, 1943	12.64	35.2%	Apr 28, 1942	7.47	-60.0%*	17.6	14.5	22.6
Feb 2, 1946	18.71	150.5%	Nov 29, 1943	10.99	-20.3%	4.5	26.2	19.1
May 29, 1946	19.25	14.5%	Feb 26, 1946	16.81	-10.2%	0.8	3.0	27.0
Jun 12, 1950	19.40	43.2%	Jun 13, 1949	13.55	-29.6%*	36.5	12.0	39.6
Jan 5, 1953	26.66	59.8%	Jul 17, 1950	16.68	-14.0%	1.2	29.7	13.1
Sep 23, 1955	45.63	100.9%	Sep 14, 1953	22.71	-14.8%	8.3	24.3	38.0
Aug 2, 1956	49.74	21.9%	Oct 11, 1955	40.80	-10.6%	0.6	9.7	24.9
Aug 3, 1959	60.71	55.7%	Oct 22, 1957	38.98	-21.6%*	14.7	21.4	24.4
Dec 12, 1961	72.64	38.9%	Oct 25, 1960	52.30	-13.9%	14.8	13.6	36.1
Feb 9, 1966	94.06	79.8%	Jun 26, 1962	52.32	-28.0%	6.4	43.5	20.0
Sep 25, 1967	97.59	33.3%	Oct 7, 1966	73.20	-22.2%	7.9	11.6	51.4
Nov 29, 1968	108.37	23.5%	Mar 5, 1968	87.72	-10.1%	5.3	8.8	16.9
Apr 28, 1971	104.77	51.2%	May 26, 1970	69.29	-36.1%*	17.9	11.1	26.7
Jan 11, 1973	120.24	33.4%	Nov 23, 1971	90.16	-13.9%	6.9	13.6	18.0
Sep 21, 1976	107.83	73.1%	Oct 3, 1974	62.28	-48.2%*	20.7	23.6	34.4
Feb 13, 1980	118.44	36.3%	Mar 6, 1978	86.90	-19.4%	17.5	23.3	41.1
Nov 28, 1980	140.52	125.6%	Mar 27, 1980	98.22	-17.1%	1.4	8.1	24.7
Oct 10, 1983	172.65	68.6%	Aug 12, 1982	102.42	-27.1%	20.4	13.9	28.5
Aug 25, 1987	336.78	127.8%	Jul 24, 1984	147.82	-14.4%	9.5	37.1	23.4
Oct 9, 1989	359.81	60.7%	Dec 4, 1987	223.91	-33.5%	3.3	22.2	40.4
Jul 16, 1990	368.94	14.2%	Jan 30, 1990	322.97	-10.2%	3.7	5.5	25.9
Oct 7, 1997	983.12	232.7%	Oct 11, 1990	295.47	-19.9%*	2.9	83.9	8.4
Jul 17, 1998	1186.75	35.3%	Oct 27, 1997	876.99	-10.8%	0.7	8.6	84.6
Jul 16, 1999	1418.78	48.2%	Aug 31, 1998	957.28	-19.3%	1.5	10.5	10.1
Mar 24, 2000	1527.46	22.5%	Oct 15, 1999	1247.41	-12.1%	3.0	5.3	13.5
Apr 16, 2002	1128.37	16.8%	Sep 21, 2001	965.80	-36.8%*	18.0	6.8	23.2
Oct 9, 2007	1565.15	101.5%	Oct 9, 2002	776.76	-31.2%*	5.8	60.0	12.6
Apr 23, 2010	1217.28	79.9%	Mar 9, 2009	676.53	-56.8%*	17.0	13.5	77.0
Apr 29, 2011	1363.61	33.3%	Jul 2, 2010	1022.58	-16.0%	2.3	9.9	15.8
Apr 2, 2012	1419.04	29.1%	Oct 3, 2011	1099.23	-19.4%	5.2	6.0	15.1
May 21, 2015	2130.82	66.7%	Jun 1, 2012	1278.04	-9.9%	2.0	35.6	8.0
Jan 26, 2018	2872.87	57.1%	Feb 11, 2016	1829.08	-14.2%	8.7	23.5	44.4
Sep 20, 2018	2930.75	13.6%	Feb 8, 2018	2581.00	-10.2%	0.4	7.4	23.9
Feb 26, 2019	2793.90	18.8%	Dec 24, 2018	2351.10	-19.8%	3.1	2.1	10.5
Average		55.9%			-24.0%	7.8	15.2	23.0
Median		38.9%			-19.8%	5.7	10.4	21.3
Minimum		10.9%			-61.8%	0.1	0.5	1.1
Maximum		232.7%			-4.7%	36.5	83.9	84.6

Source: Dudack Research Group; Thomson Reuters *Trough lower than previous trough

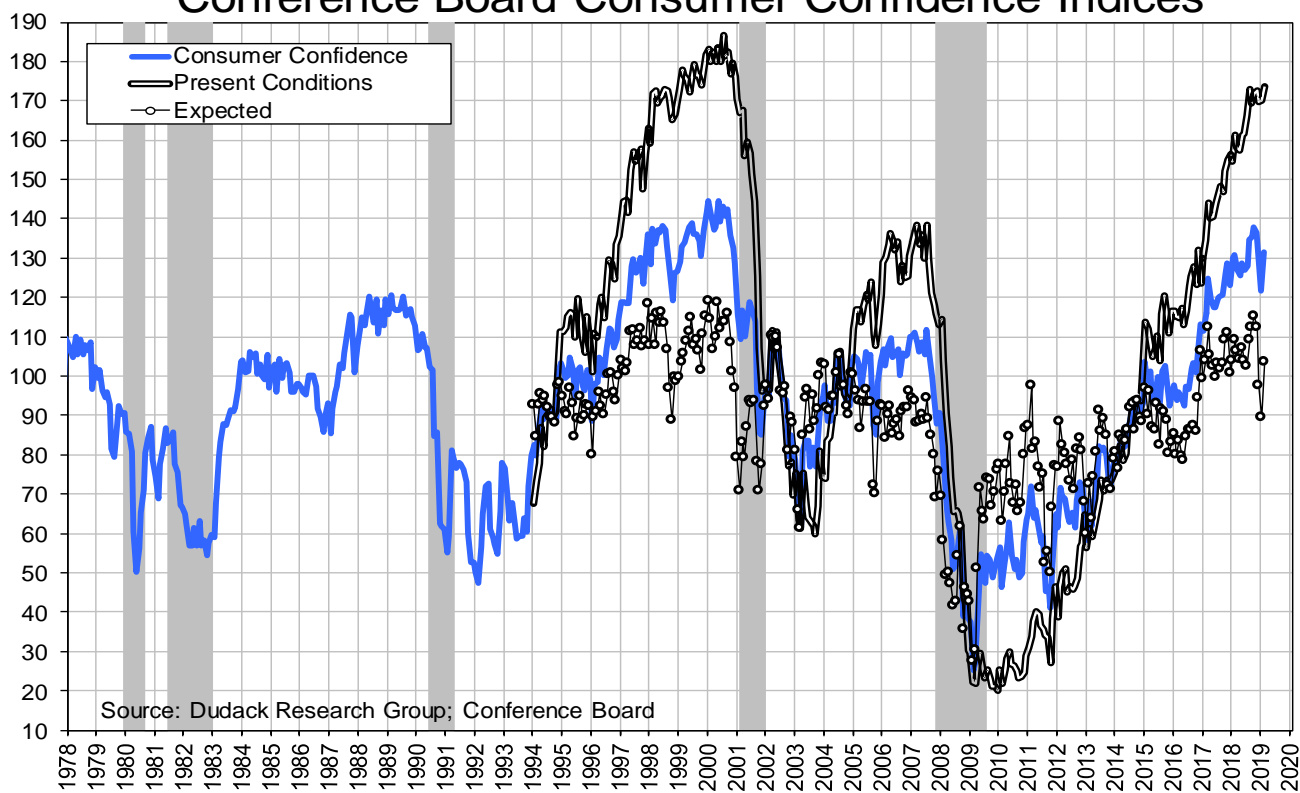
Blue peaks= highest of cycle; Yellow highlight = low is below previous trough; Green = October lows

The initial University of Michigan consumer sentiment index for February showed a healthy rebound from a January swoon. This week's release from the Conference Board showed a similar rebound from 121.7 in January to 131.4 in February. In both surveys the rebounds in "expectations" were strong and encouraging.

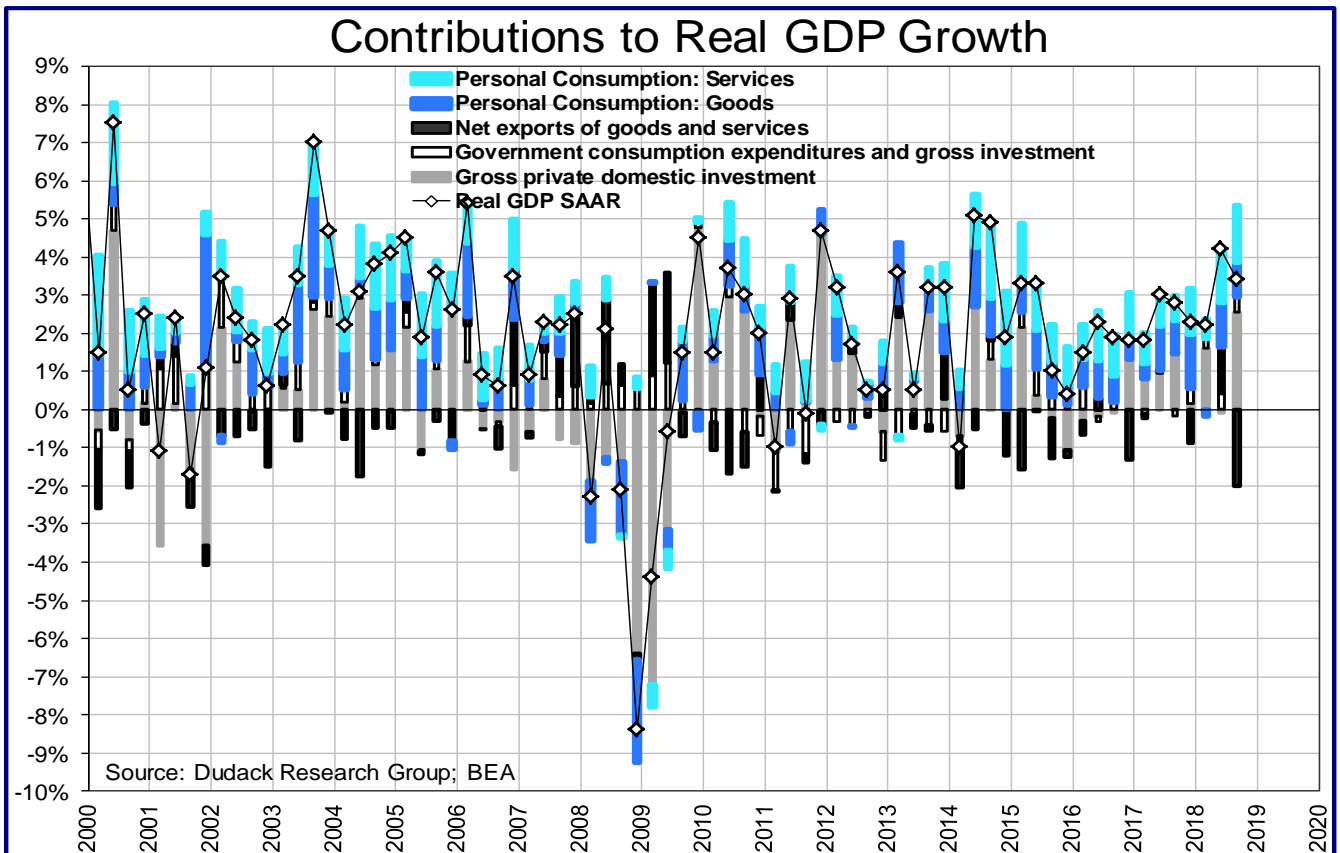
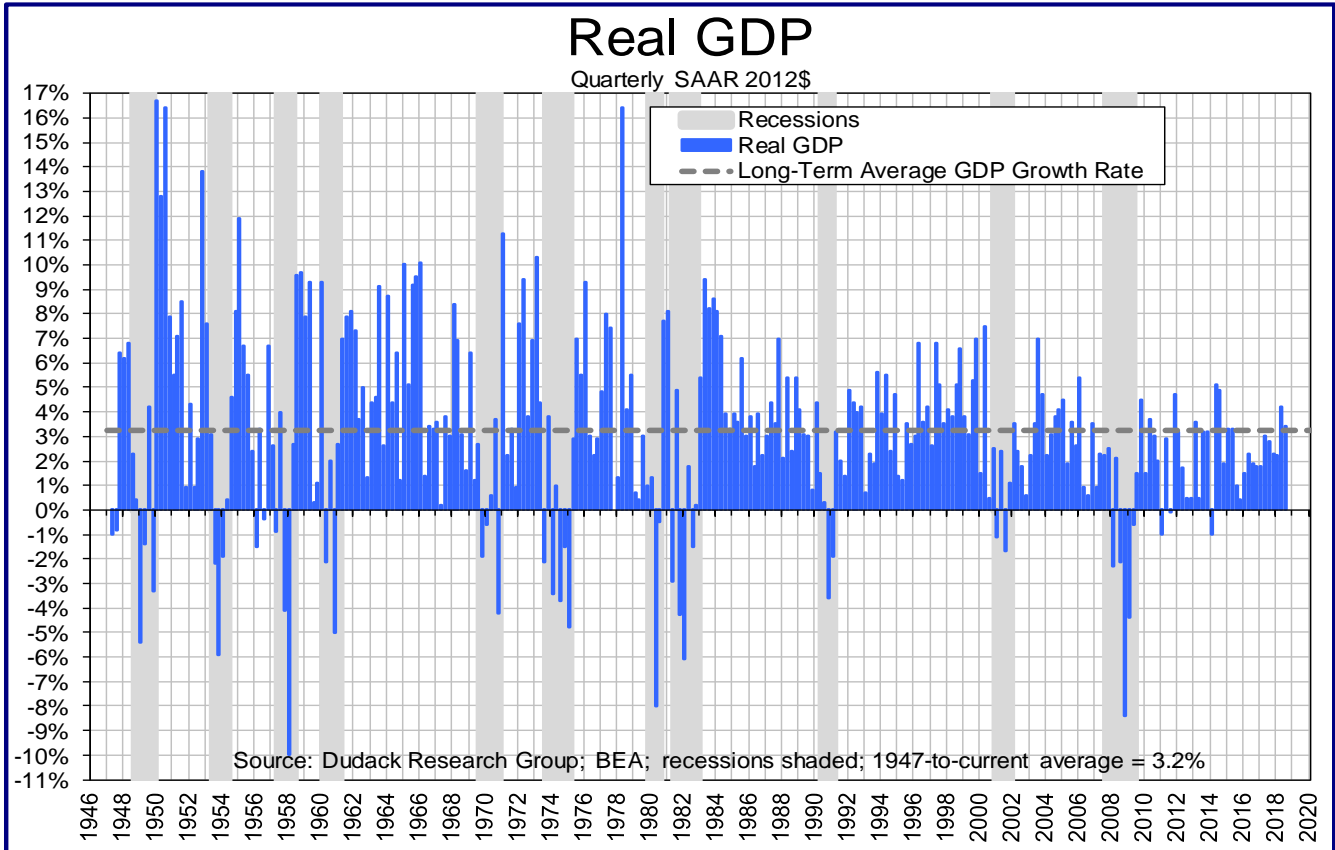
University of Michigan Consumer Sentiment



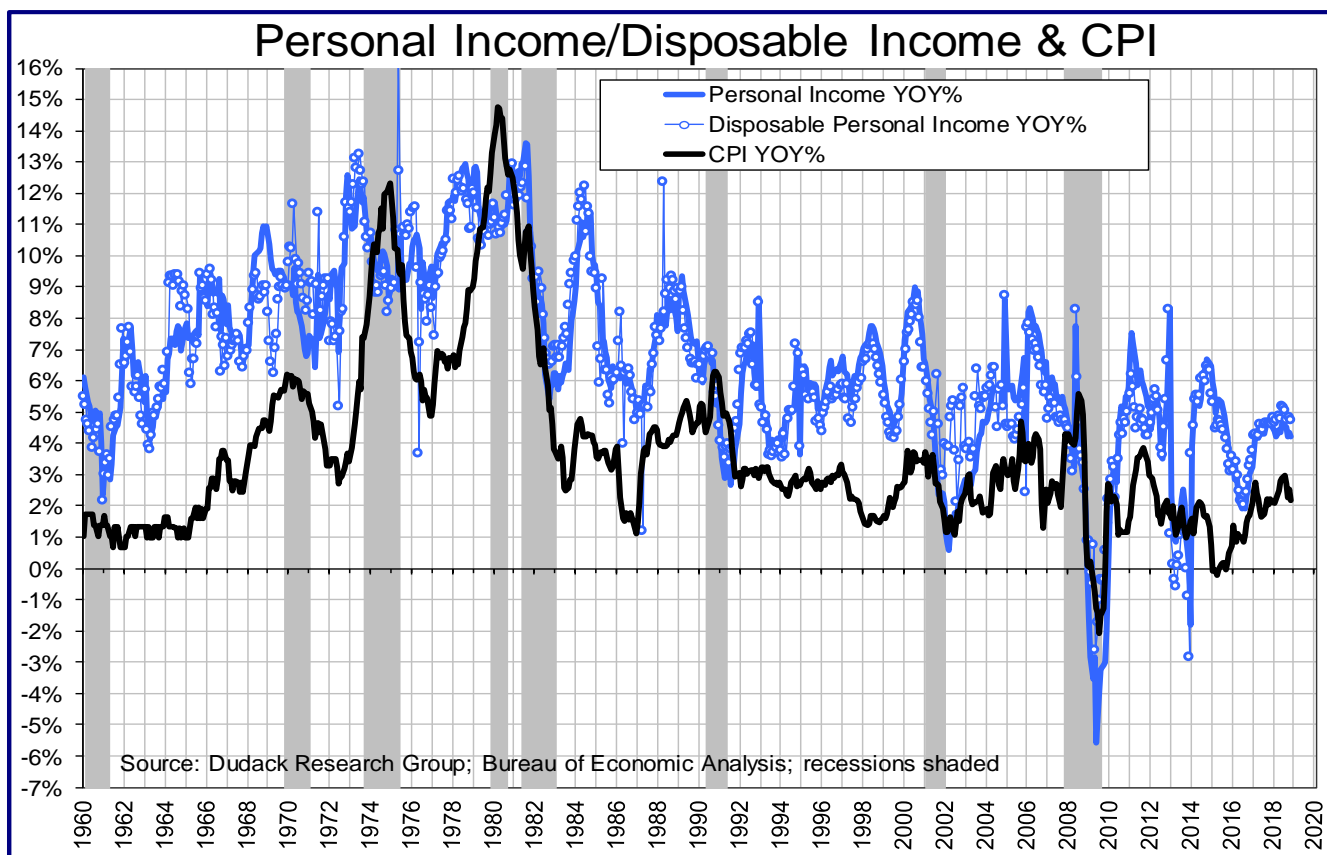
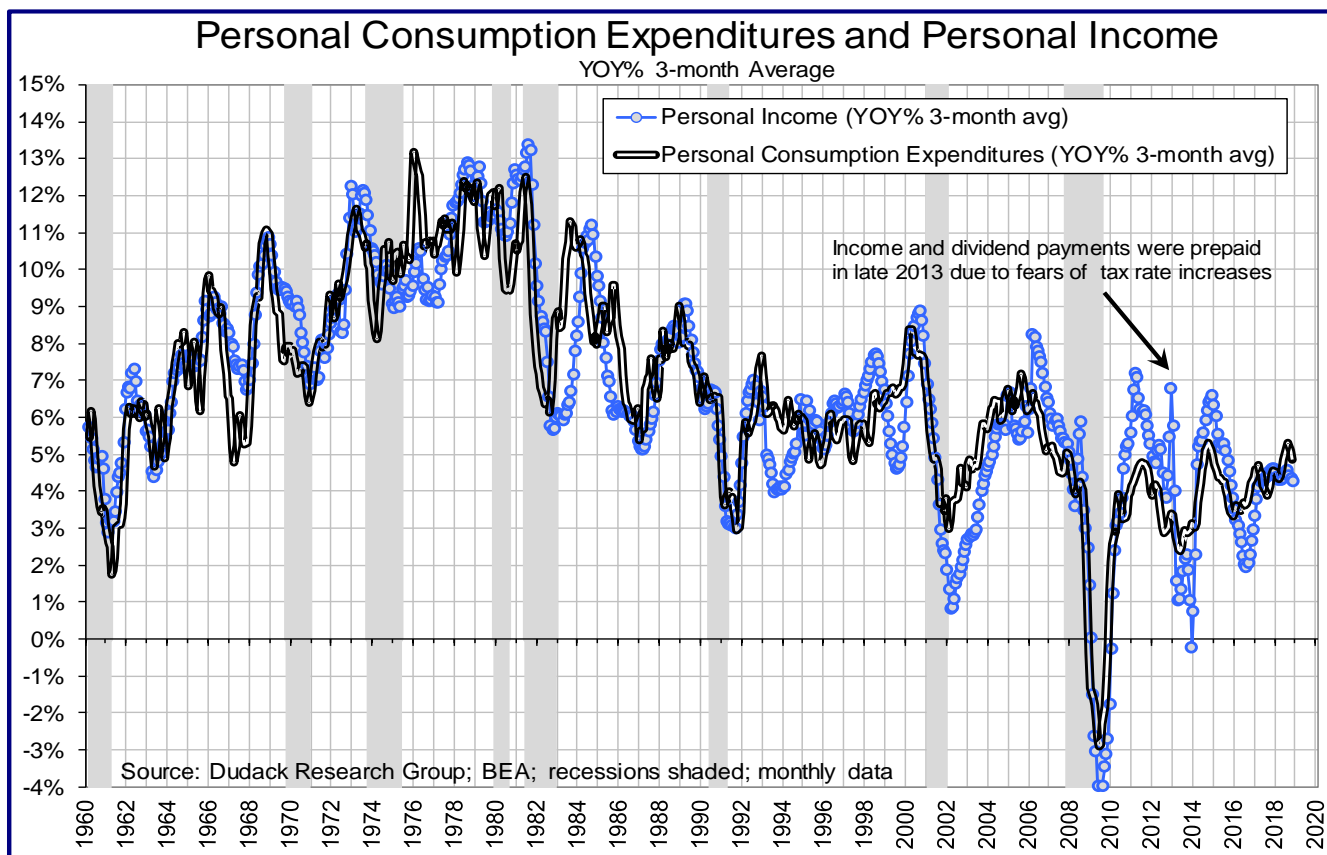
Conference Board Consumer Confidence Indices



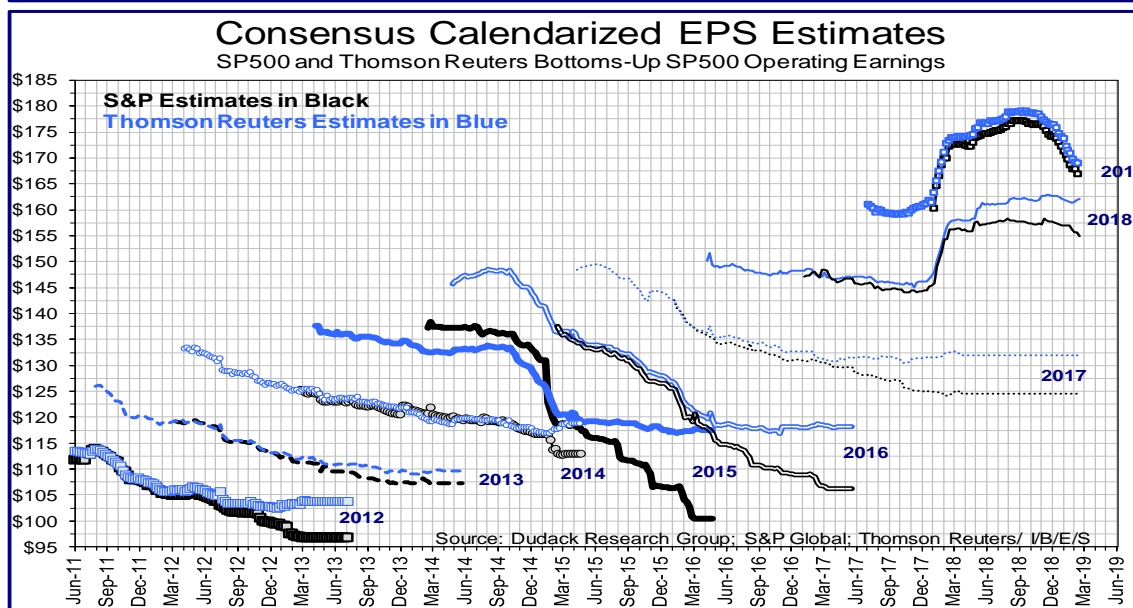
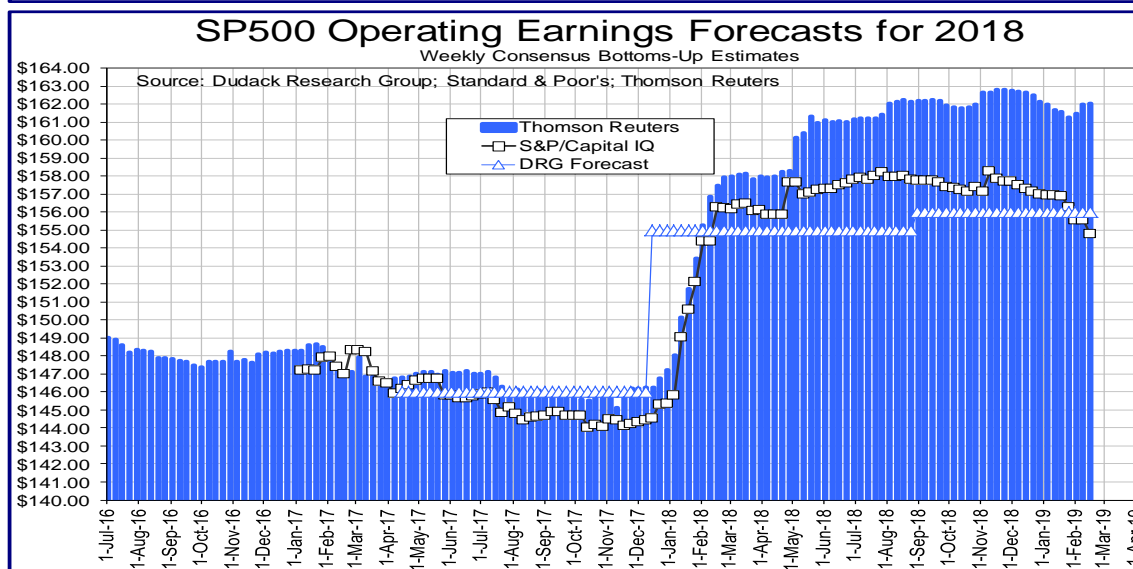
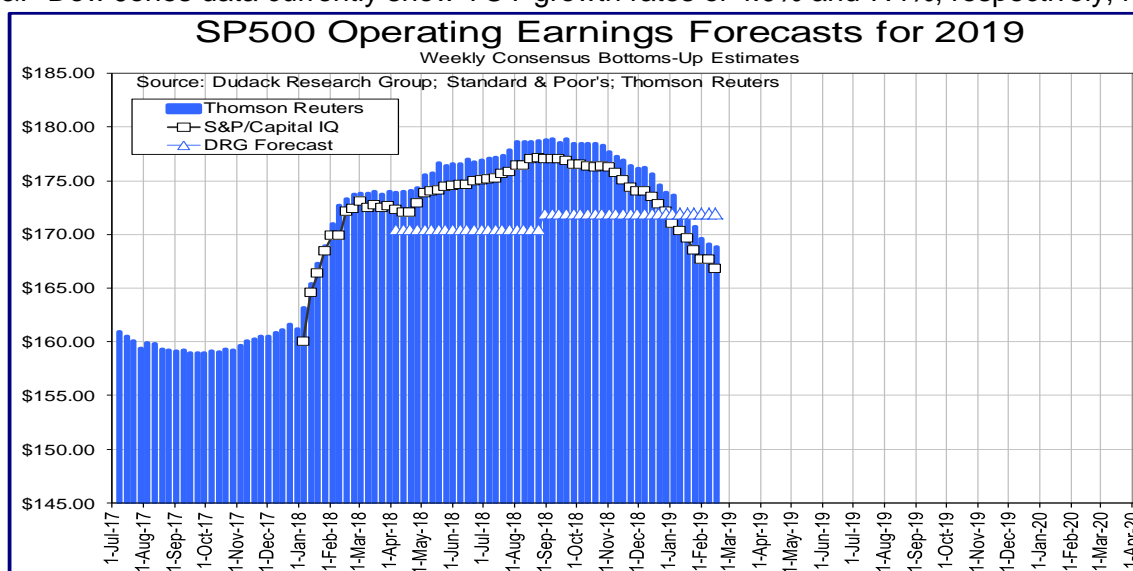
An initial estimate for 4Q18 GDP will be released on February 28th. Due to a slowing in corporate investment at year end, it is widely expected to show a sharp deceleration from the 2Q18 pace of 4.2% and the 3Q18 rate of 3.4%. The last two GDP reports have shown activity to be well above the long-term average rate of 3.2%.



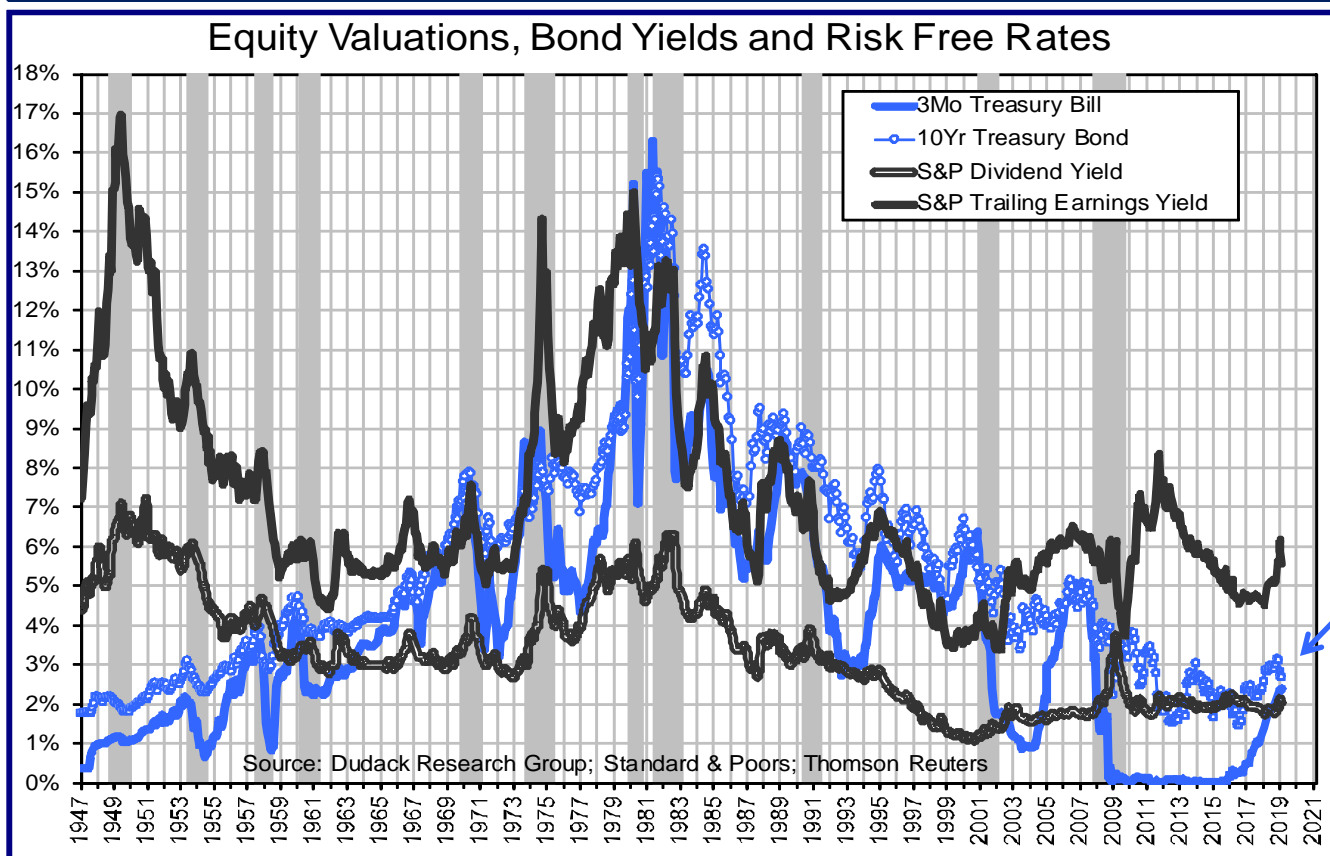
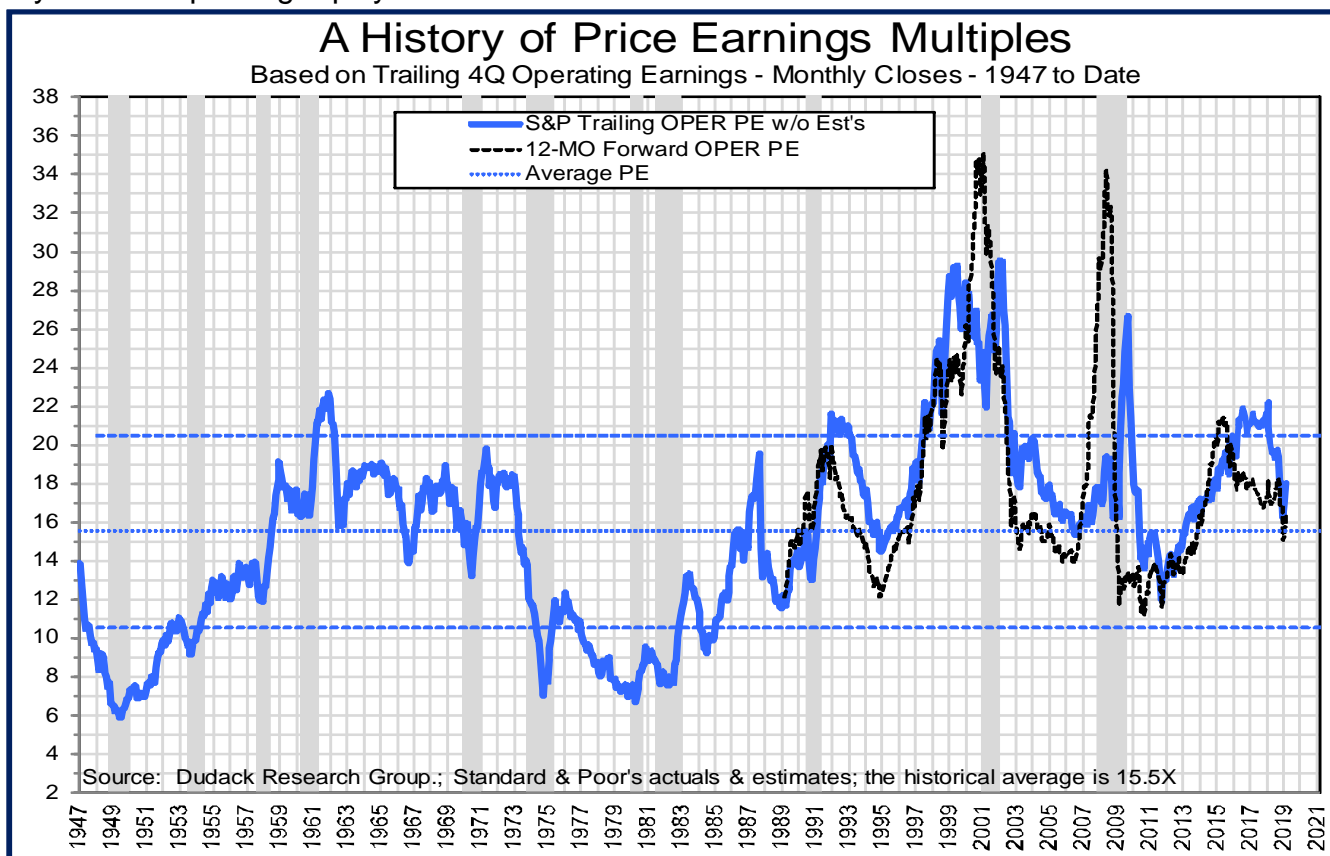
As of November, a 3-month average of personal consumption expenditures shows spending growing 4.8% YOY, faster than the 4.3% average in personal income. December's data will be released at the end of this week.



Consensus estimates for 2019 SP500 earnings continue to decline from their 3Q18 peaks. Thomson IBES data and S&P Dow Jones data currently show YOY growth rates of 4.0% and 7.4%, respectively, for 2019.



PE multiples have dropped as earnings expectations for 2019 have declined. The current trailing and forward PE multiples are 18.0X and 16.3X, respectively. Note that the recent decline in Treasury bond yields is improving equity valuations.



Technical continue to be strong and the 200-day MA's have been exceeded in all three main indices. The Russell 2000 index is testing its 200-day MA this week and is the one major index yet to break above this significant resistance level.



Source: Thomson Reuters

The 25-day up/down volume oscillator is at 3.04 (preliminarily) this week, barely in overbought territory, but still the indicator's 22nd consecutive day in overbought territory. As a result the current reading is the longest overbought condition since the 27 of 29 consecutive day overbought reading seen in May 2009. The current signal is now the 4th longest overbought reading since 2008, up from last week's 8th place ranking. Also, the oscillator reached a high of 6.84 at the end of January which was the highest overbought reading since August 13, 2009's 6.90. Note that this 2009 reading appeared early in a new bull trend. Long and extreme overbought readings are characteristics of bull markets and the strongest overbought level typically appears at the beginning of a new bull market cycle. In short, this oscillator is definitively bullish.

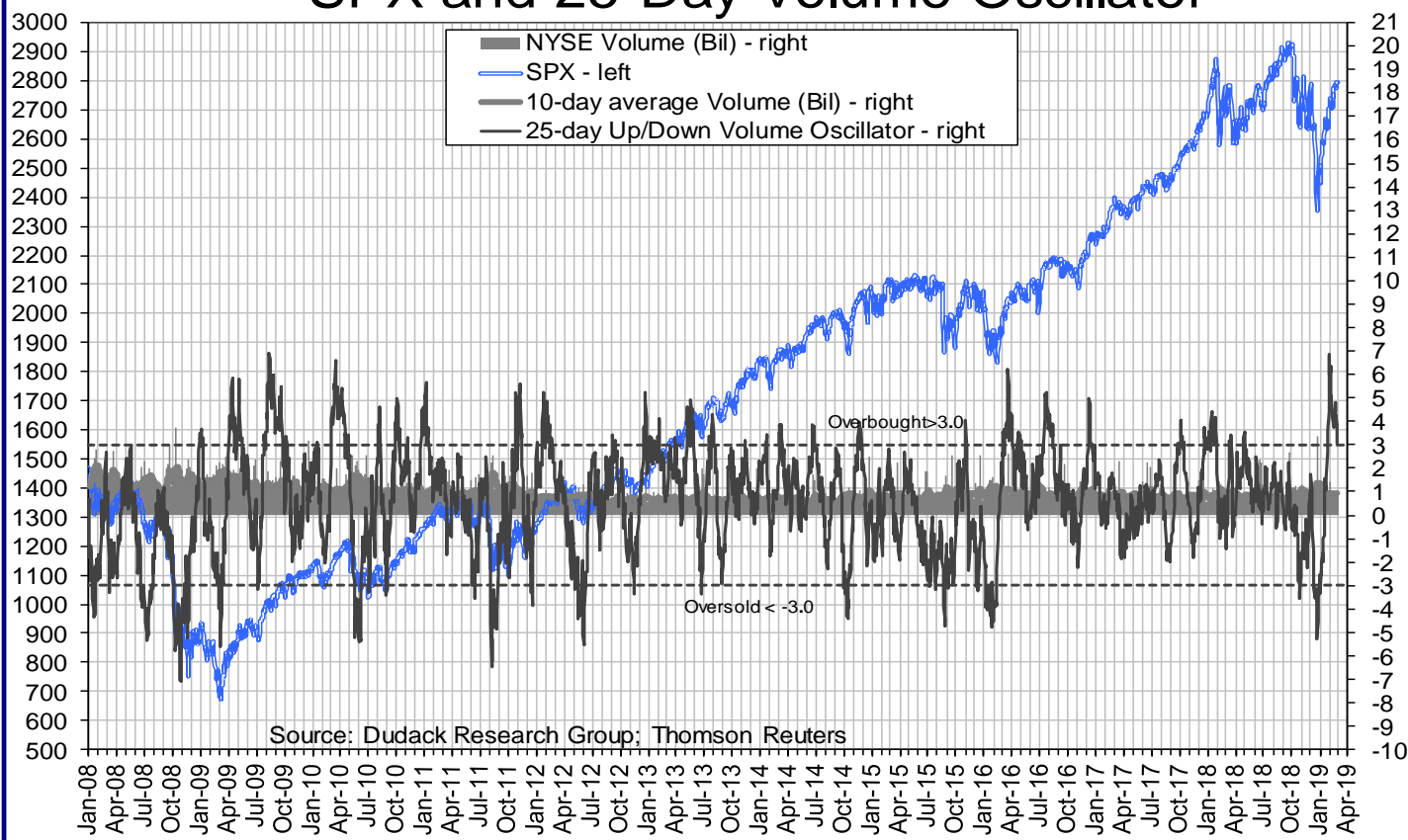
In addition, the two 90% up days recorded on December 26 and January 4 reversed the 90% down days seen in early December and were signals that the 2018 decline was stabilizing and reversing.

Overbought Study	
Consecutive Days in Overbought	Period End Date
41 of 42	9/24/2009
29	4/15/2010
27 of 29	5/14/2009
22?	2/26/2019
21 of 22	4/4/2016
19	8/11/2016
18	1/14/2011
18 of 19	2/14/2012
14 of 15	11/15/2011
12	1/29/2018
11 of 12	1/8/2018

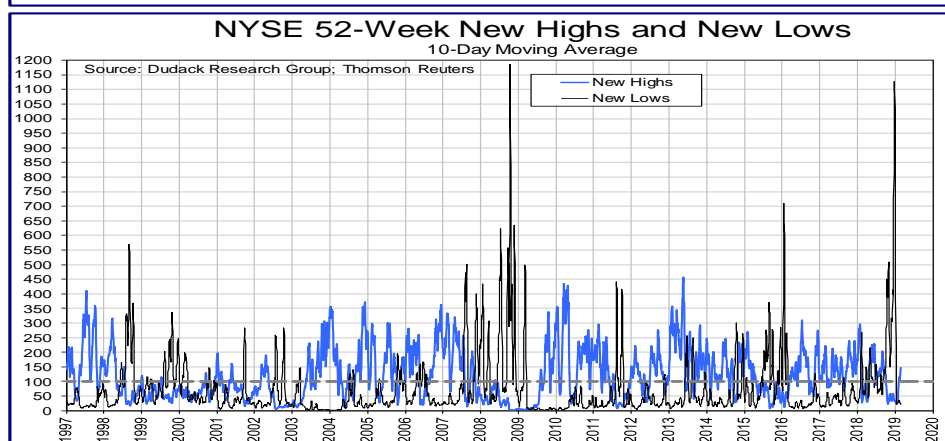
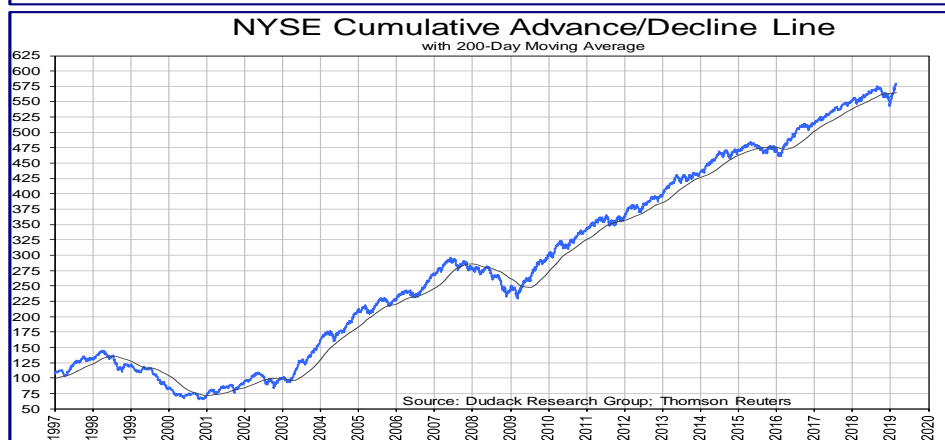
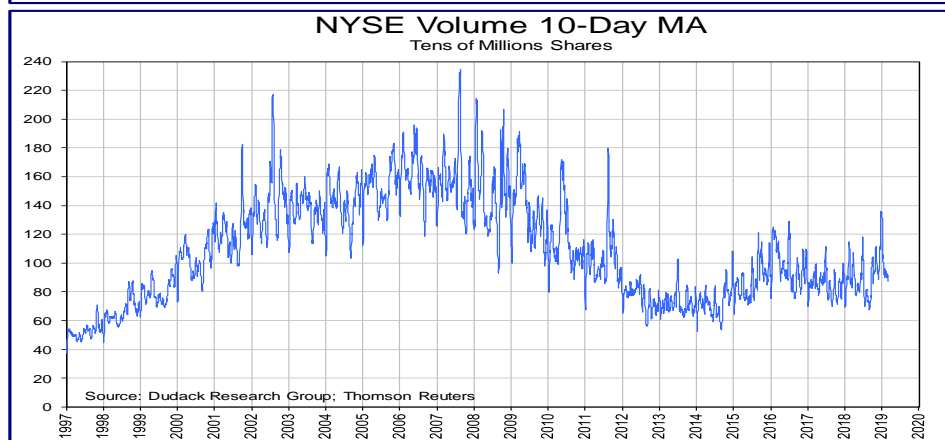
Source: Dudack Research Group



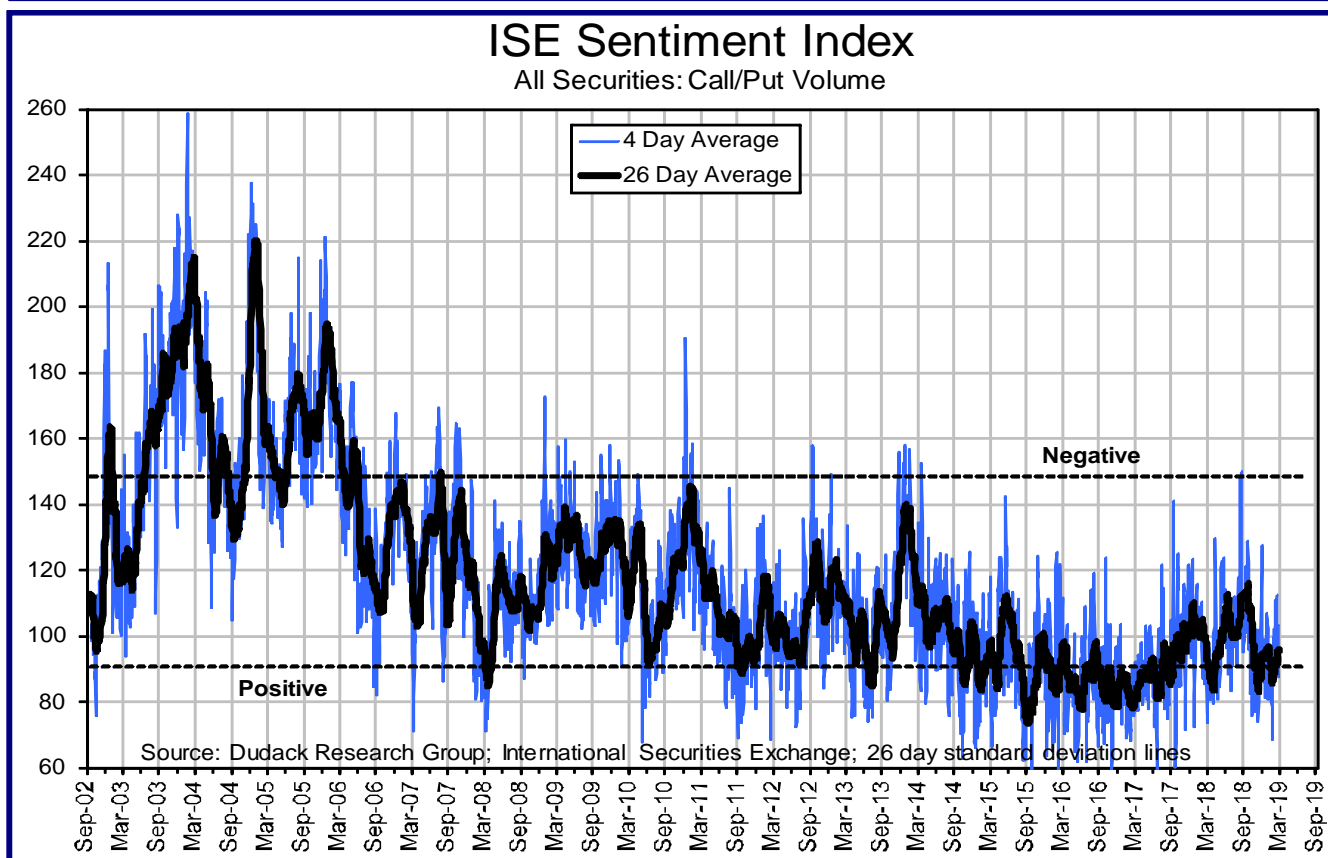
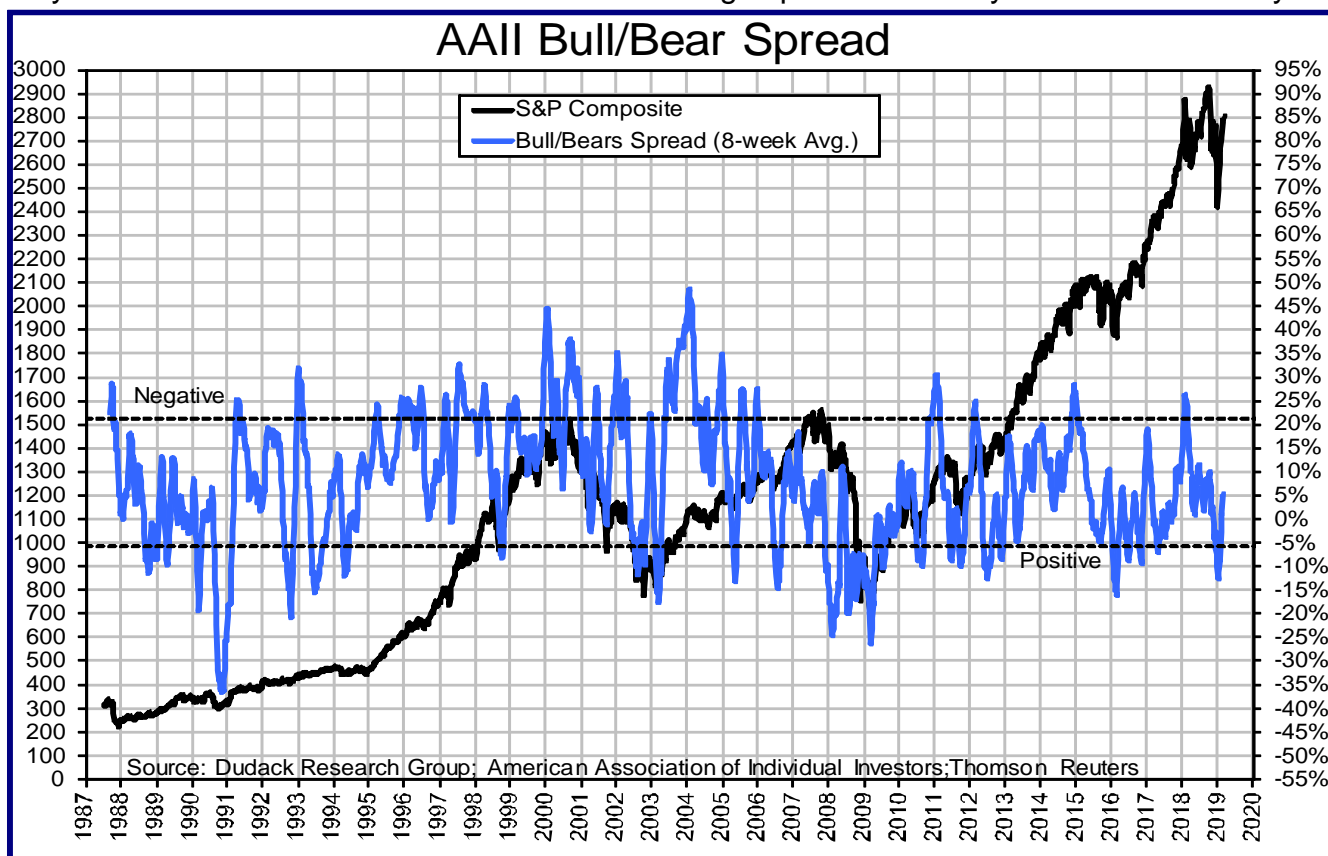
SPX and 25-Day Volume Oscillator



The 10-day average of daily new highs (148) is above the 100 per day level defined as bullish. The average of daily new lows (21) is below the 100 per day defined as bearish, making the combination positive. The A/D line made a record high on February 25, 2019 and is bullish.



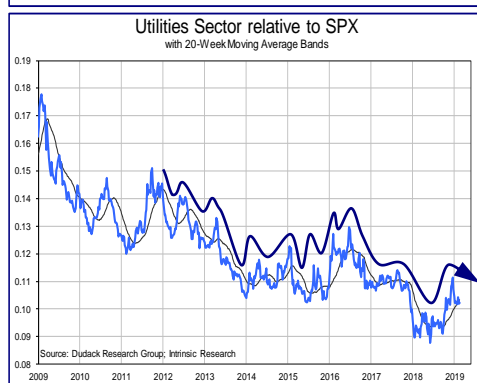
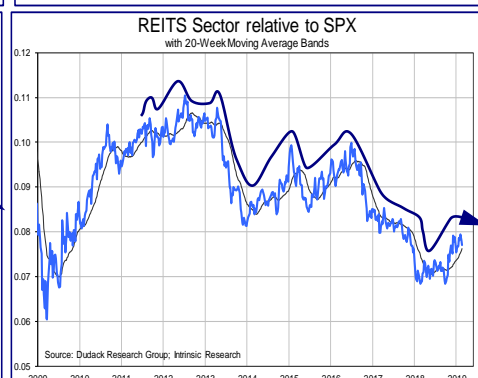
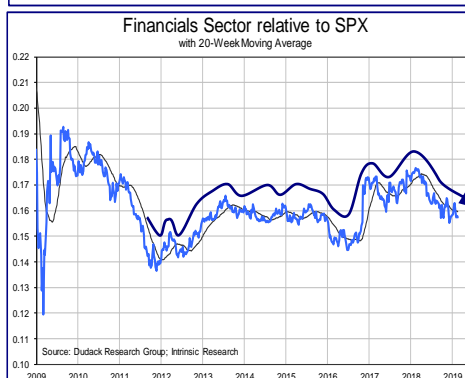
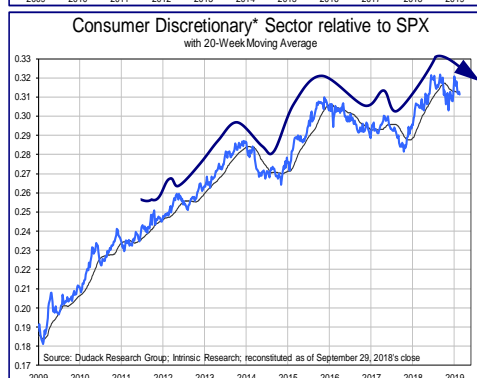
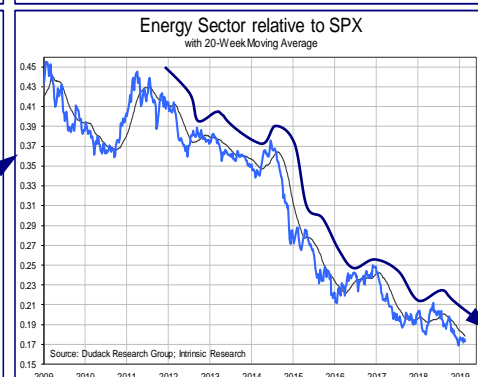
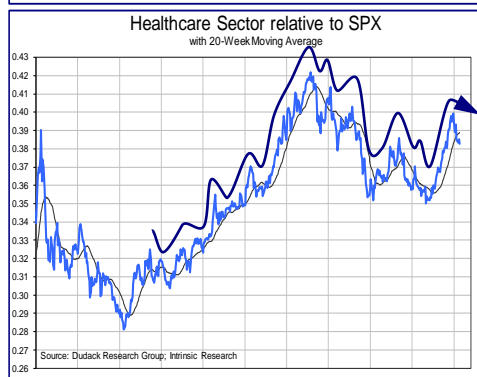
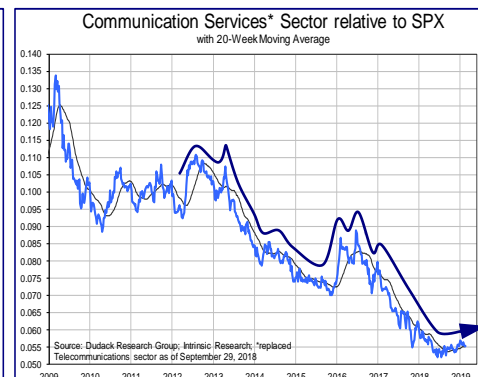
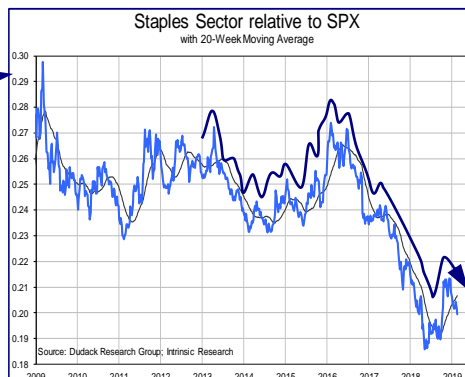
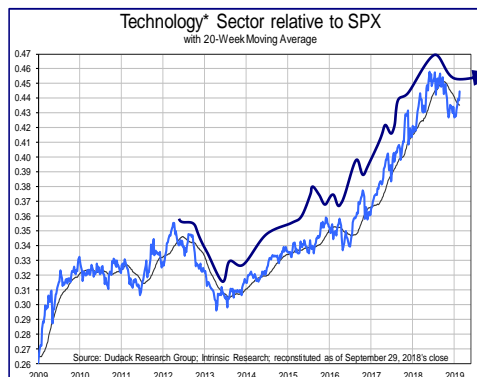
As of February 21, AAI bullish sentiment rose 4.2% to 39.3% and bearish sentiment rose 0.3% to 25.4%. The 8-week bull/bear spread remains neutral after 8 positive weeks in December and January. The ISE Sentiment index is neutral after being in positive territory for most of January.



DRG Recommended Sector Weights

Overweight		Neutral		Underweight
Technology		Staples		Communication Services
Healthcare		Industrials		Energy
Consumer Discretionary		Financials		REITS
Utilities		Materials		

Healthcare, Consumer Discretionary and Utilities upgraded to Overweight; Financials downgraded to Neutral; Energy downgraded to Underweight; Staples upgraded to Neutral 12/13/18

SECTOR RELATIVE PERFORMANCE – RELATIVE OVER/UNDER/ PERFORMANCE TO SP500 – WEEKLY PRICES

2019 Performance Year-to-Date - Ranked	
SP500 Sector	% Change
S&P INDUSTRIALS	18.5%
S&P INFORMATION TECH	14.2%
S&P ENERGY	14.2%
S&P REITS	12.0%
S&P 500	11.5%
S&P CONSUMER DISCRETIONARY	11.4%
S&P COMMUNICATIONS SERVICES	11.3%
S&P FINANCIAL	11.1%
S&P MATERIALS	11.0%
S&P HEALTH CARE	6.9%
S&P CONSUMER STAPLES	6.9%
S&P UTILITIES	6.6%

Source: Dudack Research Group; Thomson Reuters; Monday closes

GLOBAL MARKETS - RANKED BY LAST FIVE-DAY TRADING PERFORMANCE

Index/EFT	Symbol	Price	5-Day%	20-Day%	QTD%	YTD%
Silver Future	Slc1	16.83	7.0%	7.1%	9.1%	9.1%
Shanghai Composite	.SSEC	2941.52	6.7%	13.5%	17.9%	17.9%
iShares MSCI India ETF	INDA.K	32.68	3.3%	1.9%	-2.0%	-2.0%
iShares China Large Cap ETF	FXI	44.65	3.2%	6.7%	14.3%	14.3%
SPDR S&P Semiconductor ETF	XSD	79.37	2.8%	11.8%	22.7%	22.7%
Guggenheim BRIC ETF	EEB	36.46	2.4%	5.0%	13.6%	13.6%
iShares MSCI Emerg Mkts ETF	EEM	43.37	2.2%	3.9%	11.0%	11.0%
Technology Select Sector SPDR	XLK	71.13	2.1%	9.3%	14.8%	14.8%
iShares MSCI Taiwan ETF	EWT	33.78	2.1%	3.8%	6.8%	6.8%
PowerShares Water Resources Portfolio	PHO	33.50	2.1%	10.0%	18.8%	18.8%
iShares MSCI Germany ETF	EWG	27.32	1.9%	1.4%	7.8%	7.8%
Materials Select Sector SPDR	XLB	55.82	1.8%	5.2%	10.5%	10.5%
Vanguard FTSE All-World ex-US ETF	VEU	50.30	1.5%	4.4%	10.4%	10.4%
iShares MSCI Hong Kong ETF	EWK	25.88	1.5%	6.9%	14.7%	14.7%
iShares MSCI South Korea Capped ETF	EWY	64.50	1.3%	2.5%	9.6%	9.6%
iShares MSCI Mexico Capped ETF	EWX	44.51	1.3%	-0.2%	8.1%	8.1%
iShares US Telecomm ETF	IYZ	29.74	1.2%	6.7%	12.9%	12.9%
iShares MSCI EAFE ETF	EFA	64.62	1.2%	4.5%	9.9%	9.9%
iShares MSCI Canada ETF	EWZ	27.93	1.2%	5.1%	16.6%	16.6%
iShares MSCI United Kingdom ETF	EWU	32.76	1.1%	6.8%	11.6%	11.6%
iShares MSCI Japan ETF	EWJ	55.18	1.1%	3.1%	8.9%	8.9%
Utilities Select Sector SPDR	XLU	56.61	1.0%	6.7%	7.0%	7.0%
iShares MSCI Malaysia ETF	EWL	31.29	1.0%	2.4%	5.1%	5.1%
iShares Nasdaq Biotechnology ETF	IBB.O	112.50	1.0%	4.9%	16.7%	16.7%
iShares MSCI Australia ETF	EWA	21.40	0.9%	4.7%	11.2%	11.2%
Industrial Select Sector SPDR	XLI	76.30	0.8%	9.9%	18.5%	18.5%
NASDAQ 100	NDX	7123.22	0.8%	6.4%	12.5%	12.5%
Nasdaq Composite Index Tracking Stock	ONEQ.O	296.12	0.8%	6.6%	13.9%	13.9%
iShares Russell 1000 Growth ETF	IWF	147.98	0.7%	6.9%	13.0%	13.0%
SPDR DJIA ETF	DIA	260.54	0.7%	5.3%	11.7%	11.7%
DJIA	.DJI	26057.98	0.6%	6.2%	11.7%	11.7%
iShares Russell 2000 Growth ETF	IWO	199.25	0.6%	8.5%	18.6%	18.6%
SP500	.SPX	2793.90	0.5%	5.7%	11.5%	11.5%
iShares Russell 1000 ETF	IWB	155.54	0.5%	6.0%	12.1%	12.1%
iShares Russell 1000 Value ETF	IWD	123.68	0.3%	5.3%	11.4%	11.4%
Consumer Discretionary Select Sector SPDR	XLY	110.89	0.3%	4.2%	12.0%	12.0%
iShares Russell 2000 ETF	IWM	157.10	0.3%	7.2%	17.3%	17.3%
iShares iBoxx \$ Invest Grade Corp Bond	LQD	116.52	0.2%	1.3%	3.3%	3.3%
iShares MSCI Singapore ETF	EWS	23.99	0.1%	2.4%	8.6%	8.6%
SPDR S&P Retail ETF	XRT	45.62	0.1%	2.4%	11.3%	11.3%
Financial Select Sector SPDR	XLF	26.49	0.1%	2.2%	11.2%	11.2%
iShares MSCI Austria Capped ETF	EWO	20.00	0.0%	1.1%	8.9%	8.9%
SPDR Homebuilders ETF	XHB	38.84	-0.1%	9.9%	19.4%	19.4%
iShares MSCI Brazil Capped ETF	EWZ	44.10	-0.1%	2.9%	15.4%	15.4%
iShares Russell 2000 Value ETF	IWN	124.46	-0.1%	5.7%	15.7%	15.7%
SPDR Communication Services ETF	XLC	46.12	-0.2%	3.4%	11.7%	11.7%
Health Care Select Sect SPDR	XLV	92.35	-0.3%	5.1%	6.8%	6.8%
iShares Silver Trust	SLV	15.48	-0.3%	1.1%	2.9%	2.9%
iShares 20+ Year Treas Bond ETF	TLT	121.81	-0.4%	1.2%	0.2%	0.2%
SPDR S&P Bank ETF	KBE	44.94	-0.8%	4.1%	20.3%	20.3%
Consumer Staples Select Sector SPDR	XLP	54.16	-0.9%	4.3%	6.7%	6.7%
SPDR Gold Trust	GLD	125.58	-0.9%	1.9%	3.6%	3.6%
Energy Select Sector SPDR	XLE	65.66	-1.0%	5.4%	14.5%	14.5%
Gold Future	GCc1	1325.10	-1.0%	1.7%	3.7%	3.7%
Oil Future	CLc1	55.50	-1.0%	6.8%	22.2%	22.2%
iShares US Real Estate ETF	IYR	84.14	-1.1%	3.4%	12.3%	12.3%
United States Oil Fund, LP	USO	11.63	-1.3%	6.2%	20.4%	20.4%
iShares DJ US Oil Eqpt & Services ETF	IEZ	25.25	-2.7%	4.0%	23.7%	23.7%

Outperformed SP500

Underperformed SP500

Source: Dudack Research Group; Thomson Reuters

Priced as of close February 26, 2019

Blue shading represents non-US and yellow shading represents commodities

US Asset Allocation

	Benchmark	DRG %	Recommendation
Equities	60%	70%	Overweight
Treasury Bonds	30%	20%	Underweight
Cash	10%	10%	Neutral
	100%	100%	

Source: Dudack Research Group; raised equity and lowered cash 5% on November 9, 2016

DRG Earnings and Economic Forecasts

	S&P 500 Price	S&P Reported EPS	S&P Operating EPS	DRG Operating EPS Forecast	DRG EPS YOY %	Thomson Consensus Bottom-Up \$ EPS**	Thomson Consensus Bottom-Up EPS YOY%	DRG's Op PE Ratio	S&P Divd Yield	GDP Annual Rate	GDP Profits post-tax w/ IVA & CC	YOY %
2002	879.82	\$27.59	\$46.04	\$46.04	18.5%	\$46.89	NA	19.1X	1.8%	1.7%	\$714.80	29.8%
2003	1111.92	\$48.74	\$54.69	\$54.69	18.8%	\$55.44	18.4%	20.3X	1.6%	2.9%	\$812.60	13.7%
2004	1211.92	\$58.55	\$67.68	\$67.68	23.8%	\$67.10	20.9%	17.9X	1.8%	3.8%	\$977.30	20.3%
2005	1248.29	\$69.93	\$76.45	\$76.45	13.0%	\$76.28	13.7%	16.3X	1.8%	3.5%	\$1,065.30	9.0%
2006	1418.30	\$81.51	\$87.72	\$87.72	14.7%	\$88.18	15.6%	16.2X	1.8%	2.9%	\$1,173.10	10.1%
2007	1468.36	\$66.18	\$82.54	\$82.54	-5.9%	\$85.12	-3.5%	17.8X	1.8%	1.9%	\$1,083.50	-7.6%
2008	903.25	\$14.88	\$49.51	\$49.51	-40.0%	\$65.47	-23.1%	18.2X	2.5%	-0.1%	\$976.00	-9.9%
2009	1115.10	\$50.97	\$56.86	\$56.86	14.8%	\$60.80	-7.1%	19.6X	2.6%	-2.5%	\$1,182.60	14.8%
2010	1257.64	\$77.35	\$83.77	\$83.77	47.3%	\$85.28	40.3%	15.0X	1.9%	2.6%	\$1,456.20	23.1%
2011	1257.60	\$86.95	\$96.44	\$96.44	15.1%	\$97.82	14.7%	13.0X	2.0%	1.6%	\$1,528.70	5.0%
2012	1426.19	\$86.51	\$96.82	\$96.82	0.4%	\$103.80	6.1%	14.7X	2.1%	2.2%	\$1,662.50	8.8%
2013	1848.36	\$100.20	\$107.30	\$107.30	10.8%	\$109.68	5.7%	17.2X	2.0%	1.8%	\$1,647.90	-0.9%
2014	2127.83	\$102.31	\$113.01	\$113.01	5.3%	\$118.78	8.3%	18.8X	1.9%	2.5%	\$1,711.50	3.9%
2015	2043.94	\$86.53	\$100.45	\$100.45	-11.1%	\$118.20	-0.5%	20.3X	2.1%	2.9%	\$1,660.10	-3.0%
2016	2238.83	\$94.55	\$106.26	\$106.26	5.8%	\$118.10	-0.1%	21.1X	2.1%	1.6%	\$1,631.60	-1.7%
2017	2673.61	\$109.88	\$124.51	\$124.51	17.2%	\$132.00	11.8%	21.5X	1.9%	2.2%	\$1,816.80	11.4%
2018P	2506.85	\$138.87	\$154.89	\$156.00	25.3%	\$161.97	22.7%	16.1X	1.9%	3.3%	\$2,076.80	14.3%
2019E	~~~~~	\$154.62	\$166.36	\$172.00	10.3%	\$168.37	4.0%	16.2X	NA	NA	NA	NA
2012 1Q	1408.47	\$23.03	\$24.24	\$24.24	7.4%	\$25.60	8.9%	58.1	1.0	3.2%	\$1,705.50	22.9%
2012 2Q	1362.16	\$21.62	\$25.43	\$25.43	2.3%	\$25.84	7.0%	27.4	2.1%	1.7%	\$1,672.40	9.7%
2012 3Q	1440.67	\$21.21	\$24.00	\$24.00	-5.1%	\$26.00	1.4%	19.6	2.1%	0.5%	\$1,643.40	4.9%
2012 4Q	1426.19	\$20.65	\$23.15	\$23.15	-2.4%	\$26.32	7.2%	14.7	2.2%	0.5%	\$1,628.90	-3.2%
2013 1Q	1569.19	\$24.22	\$25.77	\$25.77	6.3%	\$26.74	4.5%	16.0	2.0%	3.6%	\$1,622.70	-4.9%
2013 2Q	1606.28	\$24.87	\$26.36	\$26.36	3.7%	\$27.40	6.0%	16.2	2.1%	0.5%	\$1,642.90	-1.8%
2013 3Q	1681.55	\$24.63	\$26.92	\$26.92	12.2%	\$27.63	6.3%	16.5	2.0%	3.2%	\$1,646.20	0.2%
2013 4Q	1848.36	\$26.48	\$28.25	\$28.25	22.0%	\$28.62	8.7%	17.2	1.9%	3.2%	\$1,679.80	3.1%
2014 1Q	1872.34	\$24.87	\$27.32	\$27.32	6.0%	\$28.18	5.4%	17.2	1.9%	-1.0%	\$1,577.20	-2.8%
2014 2Q	1960.23	\$27.14	\$29.34	\$29.34	11.3%	\$30.07	9.7%	17.5	1.9%	5.1%	\$1,710.20	4.1%
2014 3Q	1972.29	\$27.47	\$29.60	\$29.60	10.0%	\$30.04	8.7%	17.2	2.0%	4.9%	\$1,792.20	8.9%
2014 4Q	2058.90	\$22.83	\$26.75	\$26.75	-5.3%	\$30.54	6.7%	18.2	1.9%	1.9%	\$1,766.20	5.1%
2015 1Q	2108.88	\$21.81	\$25.81	\$25.81	-5.5%	\$28.60	1.5%	18.9	2.0%	3.3%	\$1,716.30	8.8%
2015 2Q	2166.05	\$22.80	\$26.14	\$26.14	-10.9%	\$30.09	0.1%	20.0	2.0%	3.3%	\$1,680.60	-1.7%
2015 3Q	1920.03	\$23.22	\$25.44	\$25.44	-14.1%	\$29.99	-0.2%	18.4	2.2%	1.0%	\$1,665.10	-7.1%
2015 4Q	2043.94	\$18.70	\$23.06	\$23.06	-13.8%	\$29.52	-3.3%	20.3	2.1%	0.4%	\$1,578.20	-10.6%
2016 1Q	2059.74	\$21.72	\$23.97	\$23.97	-7.1%	\$26.96	-5.7%	20.9	2.1%	1.5%	\$1,610.80	-6.1%
2016 2Q	2098.86	\$23.28	\$25.70	\$25.70	-1.7%	\$29.61	-1.6%	21.4	2.1%	2.3%	\$1,632.20	-2.9%
2016 3Q	2168.27	\$25.39	\$28.69	\$28.69	12.8%	\$31.21	4.1%	21.4	2.1%	1.9%	\$1,631.60	-2.0%
2016 4Q	2238.83	\$24.16	\$27.90	\$27.90	21.0%	\$31.30	6.0%	21.1	2.0%	1.8%	\$1,693.90	7.3%
2017 1Q	2362.72	\$27.46	\$28.82	\$28.82	20.2%	\$30.90	14.6%	21.3	2.0%	1.8%	\$1,707.80	6.0%
2017 2Q	2423.41	\$27.01	\$30.51	\$30.51	18.7%	\$32.58	10.0%	20.9	1.9%	3.0%	\$1,733.70	6.2%
2017 3Q	2519.36	\$28.45	\$31.33	\$31.33	9.2%	\$33.45	7.2%	21.2	1.9%	2.8%	\$1,735.90	6.4%
2017 4Q	2673.61	\$26.96	\$33.85	\$33.85	21.3%	\$36.02	15.1%	21.5	1.8%	2.3%	\$1,816.80	7.3%
2018 1Q	2640.87	\$33.02	\$36.54	\$36.54	26.8%	\$38.07	23.2%	20.0	1.9%	2.2%	\$1,965.30	15.1%
2018 2Q	2718.37	\$34.05	\$38.65	\$38.65	26.7%	\$41.00	25.8%	19.4	1.9%	4.2%	\$2,007.50	15.8%
2018 3Q	2913.98	\$36.36	\$41.38	\$41.38	32.1%	\$42.66	27.5%	19.4	1.8%	3.4%	\$2,076.80	19.6%
2018 4QP	2506.85	\$35.44	\$38.32	\$39.43	16.5%	\$41.02	13.9%	16.2	2.1%	NA	NA	NA
2019 1QE*	2793.90	\$34.32	\$37.30	\$40.29	10.3%	\$37.76	-0.8%	17.9	2.1%	NA	NA	NA
2019 2QE		\$38.33	\$41.13	\$42.80	10.7%	\$41.61	1.5%	17.7	NA	NA	NA	NA
2019 3QE		\$40.57	\$43.38	\$44.40	7.3%	\$43.88	2.9%	17.4	NA	NA	NA	NA
2019 4QE		\$41.40	\$44.55	\$44.51	12.9%	\$45.02	9.8%	16.8	NA	NA	NA	NA

Source: Dudack Research Group; Standard & Poors; Thomson Reuters Consensus estimates; **Thomson quarters may not sum to CY *2/26/2019

Regulation AC Analyst Certification

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RATINGS DEFINITIONS:

Sectors/Industries:

“Overweight”: Overweight relative to S&P Index weighting

“Neutral”: Neutral relative to S&P Index weighting

“Underweight”: Underweight relative to S&P Index weighting

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