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DJIA: 21237.38
SPX: 2529.19
NASDAQ: 7334.78

US Strategy Weekly
What We Are Watching

Stats and Treasuries

There will be a lot of news impacting the equity market in the coming months including economic data that could become quite ugly. But if we had to choose only two bits of data to watch in order to measure the risk/reward of the equity market, it would be the daily statistics on the virus in the US (looking for a peak in both new cases as well as deaths) and the 10-year Treasury bond yield. To a large extent we believe the debt market will be the best guide for equity investors in coming months. The 10-year US Treasury bond is valuable because it is a global market instrument, and as such, it incorporates information regarding global economies, politics, sentiment and liquidity. Since many investors view the US Treasury bond as a safe haven investment, it may be the best sentiment indicator to monitor in 2020. If this is true, it is possible that the March 9 record low of $4.99 in the 10-year Treasury yield index (TNX - $9.97) represented a peak in global panic; and if so, it is also possible that this panic low marked the beginning of a bottoming process for many financial markets.

Fundamentals are Fuzzy

Still, there are many things we are monitoring and perhaps the most challenging is assessing fundamentals. It will be months before we have data on first and second quarter GDP. But in mid-April first quarter earnings season will begin and the corporate guidance that accompanies these reports will give us our first clues as to how corporate America will be impacted by the COVID-19 crisis.

We can expect that it will generally be bad news and earnings estimates will come down. But keep in mind that many segments of the economy are doing well. Healthcare, pharmaceuticals, personal care products, communication services, utilities, e-commerce, delivery services, and videoconferencing will be among the industries that will be beneficiaries of the current situation. Yet many companies will be hurt, and one can expect shakeouts in some sectors such as energy and retail. In the interim, we can try to measure the risk in the overall market by assuming there will be an earnings recession in 2020. Therefore, it is reasonable and prudent to look at the risk in the equity market if earnings decline 10%.

Based upon the current level of inflation and the benign interest rate backdrop our valuation model suggests an average PE of 17.2 X is appropriate for both this year and 2021. S&P Dow Jones estimates earnings were $157.10 in 2019 which means a decline of 10% would suggest earnings of $141.39 in 2020. Applying a PE of 17.2 to $141.39 translates into a fair value target of SPX 2430 for 2020. As seen in our valuation model on page 3 and the charts on page 6, the SPX has already traded below that level. Yet, if we take this one step further and project a second 10% earnings decline in 2021, SPX earnings fall to $127.25 and the mid-point of our forecasted trading range drops to SPX 2340 in 2021. We believe this is very unlikely, but it is a valuable exercise and it shows that the March 16 close of SPX 2381 came close to discounting a two-year earnings recession, or a 20% decline in earnings.

Another way of looking at a worst-case scenario for the market would be to use $141.39 earnings in 2020 and a long-term average PE ratio of 15.5 times. This lower PE multiple could apply if there were uncertainty regarding the longer-term prospects for earnings growth. Earnings of $141.39 and a PE of 15.5 X translates into downside risk to SPX 2191. All in all, these exercises indicate that fundamental factors point to a wide range of possibilities, but the SPX 2400 and SPX 2200 levels tend to be areas of fundamental support.

Technicals Worth Noting

In the last 17 trading sessions, there have been seven trading sessions where volume in declining stocks represented 90% or more of the day's total volume. These days are classic examples of panic selling and three of these seven down days were Mondays, representing classic Panic Monday selling sprees.

History suggests that the worst of the selling pressure tends to be over once buyers come back to the market in earnest and this shift is represented by a 90% up day. Indeed, after the March 12 close of SPX 2480.64, a 93% up day materialized on March 13 (Friday). Nevertheless, this 93% up day was followed by another disastrous Monday decline in which 93% of the volume was in declining stocks, the advance/decline ratio was 1 to 15 and the daily new high/low ratio was 1 to 65 and the market fell to a new low of SPX 2386.13. Volume was only slightly above the 10-day average since circuit breakers interrupted trading twice during this session. These circuit breakers are one of the ways the current market structure differs from historical precedent. They make it more difficult to find that high-volume big-decline capitulation day that washes out the market and often defines a significant low. Nonetheless, there is no doubt that volatility is at record levels and as we showed last week, to date, March 2020 has been more volatile than any month during the Crash of 1929. This is amazing since that crash preceded the Great Depression, a global trade war, a broken banking system, and the Dust Bowl that joined forces in 1930. Things are far less dire today.

But when we look at current breadth data, we do find similarities to the 2011 low. The 2011 decline was precipitated by a well-anticipated downgrade of US sovereign debt on August 8, 2011 and it was linked to a belief that a recession was at hand. The choppy August to October 2011 period was characterized by a confusing pattern of alternating 90% down and up days; yet when we look closely at that period we find that the first 90% up day occurred on August 9, 2011 (see arrow on page 7). This up day followed the August 8 low of SPX 1119.46. Although the ultimate low for 2011 did not materialize until October 3, 2011 at SPX 1099.23, this lower low in October was merely 1.8% below the August 9 close. In sum, the first 90% up day did indeed indicate that the worst of the selling was over, and the bottoming process had begun. We believe this may also be true of today's environment. While we expect much volatility in the weeks ahead, the March 12 low of SPX 2480.64 and the March 16 low of SPX 2386.13 (4% lower), is hopefully the beginning of a bottoming phase for equities. Note that the December 2018 low of 2351.10 -- a significant support level -- was also tested on March 16. When we look at the chart of the SPX, it is clear that the uptrends from the 2009 and 2016 lows have been broken. But the SPX chart also shows important support levels are found around SPX 2400 and SPX 2200. See page 6. Both of these levels coordinate well with the valuation benchmarks discussed earlier.

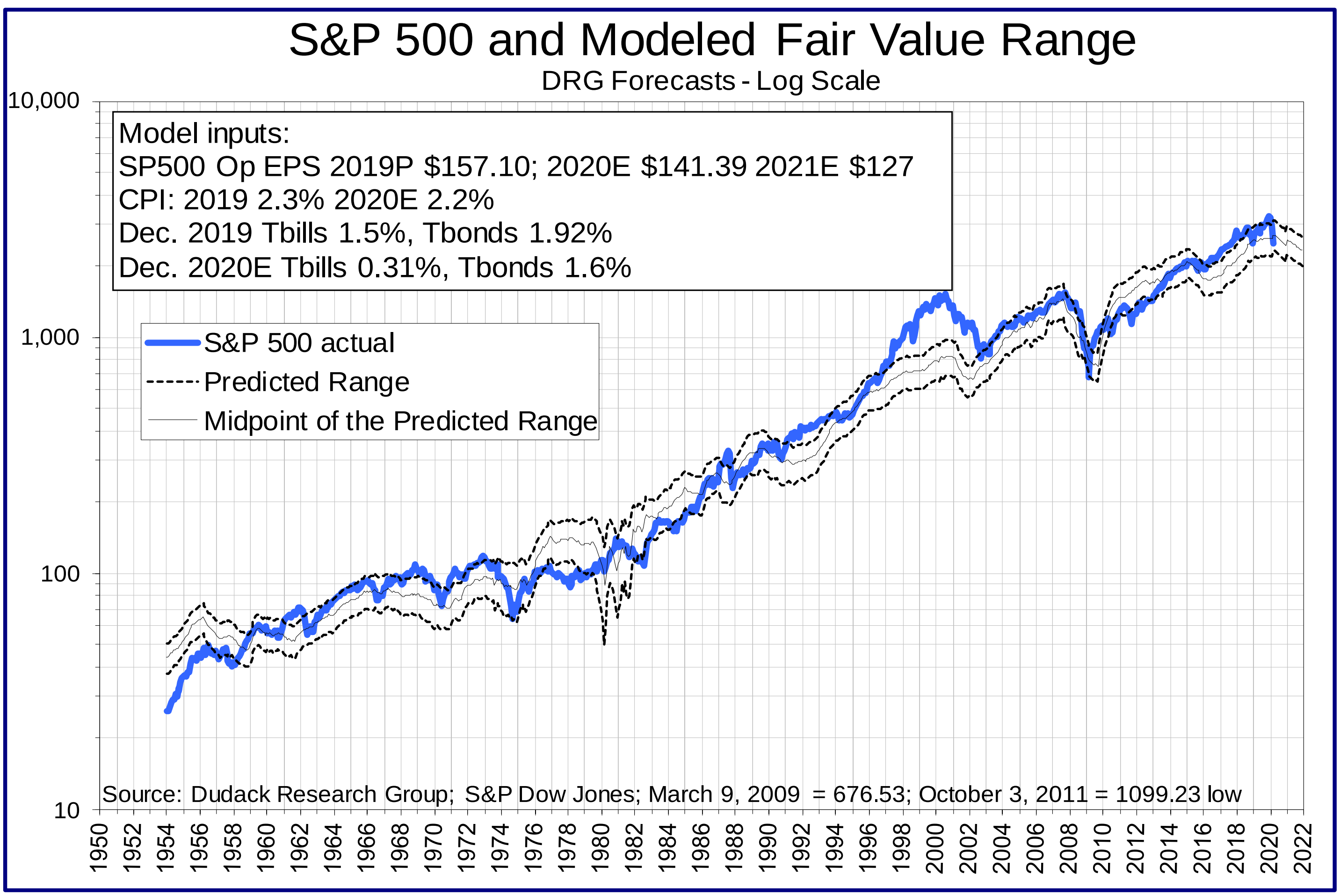
No Comparison to 2008

To date, the 29.5% drop seen in the SPX is greater than the long-term average decline of 24% and is the largest decline since 2008. See page 5. Although there may be reasons to compare the current marketplace to the 2008-2009 period, keep in mind that this is a medical crisis and not a liquidity crisis. Therefore, the recovery from this crisis should be much easier to accomplish once the virus subsides and/or a therapy and vaccine are in place. In 2009 earnings for the S&P 500 index went negative for the first time in history. To have the S&P 500 report a deficit for the year is far different from earnings declining by 10% or more. The SPX's deficit in 2009 was due to massive profit losses in the banking sector. Today, after the virus peaks, the prospect for a rebound in earnings is substantial due in large part to a low unemployment rate and a strong banking system. It will not be simple, but the federal government has made it clear it plans to support small and medium sized companies and their employees during this unusual period. In short, the 2020 equity market is apt to provide investors with an excellent buying opportunity, but we expect prices will remain unpredictable and volatile for a long while.

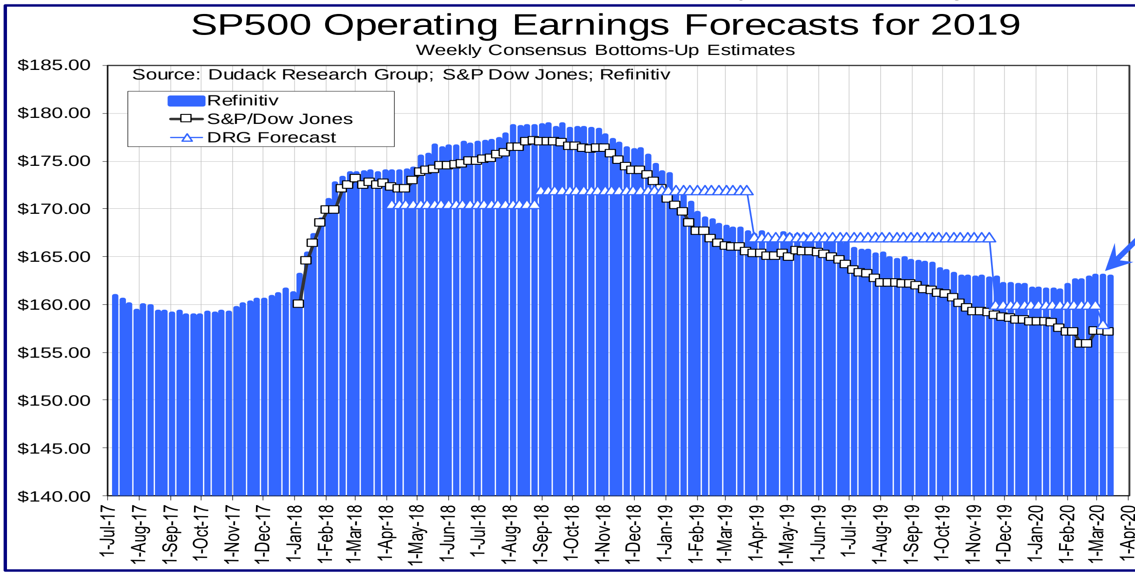
If we assume there will be an earnings recession in 2020, we should look at the risk in the equity market if earnings decline 10%. Based upon the current level of inflation and the benign interest rate backdrop, our model suggests a PE of 17.2 X for 2020 and 2021. An S&P earnings decline of 10% in 2020 implies earnings of $141.39. This $141.30 and a PE of 17.2 translates into an **SPX valuation target of SPX 2430**. As seen in the chart below, the SPX has already dropped below that level. If we take this one step further and project a second 10% earnings decline in 2021, it means S&P earnings fall to $127.25 and **the mid-point of our forecasted trading range in 2021 drops to SPX 2340**. In short, the **March 16 close of SPX 2381 came close to discounting a two-year earnings recession, or earnings decline of 20%**.

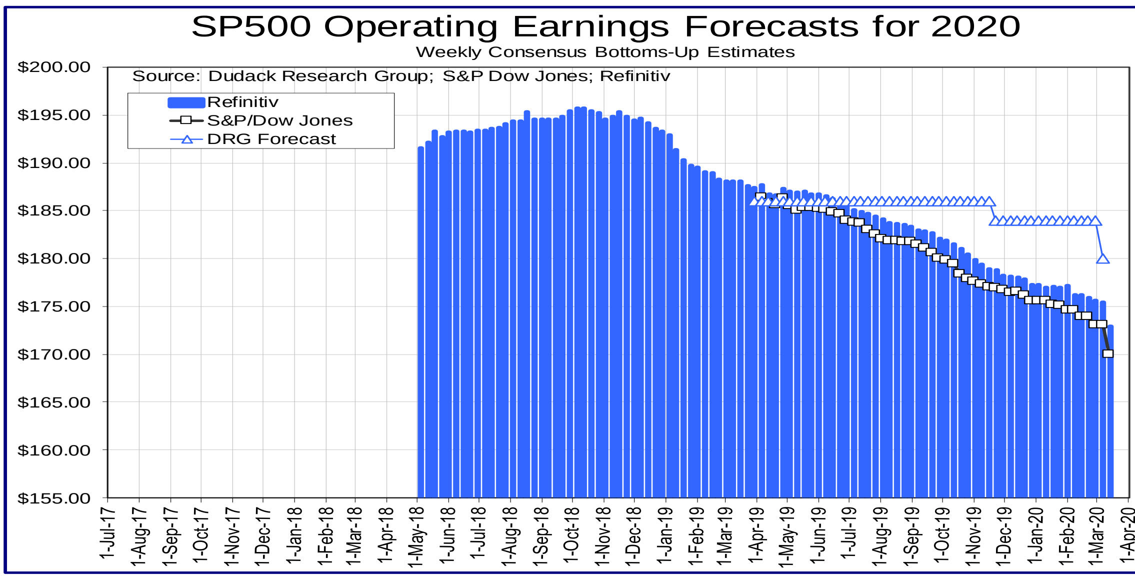
Another way of looking at a WORST-CASE SCENARIO for the market would be to incorporate an EPS drop of 10% in 2020 and a PE ratio of 15.5 times. This lower PE multiple implies a prolonged uncertainty regarding future earnings growth is being discounted by the market. Earnings of $141.39 and **a PE of 15.5 X translates into downside risk to SPX 2191**. In other words, **there are fundamental factors that point to a range of possibilities, but the SPX 2400 and SPX 2200 areas tend to be levels of fundamental support.**

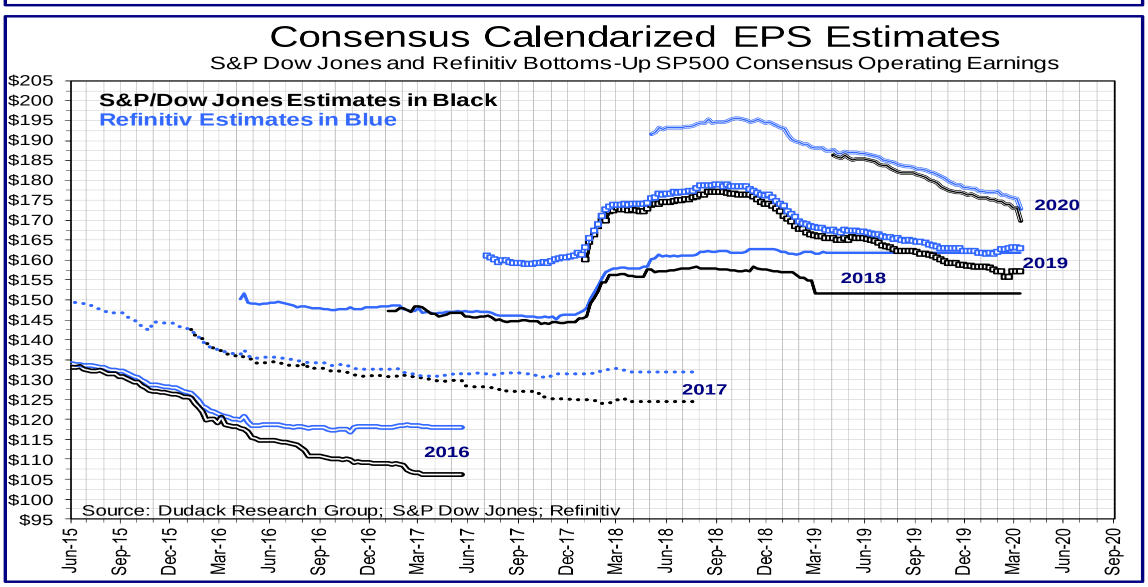
The technical charts also show multiple levels of support centered around SPX 2400 and SPX 2200.



In the week ended March 13, Refinitiv's consensus 2019 EPS growth estimate eased from 0.7% to 0.6%. The 2020 estimate fell from 7.6% to 6.1%. The S&P/Dow Jones consensus 2019 estimate ratcheted from 3.7% to 3.6%. The 2020 estimate fell from 10.1% to 8.2%. We expect more changes ahead for 2020.







SPX Peaks & Troughs (Using 10% as a Minimum Decline)

SPX Peaks Date	Price	%Increase	SPX Troughs Date	Price	%Decline		Peak to Trough Months	Trough to Peak Months	Trough to Trough Months
			Jan 19, 1931	15.46	-4.7%				
Feb 24, 1931	18.17	17.5%							
			Oct 5, 1931	8.82	-51.5%	*	7.3		8.5
Nov 9, 1931	11.52	30.6%						1.2	
			Jun 1, 1932	4.40	-61.8%	*	6.7		7.9
Sep 7, 1932	9.31	111.6%						3.2	
			Feb 27, 1933	5.53	-40.6%		5.7		8.9
Mar 16, 1933	6.93	25.3%						0.6	
			Mar 31, 1933	5.85	-15.6%		0.5		1.1
Jun 12, 1933	10.89	86.2%						2.4	
			Jun 15, 1933	9.74	-10.6%		0.1		2.5
Jul 18, 1933	12.20	25.3%						1.1	
			Jul 21, 1933	9.65	-20.9%	*	0.1		1.2
Aug 25, 1933	11.28	16.9%						1.2	
			Oct 21, 1933	8.57	-24.0%	*	1.9		3.0
Feb 6, 1934	11.82	37.9%						3.6	
			Jun 2, 1934	9.35	-20.9%		3.8		7.4
Jun 18, 1934	10.37	10.9%						0.5	
			Mar 14, 1935	8.06	-22.3%	*	8.8		9.4
Apr 6, 1936	15.51	92.4%						12.8	
			Apr 29, 1936	13.53	-12.8%		0.8		13.5
Mar 6, 1937	18.68	91.8%						10.2	
			Mar 31, 1938	8.50	-54.5%	*	12.8		23.0
Nov 9, 1938	13.79	42.9%						7.3	
			Jun 10, 1940	8.99	-34.8%		19.0		26.4
Nov 9, 1940	11.40	33.0%						5.0	
			Apr 28, 1942	7.47	-60.0%	*	17.6		22.6
Jul 14, 1943	12.64	35.2%						14.5	
			Nov 29, 1943	10.99	-20.3%		4.5		19.1
Feb 2, 1946	18.71	150.5%						26.2	
			Feb 26, 1946	16.81	-10.2%		0.8		27.0
May 29, 1946	19.25	14.5%						3.0	
			Jun 13, 1949	13.55	-29.6%	*	36.5		39.6
Jun 12, 1950	19.40	43.2%						12.0	
			Jul 17, 1950	16.68	-14.0%		1.2		13.1
Jan 5, 1953	26.66	59.8%						29.7	
			Sep 14, 1953	22.71	-14.8%		8.3		38.0
Sep 23, 1955	45.63	100.9%						24.3	
			Oct 11, 1955	40.80	-10.6%		0.6		24.9
Aug 2, 1956	49.74	21.9%						9.7	
			Oct 22, 1957	38.98	-21.6%	*	14.7		24.4
Aug 3, 1959	60.71	55.7%						21.4	
			Oct 25, 1960	52.30	-13.9%		14.8		36.1
Dec 12, 1961	72.64	38.9%						13.6	
			Jun 26, 1962	52.32	-28.0%		6.4		20.0
Feb 9, 1966	94.06	79.8%						43.5	
			Oct 7, 1966	73.20	-22.2%		7.9		51.4
Sep 25, 1967	97.59	33.3%						11.6	
			Mar 5, 1968	87.72	-10.1%		5.3		16.9
Nov 29, 1968	108.37	23.5%						8.8	
			May 26, 1970	69.29	-36.1%	*	17.9		26.7
Apr 28, 1971	104.77	51.2%						11.1	
			Nov 23, 1971	90.16	-13.9%		6.9		18.0
Jan 11, 1973	120.24	33.4%						13.6	
			Oct 3, 1974	62.28	-48.2%	*	20.7		34.4
Sep 21, 1976	107.83	73.1%						23.6	
			Mar 6, 1978	86.90	-19.4%		17.5		41.1
Feb 13, 1980	118.44	36.3%						23.3	
			Mar 27, 1980	98.22	-17.1%		1.4		24.7
Nov 28, 1980	140.52	125.6%						8.1	
			Aug 12, 1982	102.42	-27.1%		20.4		28.5
Oct 10, 1983	172.65	68.6%						13.9	
			Jul 24, 1984	147.82	-14.4%		9.5		23.4
Aug 25, 1987	336.78	127.8%						37.1	
			Dec 4, 1987	223.91	-33.5%		3.3		40.4
Oct 9, 1989	359.81	60.7%						22.2	
			Jan 30, 1990	322.97	-10.2%		3.7		25.9
Jul 16, 1990	368.94	14.2%						5.5	
			Oct 11, 1990	295.47	-19.9%	*	2.9		8.4
Oct 7, 1997	983.12	232.7%						83.9	
			Oct 27, 1997	876.99	-10.8%		0.7		84.6
Jul 17, 1998	1186.75	35.3%						8.6	
			Aug 31, 1998	957.28	-19.3%		1.5		10.1
Jul 16, 1999	1418.78	48.2%						10.5	
			Oct 15, 1999	1247.41	-12.1%		3.0		13.5
Mar 24, 2000	1527.46	22.5%						5.3	
			Sep 21, 2001	965.80	-36.8%	*	18.0		23.2
Apr 16, 2002	1128.37	16.8%						6.8	
			Oct 9, 2002	776.76	-31.2%	*	5.8		12.6
Oct 9, 2007	1565.15	101.5%						60.0	
			Mar 9, 2009	676.53	-56.8%	*	17.0		77.0
Apr 23, 2010	1217.28	79.9%						13.5	
			Jul 2, 2010	1022.58	-16.0%		2.3		15.8
Apr 29, 2011	1363.61	33.3%						9.9	
			Oct 3, 2011	1099.23	-19.4%		5.2		15.1
Apr 2, 2012	1419.04	29.1%						6.0	
			Jun 1, 2012	1278.04	-9.9%		2.0		8.0
May 21, 2015	2130.82	66.7%						35.6	
			Feb 11, 2016	1829.08	-14.2%		8.7		44.4
Jan 26, 2018	2872.87	57.1%						23.5	
			Feb 8, 2018	2581.00	-10.2%		0.4		23.9
Sep 20, 2018	2930.75	13.6%						7.4	
			Dec 24, 2018	2351.10	-19.8%		3.1		10.5
Feb 19, 2020	3386.15	44.0%						13.9	
			Mar 16, 2020	2386.13	-29.5%		0.9		14.7
Average		56.4%			-24.1%		7.6	15.4	22.8
Median		42.9%			-19.8%		5.7	10.8	20.0
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

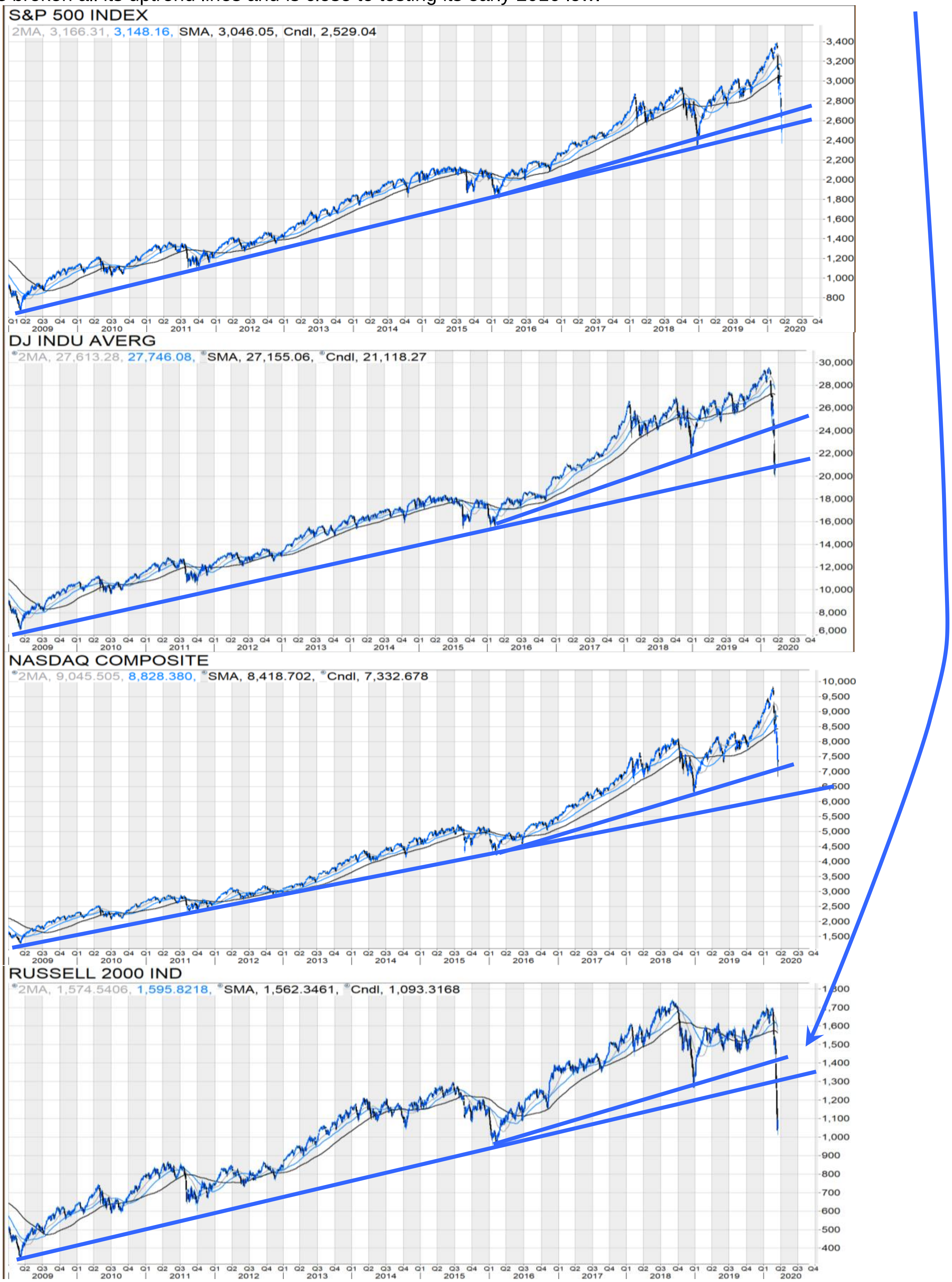
The 29.5% drop seen in the SPX, to date, is greater than the long-term average decline of 24% and is the largest decline since 2008.

If comparing the current market to the 2008-2009 period, keep in mind that earnings for the SP 500 index in this period were negative for the first time in history. Having the SP 500 report an earnings deficit is far different from earnings declining by 10% or more. The SPX's deficit in 2009 was due to the extremely large losses in the banking sector.

Today, once the virus peaks, the prospect for a rebound in earnings is substantial due to the low unemployment rate and a strong banking system.

Nonetheless, this is a medical crisis and it is unpredictable, especially since the virus could return in the Fall. In short, the 2020 equity market is apt to provide investors with an excellent buying opportunity, but we expect prices will remain volatile for a long while.

There is a lot of variety in the charts of the four main indices this week. However, the SPX and DJIA are clearly probing their 2009 uptrend lines near 2500 and 20,500, respectively. The Nasdaq Composite is testing its 2016 uptrend line; whereas, the RUT has broken all its uptrend lines and is close to testing its early 2016 low.

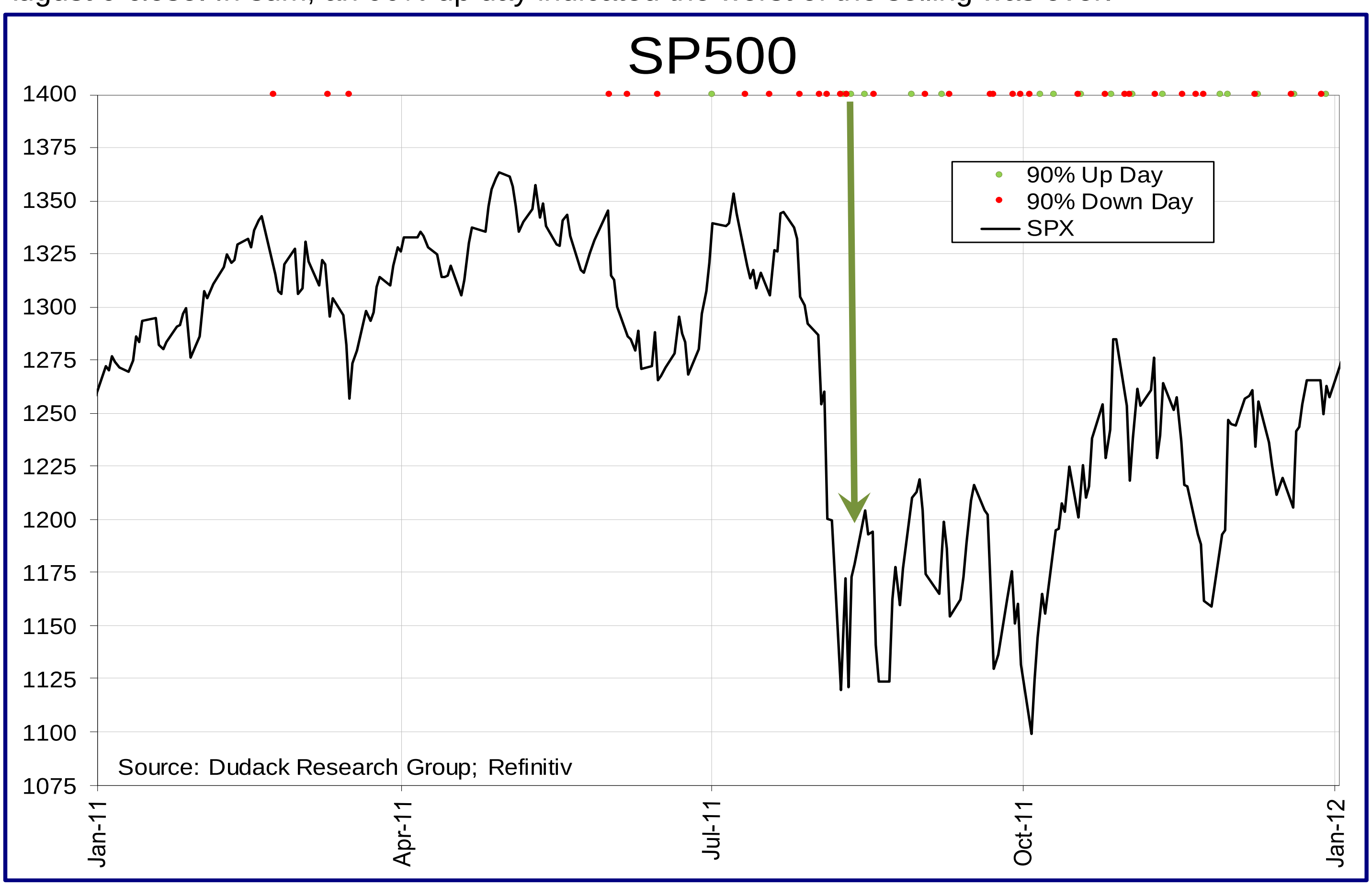


Source: Refinitiv

In the last 17 trading sessions, there have been seven trading sessions in which volume in declining stocks represented 90% or more of the day's total volume. This is a classic example of panic selling driving stock prices. Moreover, three of these seven down days were Mondays, representing classic Panic Monday selling sprees.

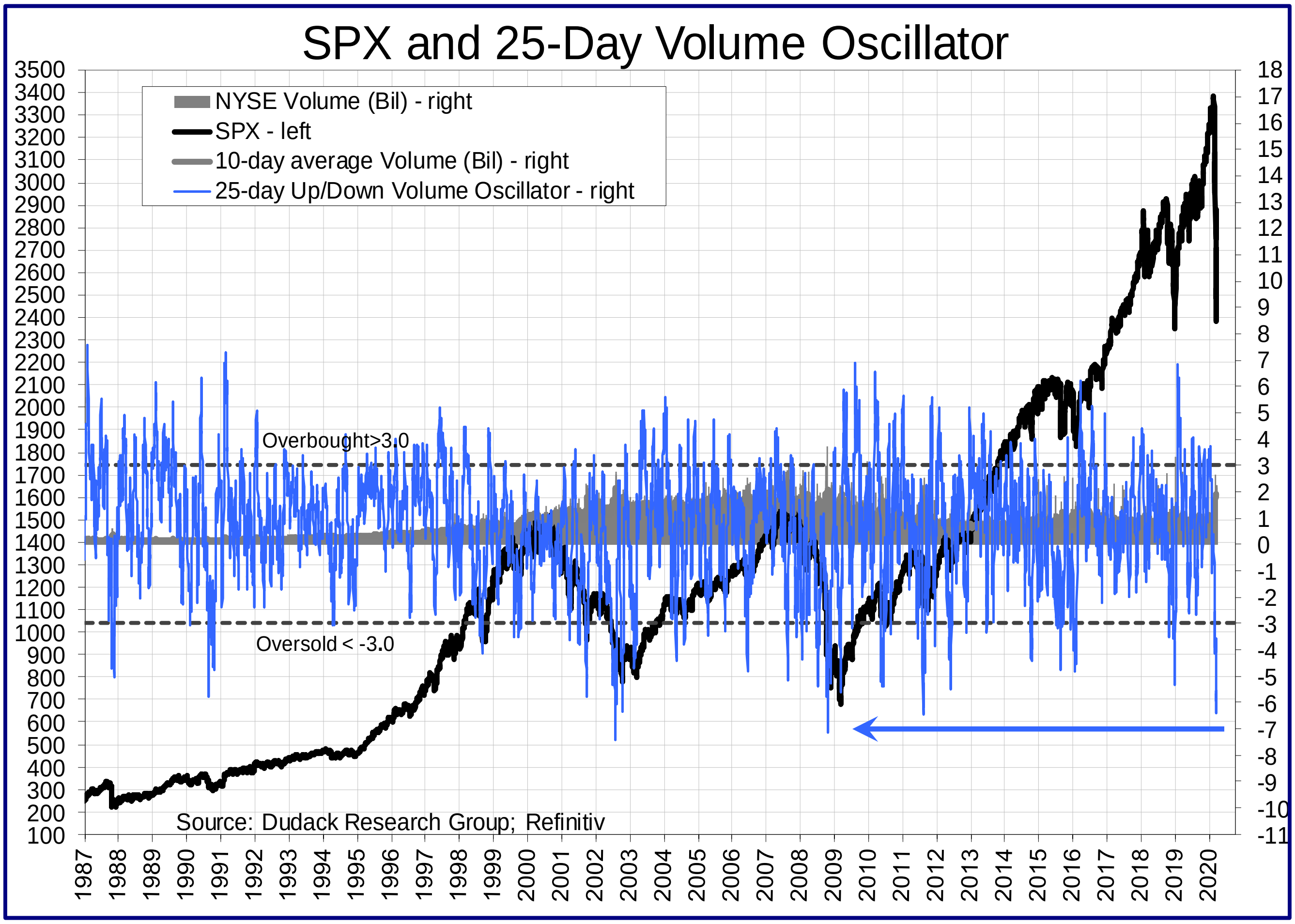
Typically, the worst of the selling pressure is over once buyers come back in earnest and a 90% up volume day appears. A 93% up day materialized on March 13 (Friday) and it followed the March 12 close of SPX 2480.64. Nevertheless, this up day was followed by another disastrous Monday decline to SPX 2386.13 in which 93% of the volume was in declining stocks, the advance/decline ratio was 1 to 15 and the daily new high/low ratio was 1 to 65. However, volume was only slightly above the 10-day average since circuit breakers interrupted trading twice during the session. Circuit breakers make the current market structure different from history; nonetheless, volatility is at record levels. As discussed last week, to date, March 2020 has had a higher percentage of daily moves of 1% and 4% or more, than any month during the 1929 Crash. Although this percentage may not last through the second half of the month, it shows how extreme volatility has been. Keep in mind that the Crash of 1929 preceded the Great Depression, a global trade war, a broken banking system and the Dust Bowl of 1930. Things are far more positive today.

When we look at breadth data today, we see some similarities to the 2011 low. That low, which was driven by a well-anticipated S&P downgrade of US sovereign debt on August 8, 2011, was linked to the belief that a recession was on the horizon. The period was characterized by alternating 90% down and up days. Yet when we look closely at that period, we find that the first 90% up day occurred on August 9 (see arrow below), following the August 8 low of SPX 1119.46. The ultimate low for the period did not materialize until October 3, 2011 at SPX 1099.23, but this low was merely 1.8% below the August 9 close. In sum, an 90% up day indicated the worst of the selling was over.

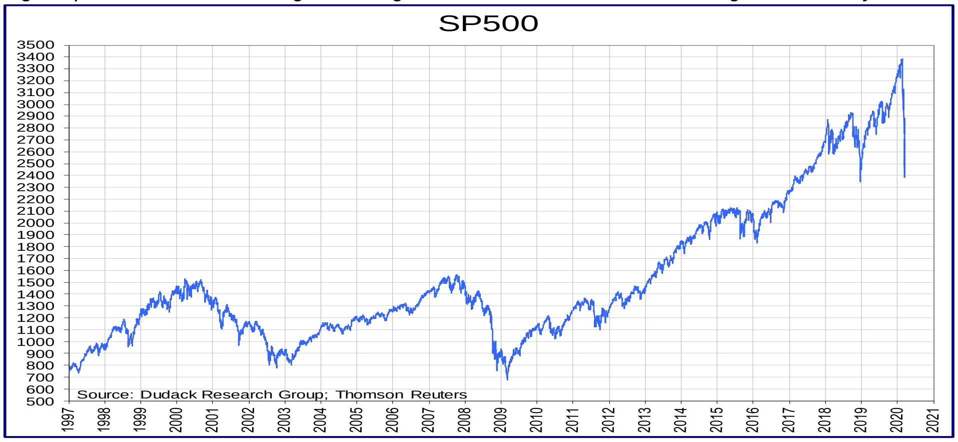


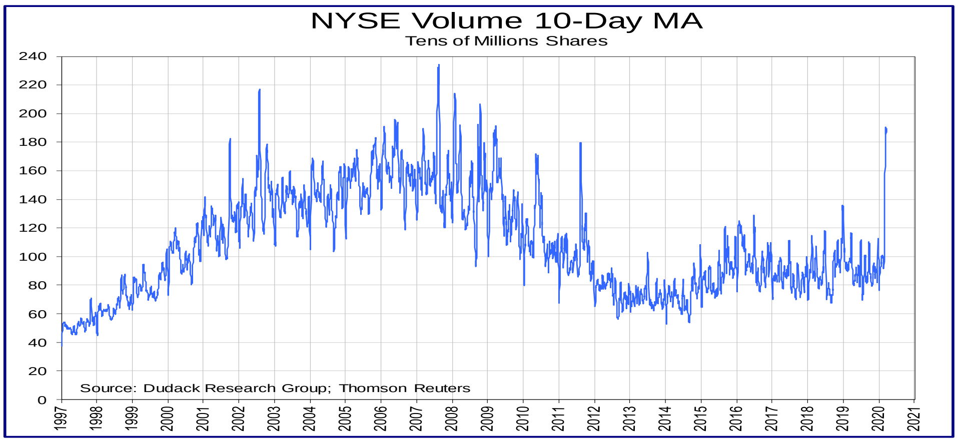
The 25-day up/down volume oscillator is at minus 5.64 (preliminarily) this week and has been in oversold territory for 12 of the last 15 trading sessions. This is the first oversold reading since December 2018, and it matches the oversold reading seen in August 2011. It is also the worst reading since October 2008.

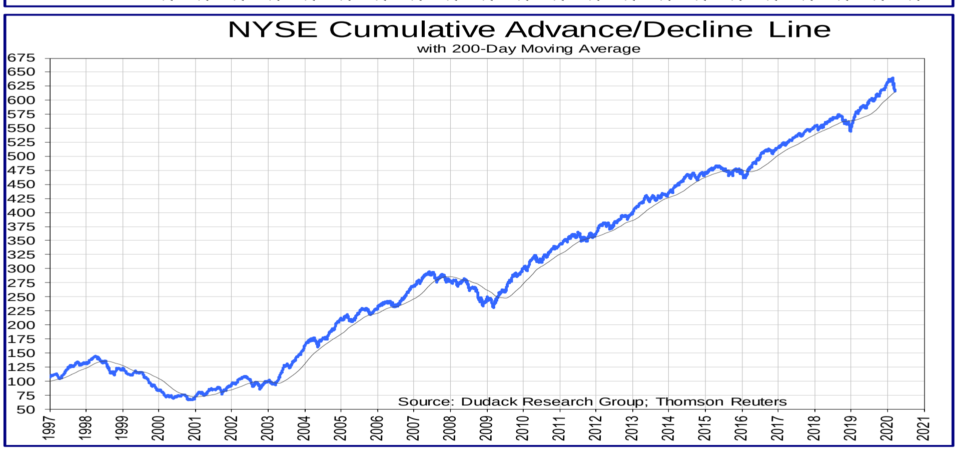
On a successful retest of any low we would like to see selling pressure diminish and this can be measured by an oversold reading that is less extreme. This is a factor we will be monitoring.

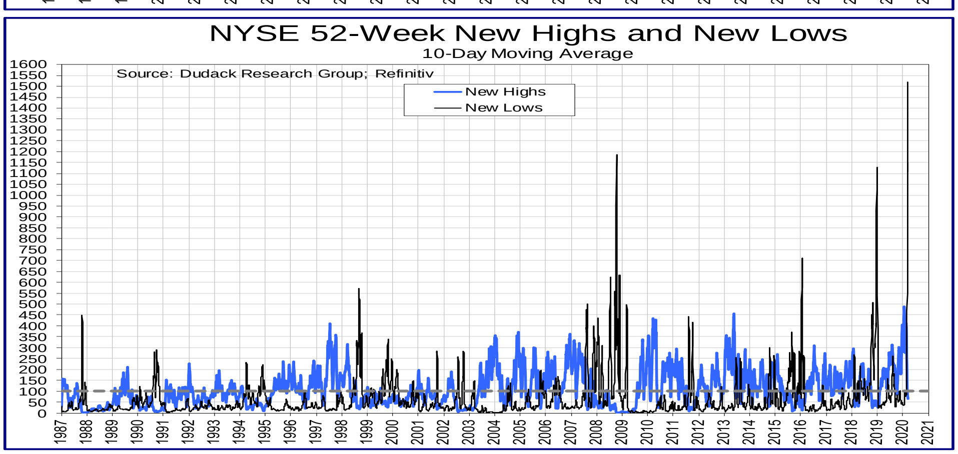


The 10-day average of daily new highs (64) is below the 100 per day level defined as bullish; the 10-day average of daily new lows (1519) is higher than the peak recorded in 2008. The combination is clearly negative and extreme. There has also been a big increase in NYSE volume as the market has declined which is another sign of panic and the unwinding of leverage. The A/D line last made a new high on February 20, 2020.

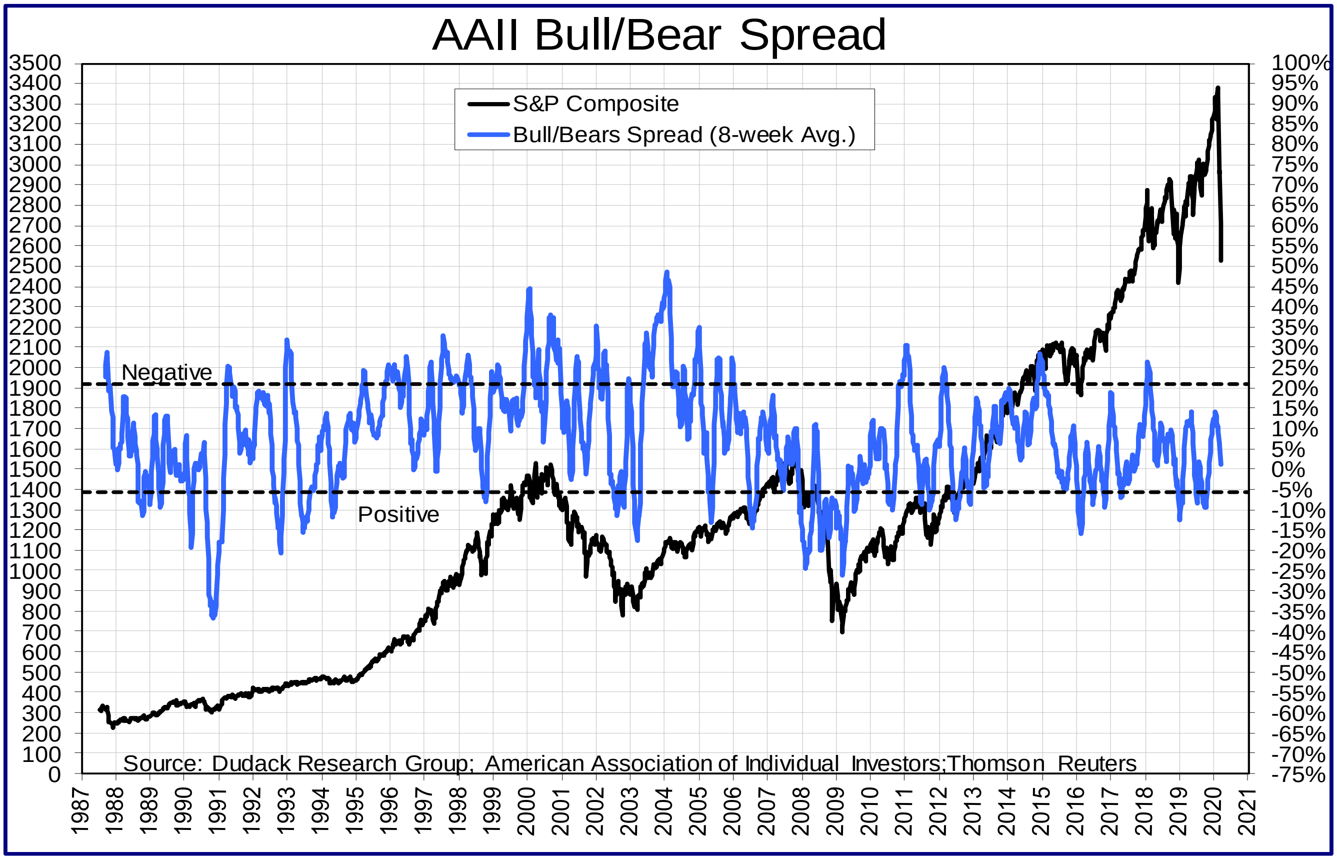


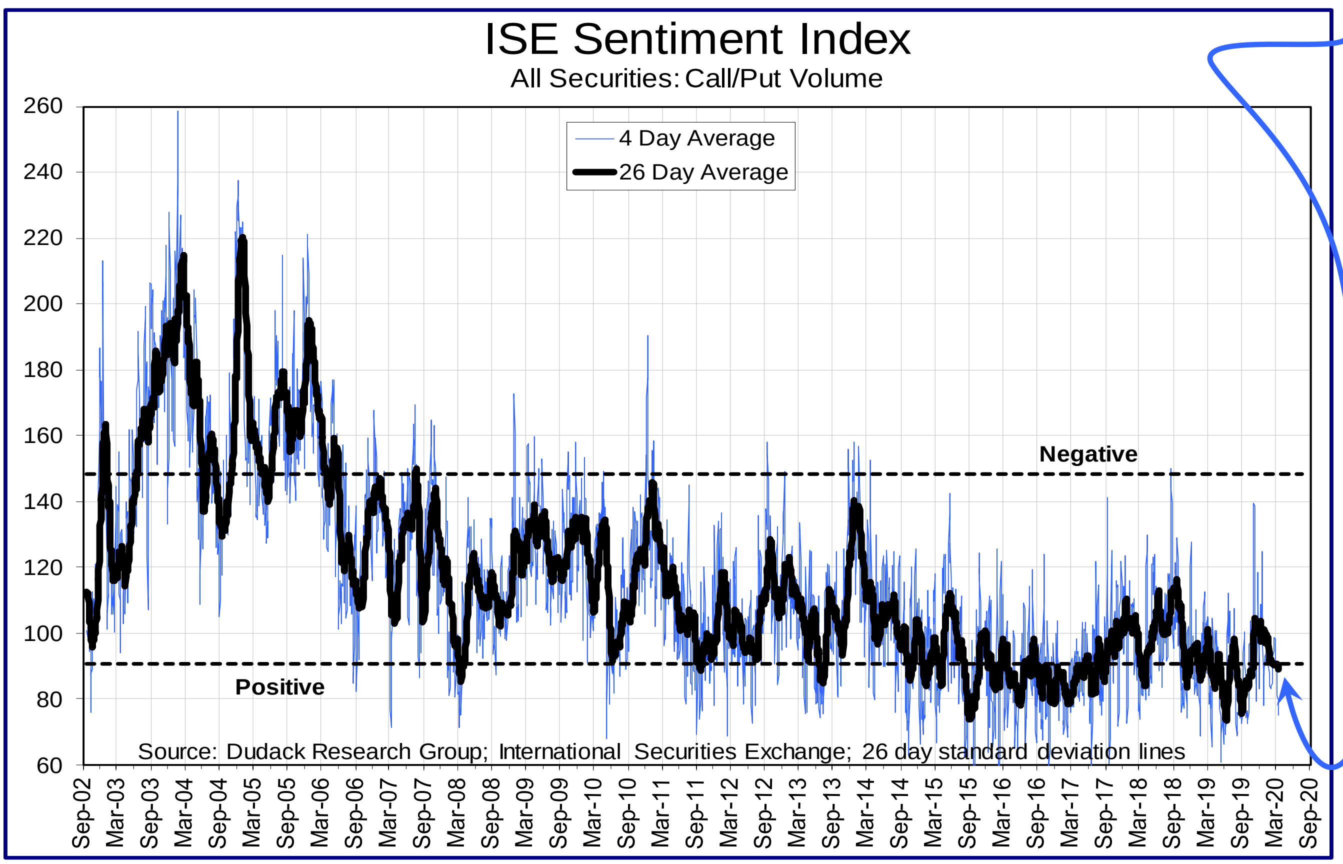






As of March 11, AAII bullish sentiment fell 9.0% to 29.7% and bearish sentiment jumped 11.7% to 51.3%. This was the first bearish reading over 50% since the December 2018 low. The ISE Sentiment index has been in positive territory since February 18th. In sum, sentiment indicators are displaying strong bearish sentiment which is typical of a major low.



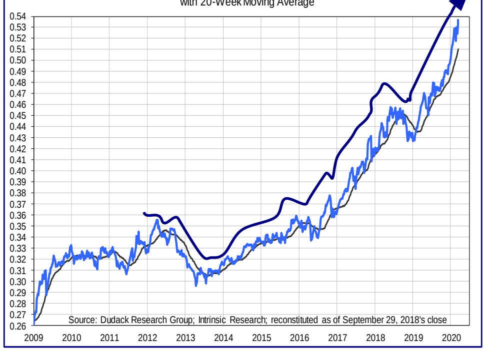


DRG Recommended Sector Weights		
Overweight	**Neutral**	**Underweight**
Technology	Staples	Healthcare
Financials	Utililties	Energy
Consumer Discretionary	Communication Services	REITS
Industrials	Materials	

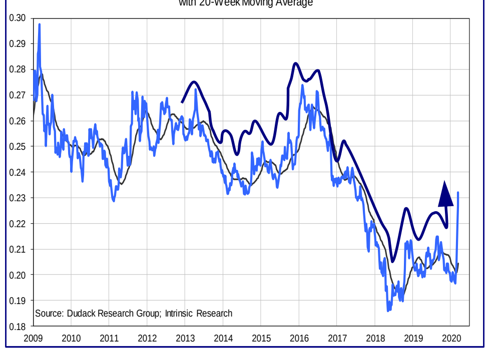
Financials and Industrials upgradedfrom neutral to overw eight; Utilities dow ngraded from overw eight to Neutral; Healthcare dow ngraded from overw eight to underw eight; Communications Svc. upgraded from underw eight to neutral 12/18/19

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

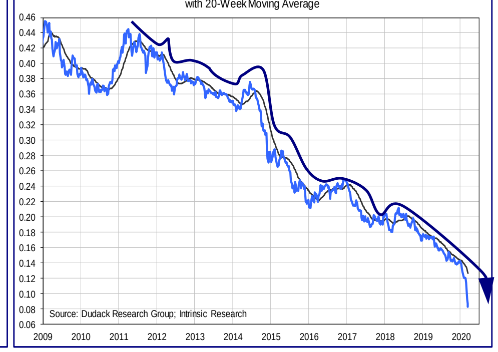
Technology* Sector relative to SPX
with 20-Week Moving Average



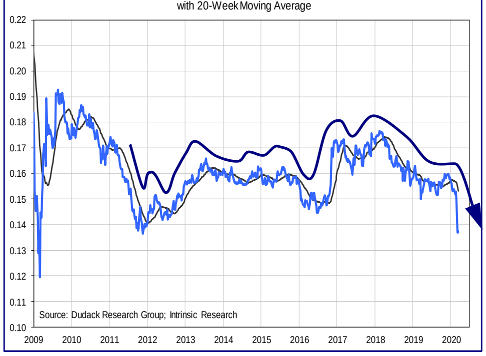
Staples Sector relative to SPX
with 20-Week Moving Average



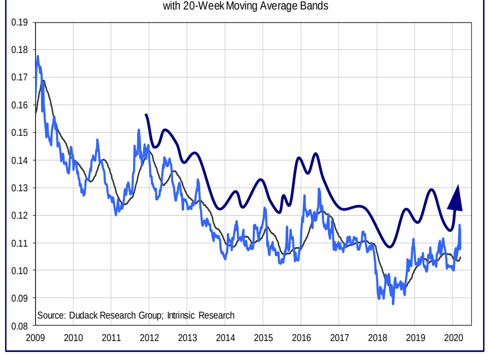
Energy Sector relative to SPX
with 20-Week Moving Average



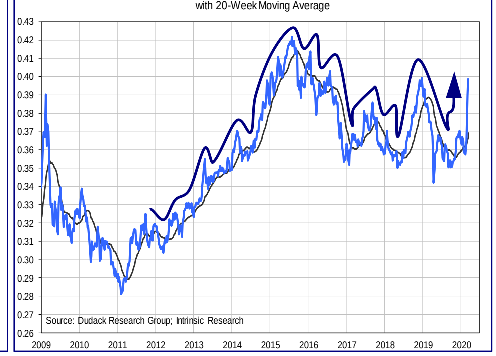
Financials Sector relative to SPX
with 20-Week Moving Average



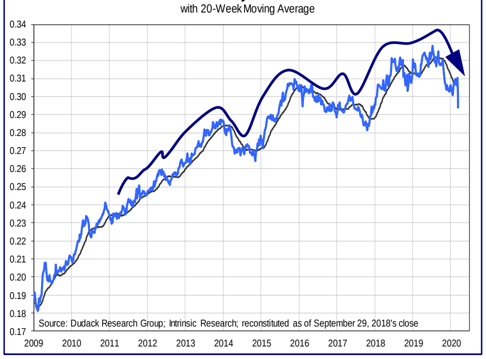
Utilities Sector relative to SPX
with 20-Week Moving Average Bands



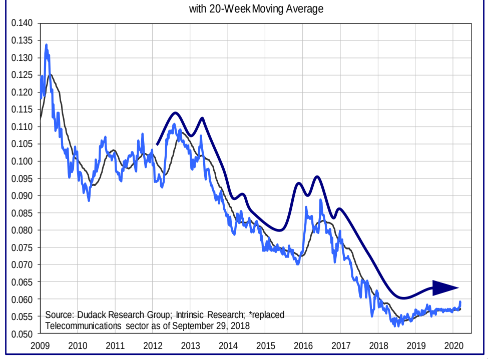
Healthcare Sector relative to SPX
with 20-Week Moving Average



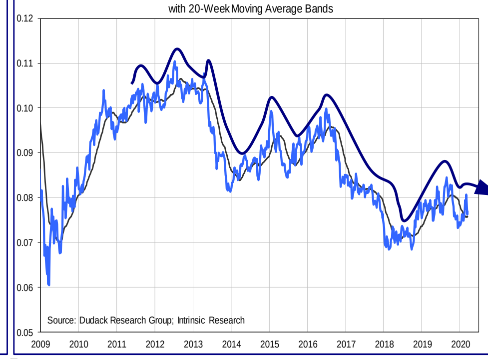
Consumer Discretionary* Sector relative to SPX
with 20-Week Moving Average



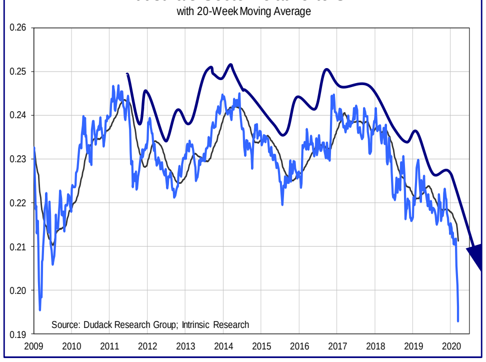
Communication Services* Sector relative to SPX
with 20-Week Moving Average



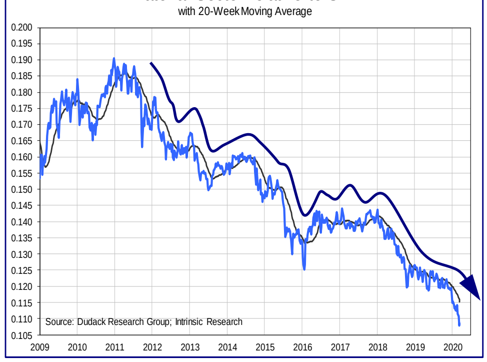
REITS Sector relative to SPX
with 20-Week Moving Average Bands



Industrials Sector relative to SPX
with 20-Week Moving Average



Material Sector relative to SPX
with 20-Week Moving Average



2020 Performance Year-to-Date - Ranked	
SP500 Sector	% Change
S&P CONSUMER STAPLES	-9.3%
S&P UTILITIES	-11.5%
S&P HEALTH CARE	-15.2%
S&P INFORMATION TECH	-15.7%
S&P REITS	-19.0%
S&P COMMUNICATIONS SERVICES	-19.2%
S&P 500	-21.7%
S&P CONSUMER DISCRETIONARY	-24.6%
S&P MATERIALS	-28.8%
S&P INDUSTRIALS	-29.1%
S&P FINANCIAL	-32.2%
S&P ENERGY	-54.0%

Source: Dudack Research Group; Thomson Reuters; Monday closes

Global Markets - Ranked by Last 20-Day Trading Performance

Index/EFT	Symbol	Price	5-Day%	20-Day%	QTD%	YTD%
Silver Future	SIc1	170.35	3.0%	13.3%	42.7%	42.7%
SPDR Communication Services ETF	XLC	192.74	2.7%	11.6%	36.0%	36.0%
iShares 20+ Year Treas Bond ETF	TLT	152.98	-5.9%	5.8%	12.9%	12.9%
SPDR Gold Trust	GLD	143.56	-7.1%	-3.7%	0.5%	0.5%
Gold Future	GCc1	1524.90	-8.1%	-4.7%	0.0%	0.0%
Shanghai Composite	.SSEC	2779.64	-7.2%	-6.9%	-7.6%	-7.6%
iShares iBoxx $ Invest Grade Corp Bond	LQD	116.33	-9.2%	-11.2%	-9.3%	-9.3%
Consumer Staples Select Sector SPDR	XLP	57.22	-5.5%	-11.4%	-8.4%	-8.4%
iShares China Large Cap ETF	FXI	36.01	-10.4%	-14.6%	-19.8%	-19.8%
iShares MSCI Hong Kong ETF	EWH	20.32	-8.8%	-15.9%	-18.5%	-18.5%
Health Care Select Sect SPDR	XLV	86.85	-8.8%	-16.1%	-15.0%	-15.0%
iShares US Telecomm ETF	IYZ	25.53	-7.7%	-16.3%	-14.6%	-14.6%
iShares Nasdaq Biotechnology ETF	IBB.O	101.30	-9.8%	-17.3%	-15.9%	-15.9%
iShares MSCI Taiwan ETF	EWT	32.40	-14.3%	-18.4%	-22.2%	-22.2%
Utilities Select Sector SPDR	XLU	57.66	-10.0%	-18.8%	-9.6%	-9.6%
iShares MSCI Malaysia ETF	EWM	21.55	-12.2%	-20.3%	-24.4%	-24.4%
iShares MSCI Japan ETF	EWJ	45.34	-11.8%	-21.3%	-24.3%	-24.3%
PowerShares Water Resources Portfolio	PHO	32.12	-10.8%	-21.9%	-16.9%	-16.9%
iShares MSCI BRIC ETF	BKF	35.24	-12.9%	-22.3%	-22.2%	-22.2%
NASDAQ 100	NDX	7473.95	-10.7%	-22.3%	-14.4%	-14.4%
iShares MSCI Emerg Mkts ETF	EEM	33.81	-13.9%	-23.0%	-26.1%	-26.1%
iShares Russell 1000 Growth ETF	IWF	146.09	-11.9%	-23.5%	-18.1%	-18.1%
Technology Select Sector SPDR	XLK	77.50	-11.6%	-23.7%	-17.0%	-17.0%
iShares MSCI Singapore ETF	EWS	17.42	-15.9%	-24.5%	-27.8%	-27.8%
Nasdaq Composite Index Tracking Stock	ONEQ.O	285.31	-12.2%	-24.7%	-18.4%	-18.4%
iShares MSCI India ETF	INDA.K	26.33	-12.1%	-25.0%	-25.1%	-25.1%
SP500	**.SPX**	**2529.19**	**-12.2%**	**-25.2%**	**-21.7%**	**-21.7%**
iShares Russell 1000 ETF	IWB	139.78	-12.4%	-25.5%	-22.3%	-22.3%
Vanguard FTSE All-World ex-US ETF	VEU	38.89	-15.4%	-26.9%	-28.6%	-28.6%
iShares Silver Trust	SLV	12.47	-23.5%	-27.3%	-28.6%	-28.6%
Materials Select Sector SPDR	XLB	43.95	-13.0%	-27.4%	-28.4%	-28.4%
SPDR DJIA ETF	DIA	213.47	-14.8%	-27.5%	-25.1%	-25.1%
iShares MSCI EAFE ETF	EFA	49.76	-15.7%	-27.6%	-29.1%	-29.1%
iShares MSCI South Korea Capped ETF	EWY	44.89	-18.0%	-27.7%	-27.8%	-27.8%
DJIA	.DJI	21237.38	-15.1%	-27.8%	-25.6%	-25.6%
iShares Russell 1000 Value ETF	IWD	99.95	-12.9%	-27.8%	-27.1%	-27.1%
SPDR S&P Semiconductor ETF	XSD	78.14	-13.6%	-28.0%	-26.2%	-26.2%
iShares US Real Estate ETF	IYR	70.63	-19.7%	-29.5%	-23.3%	-23.3%
Consumer Discretionary Select Sector SPDR	XLY	92.78	-18.2%	-29.5%	-26.9%	-26.9%
Industrial Select Sector SPDR	XLI	58.37	-15.6%	-30.6%	-28.4%	-28.4%
Financial Select Sector SPDR	XLF	20.97	-13.2%	-32.1%	-32.5%	-32.5%
iShares MSCI Australia ETF	EWA	15.56	-17.8%	-32.5%	-31.6%	-31.6%
SPDR S&P Retail ETF	XRT	30.14	-20.0%	-32.8%	-34.5%	-34.5%
iShares MSCI United Kingdom ETF	EWU	22.05	-19.0%	-33.0%	-35.4%	-35.4%
iShares MSCI Germany ETF	EWG	19.41	-20.9%	-33.6%	-35.0%	-35.0%
iShares MSCI Mexico Capped ETF	EWW	31.39	-16.8%	-34.2%	-30.3%	-30.3%
iShares Russell 2000 Growth ETF	IWO	146.47	-19.7%	-34.6%	-31.7%	-31.7%
iShares Russell 2000 Value ETF	IWN	82.05	-17.1%	-35.0%	-36.1%	-36.1%
iShares Russell 2000 ETF	IWM	108.37	-19.4%	-35.3%	-34.6%	-34.6%
iShares MSCI Canada ETF	EWC	19.56	-20.2%	-36.1%	-34.6%	-34.6%
SPDR S&P Bank ETF	KBE	28.73	-12.8%	-37.3%	-39.4%	-39.4%
iShares MSCI Brazil Capped ETF	EWZ	25.30	-22.9%	-41.6%	-47.7%	-47.7%
SPDR Homebuilders ETF	XHB	28.63	-30.3%	-41.8%	-37.1%	-37.1%
iShares MSCI Austria Capped ETF	EWO	11.67	-28.3%	-42.9%	-43.9%	-43.9%
United States Oil Fund, LP	USO	5.71	-21.1%	-47.9%	-55.4%	-55.4%
Oil Future	CLc1	26.95	-21.6%	-48.2%	-55.9%	-55.9%
Energy Select Sector SPDR	XLE	28.00	-21.2%	-48.3%	-53.8%	-53.8%
iShares DJ US Oil Eqpt & Services ETF	IEZ	6.25	-21.8%	-63.8%	-69.3%	-69.3%

Outperformed SP500
Underperformed SP500

Source: Dudack Research Group; Thomson Reuters   Priced as of close March 17, 2020

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 %	Refinitiv Consensus Bottom-Up $ EPS**	Refinitiv 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%	$1,712.90	3.9%
2015	2043.94	$86.53	**$100.45**	$100.45	-11.1%	**$118.20**	-0.5%	20.3X	2.1%	2.9%	$1,664.90	-2.8%
2016	2238.83	$94.55	**$106.26**	$96.82	-3.6%	**$118.10**	-0.1%	21.1X	2.0%	1.6%	$1,633.90	-1.9%
2017	2673.61	$109.88	**$124.51**	$124.51	28.6%	**$132.00**	11.8%	21.5X	1.8%	2.4%	$1,686.50	3.2%
2018	2506.85	$132.39	**$151.60**	$151.60	21.8%	**$161.93**	22.7%	16.5X	2.1%	2.9%	$1,854.90	10.0%
2019P	3230.78	$139.53	**$157.10**	$157.10	3.6%	**$162.98**	0.6%	20.6X	1.9%	2.4%	NA	NA
2020E	~~~~~~~	$155.26	**$169.94**	$141.39	-10.0%	**$172.90**	6.1%	17.9X	NA	NA	NA	NA
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%	-1.1%	$1,563.80	-3.6%
2014 2Q	1960.23	$27.14	$29.34	$29.34	11.3%	$30.07	9.7%	17.5	1.9%	5.5%	$1,712.40	4.2%
2014 3Q	1972.29	$27.47	$29.60	$29.60	10.0%	$30.04	8.7%	17.2	2.0%	5.0%	$1,792.70	8.9%
2014 4Q	2058.90	$22.83	$26.75	$26.75	-5.3%	$30.54	6.7%	18.2	1.9%	2.3%	$1,782.70	6.1%
2015 1Q	2108.88	$21.81	$25.81	$25.81	-5.5%	$28.60	1.5%	18.9	2.0%	3.2%	$1,713.10	9.5%
2015 2Q	2166.05	$22.80	$26.14	$26.14	-10.9%	$30.09	0.1%	20.0	2.0%	3.0%	$1,683.70	-1.7%
2015 3Q	1920.03	$23.22	$25.44	$25.44	-14.1%	$29.99	-0.2%	18.4	2.2%	1.3%	$1,673.20	-6.7%
2015 4Q	2043.94	$18.70	$23.06	$23.06	-13.8%	$29.52	-3.3%	20.3	2.1%	0.1%	$1,589.70	-10.8%
2016 1Q	2059.74	$21.72	$23.97	$23.97	-7.1%	$26.96	-5.7%	20.9	2.1%	2.0%	$1,649.00	-3.7%
2016 2Q	2098.86	$23.28	$25.70	$25.70	-1.7%	$29.61	-1.6%	21.4	2.1%	1.9%	$1,624.30	-3.5%
2016 3Q	2168.27	$25.39	$28.69	$28.69	12.8%	$31.21	4.1%	21.4	2.1%	2.2%	$1,621.30	-3.1%
2016 4Q	2238.83	$24.16	$27.90	$27.90	21.0%	$31.30	6.0%	21.1	2.0%	2.0%	$1,641.00	3.2%
2017 1Q	2362.72	$27.46	$28.82	$28.82	20.2%	$30.90	14.6%	21.3	2.0%	2.3%	$1,672.50	1.4%
2017 2Q	2423.41	$27.01	$30.51	$30.51	18.7%	$32.58	10.0%	20.9	1.9%	2.2%	$1,693.90	4.3%
2017 3Q	2519.36	$28.45	$31.33	$31.33	9.2%	$33.45	7.2%	21.2	1.9%	3.2%	$1,683.70	3.8%
2017 4Q	2673.61	$26.96	$33.85	$33.85	21.3%	$36.02	15.1%	21.5	1.8%	3.5%	$1,696.00	3.4%
2018 1Q	2640.87	$33.02	$36.54	$36.54	26.8%	$38.07	23.2%	20.0	1.9%	2.5%	$1,844.70	10.3%
2018 2Q	2718.37	$34.05	$38.65	$38.65	26.7%	$41.00	25.8%	19.4	1.9%	3.5%	$1,833.80	8.3%
2018 3Q	2913.98	$36.36	$41.38	$41.38	32.1%	$42.66	27.5%	19.4	1.8%	2.9%	$1,873.90	11.3%
2018 4Q	2506.85	$28.96	$35.03	$35.03	3.5%	$41.18	14.3%	16.5	2.1%	1.1%	$1,867.10	10.1%
2019 1Q	2834.40	$35.02	$37.99	$37.99	4.0%	$39.15	2.8%	18.5	1.9%	3.1%	$1,791.40	-2.9%
2019 2Q	2941.76	$34.93	$40.14	$40.14	3.9%	$41.31	0.8%	19.0	1.9%	2.0%	$1,857.50	1.3%
2019 3Q	2976.74	$33.99	$39.81	$39.81	-3.8%	$42.14	-1.2%	19.5	1.9%	2.1%	$1,881.20	0.4%
2019 4QP	3230.78	$35.59	$39.16	$39.16	11.8%	$41.98	1.9%	20.6	1.8%	2.1%	NA	NA
2020 1QE*	2529.19	$34.69	$38.15	$34.19	-10.0%	$38.65	-1.3%	16.1	1.8%	NA	NA	NA
2020 2QE		$37.95	$41.64	$36.13	-10.0%	$42.41	2.7%	15.9	NA	NA	NA	NA
2020 3QE		$40.88	$44.58	$35.83	-10.0%	$45.37	7.7%	15.5	NA	NA	NA	NA
2020 4QE		$41.73	$45.57	$35.24	-10.0%	$46.28	10.2%	14.9	NA	NA	NA	NA

Source: Dudack Research Group; S&P Dow Jones; Refinitiv Consensus estimates; **Refinitiv quarters may not sum to CY *3/17/2020

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"Underweight": Underweight relative to S&P Index weighting

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