DRG Dudack Research Group
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DJIA: 35366.26
SPX: 4486.23
NASDAQ: 15019.80

US Strategy Weekly
Earnings Estimates and Inflation

RAISING S&P EARNINGS ESTIMATES
In our opinion, the crux of the 2021 stock market can be defined by two components: 1.) a strong earnings rebound and 2.) historically easy monetary policy.

Securities markets are always complex and cannot really be explained by two simple factors. Clearly there have been other influences this year such as the positive support from fiscal stimulus and promises of more stimulus ahead or the negative drag from the spread of the Delta virus variant, China's crackdown on technology companies and the threat of rising corporate and individual taxes and fees. But perhaps the most unique and interesting development of 2021 is the appearance of a new generation of investors and the growing influence of social media on stock market activity. As a result, market volatility has increased driven predominantly by enthusiastic day traders monitoring message boards such as *WallStreetBets* on REDDIT. Plus, there are a slew of geopolitical issues this year such as the slowing of the Chinese economy, China's tightening grip on Hong Kong and Taiwan, the geopolitics of climate change, reversals in US energy policies and rising prices of oil, disputes between Poland, Hungary and EU institutions, Japan's struggle with the Delta variant, and more recently the unfortunate global threat that the US pullout from Afghanistan, the fall of Kabul and the rise of the Taliban poses for the world.

Still, despite all these factors, investors can and will absorb a lot of bad news if earnings growth is strong – and to date, growth has definitely been strong. According to IBES Refinitiv's report "THIS WEEK IN EARNINGS", with 476 of the 500 S&P companies reporting second quarter earnings, growth is expected to be nearly 95% YOY. Companies have been reporting quarterly earnings that are nearly 16% above estimates which compares to the long-term average surprise factor of 3.9%. This follows on the heels of IBES Refinitiv's earnings growth estimate for the first quarter of 53% YOY. So as the second quarter earnings season ends, we are raising our 2021 SP 500 earnings estimates from $190 to $200, a 5% increase. However, this is a 19% increase from our December 2020 estimate of $168.60. We are also raising our 2022 estimate from $211 to $220, a 4% increase. In both cases we believe these estimates could prove to be conservative. See page 15.

This is good news for investors and this surge in earnings growth certainly supports equities. However, the easy comparisons from the pandemic-wreaked earnings quarters in the first half of 2020 are mostly behind us, and earnings growth is expected to slow to more typical levels of 30% in the third quarter and 21.6% in the fourth quarter. Despite the fact that strong gains in earnings have supported gains in the SPX, as seen in the charts on page 3, the run-up in the SPX relative to the gains seen in earnings has produced a significant valuation gap in both trailing and 12-month forward operating earnings. This valuation gap is similar to the one seen prior to the 2000 top. Another similarity between the 1997-2000 bull market and the current advance is the participation of a new generation of investors. A new generation of investors and a valuation disparity often go hand in hand and this characteristic of today's market concerns us.

INFLATION IS A TAX ON CONSUMERS AND INVESTORS
While earnings have been strong in 2021, valuations still remain unusually high, and this is particularly true when inflation is taken into consideration. We often use the sum of inflation and the trailing PE as a

benchmark to indicate when PE multiples are appropriate for the current level of inflation or as a warning when multiples get too high. In July with the CPI rising 5.4% YOY and the trailing PE at 24.5, the sum becomes 29.9, well above the standard deviation range. Since the top of the standard deviation range is 23.8, we call this The Rule of 23. See page 4. Note that the unusually high and sustained readings seen in this indicator recently are similar to those seen in 1999-2000 prior to the second worst bear market in history. Again, similarities to the 2000 market continue to grow.

Inflation will impact all investments. With 3-month and 10-year Treasury rates at 0.05% and 1.29%, respectively, equities remain competitive investments to fixed income. However, the chart on page 5 compares the history of interest rates and inflation and this chart suggests that unless inflation quickly drops below 1% YOY, interest rates on both the short and long end, are much too low and are likely to move higher. More ominously, a close inspection of the chart on page 5 also shows that a sharp rise in inflation, like that seen in 2021, has triggered eight of the eleven recessions seen over the last 75 years. This helps to explain the predicament the Federal Reserve faces this week as it meets in Jackson Hole WY. Interest rates are too low and accommodating given the level of inflation and the strength of the US economy. However, the pandemic-stricken economies of Europe and parts of Asia imply global growth may not be strong enough to withstand a change in Fed policy. Yet if the Fed allows inflation to continue to rise, it will inevitably end with even tighter and hawkish monetary policy in the years ahead which will almost guarantee an economic recession. It is not a simple problem. But it has been our view that the Fed needs to, and should have already, moved to neutralize its easy monetary policy in order to stifle inflation before it becomes ingrained in the system. This week we expect the Fed to steadily move the consensus view toward a reduction and possible elimination of quantitative easing. This is a necessary step to ensure the Fed is not stoking the flames of inflation. However, it will eliminate one of the two components that has underpinned the stock market's advance.

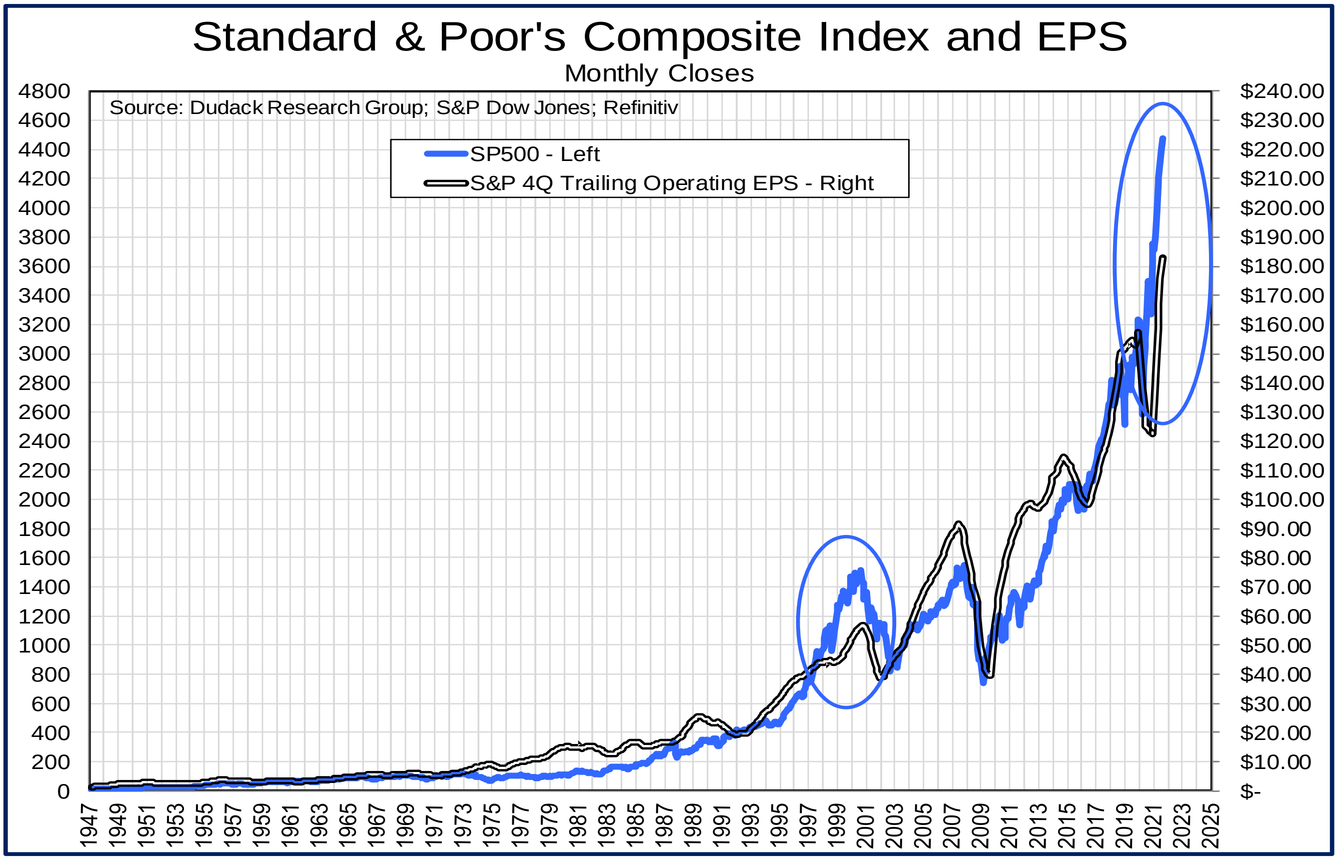
Inflation is also having a negative impact on businesses. The NFIB Optimism Index decreased 2.8 points in July to 99.7, nearly reversing the 2.9-point gain in June's report. Six of the 10 Index components declined, three improved, and one was unchanged. The NFIB Uncertainty Index decreased 7 points to 76, sales expectations decreased 11 points to a net negative 4 percent, owners expecting better business conditions over the next six months fell 8 points to a net negative 20, and earnings trends over the past three months declined 8 points to a net negative 13 percent. In sum, small businesses are becoming more concerned about their future given the current inflation and political environment. See page 6.

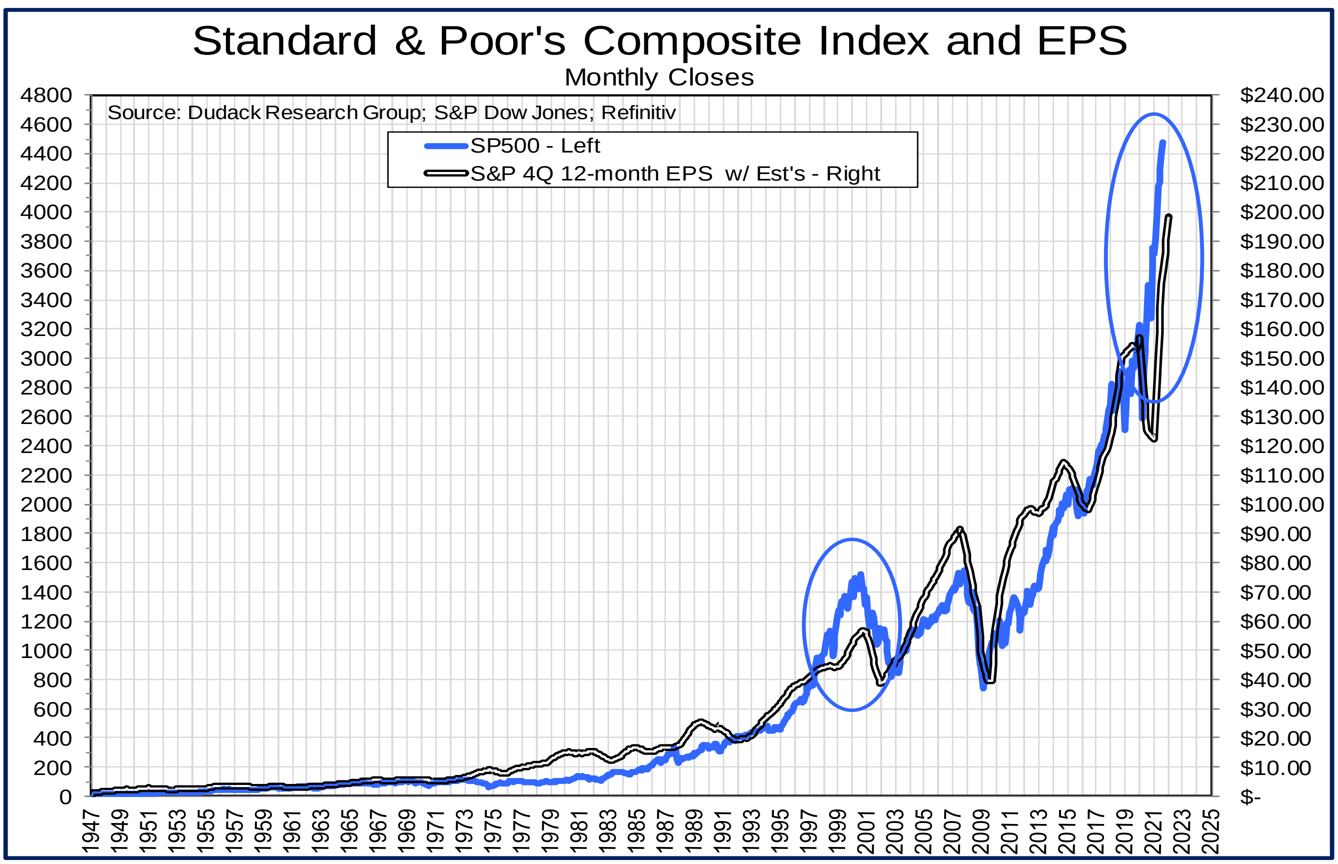
Technical Update

We are still focused on the Russell 2000 index (RUT - 2230.91) which has been trading in a sideways range for all of 2021. We believe it may give us clues about the stock market's intermediate term direction. At present, the 200-day moving average (2160.82) is acting as support and the converging 50-day (2241.27) and 100-day (2247.88) moving averages -- which are now decelerating -- are acting as resistance. A breakout in the RUT from this narrowing range may define the broader market's intermediate-term trend. There have been similar patterns in the RUT (trading between a rising 200-day moving average and decelerating 50- and 100-day moving averages) in the first half of 2011 and the second and third quarters of 2015. In both of these previous cases, the RUT broke below the 200-day moving average and this was the trigger for relatively sharp and fast corrections totaling 19.4% and 14%, respectively, in the SPX.

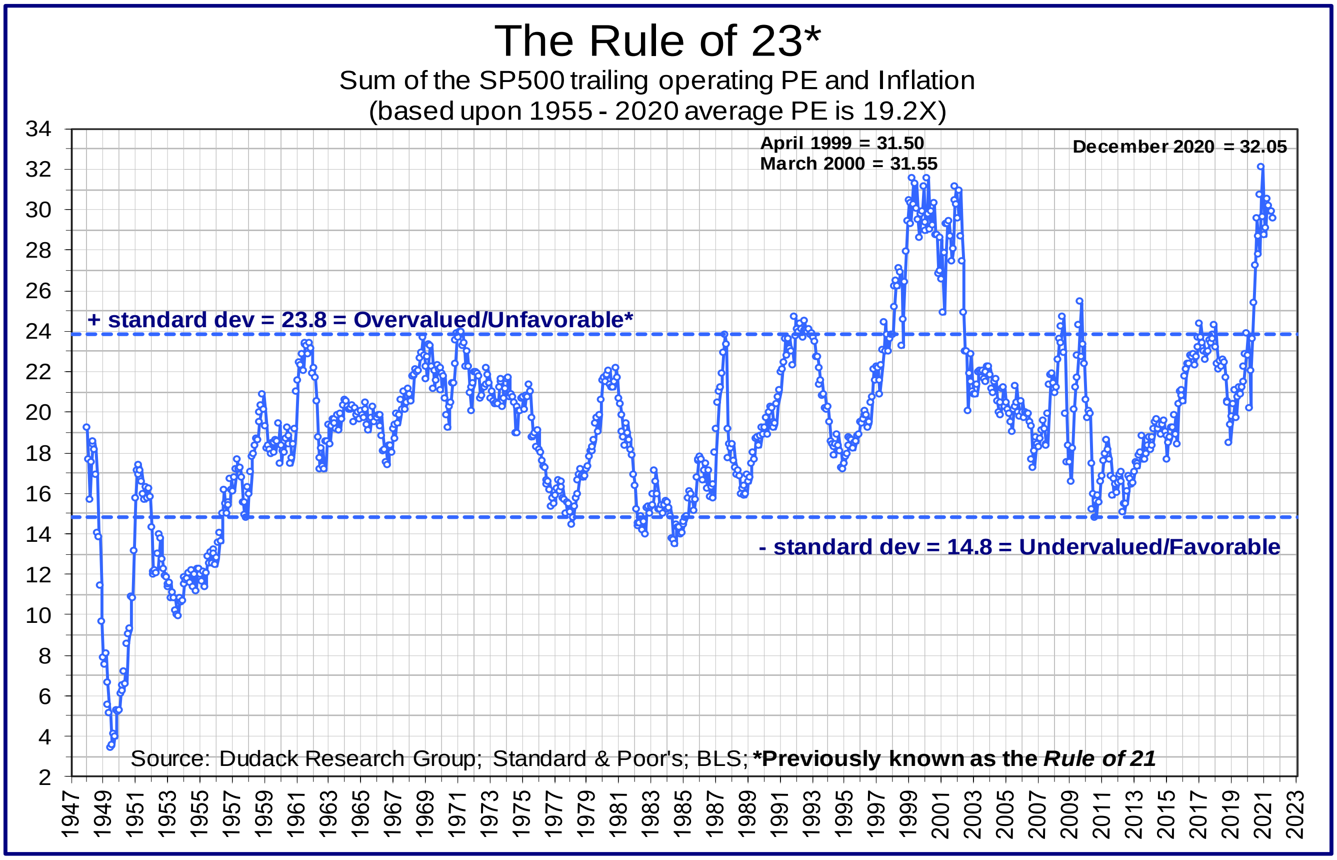
Also worthy of note is the continued weakness in the 25-day up/down volume oscillator, which at 0.64 this week, is minimally above the lower half of neutral. This low reading implies that since early July volume has been as strong or stronger in declining issues as the volume seen in advancing stocks, i.e., investors have been selling into strength. And this week the 10-day average of new lows hit 101, before dipping to 99 on Tuesday. Nevertheless, this is close to the 100 new lows per day that defines a bear market. Daily new highs are still averaging 194, but the rise in daily new lows has shifted this indicator from positive to neutral. In short, we remain cautious and would focus on stocks with good value.

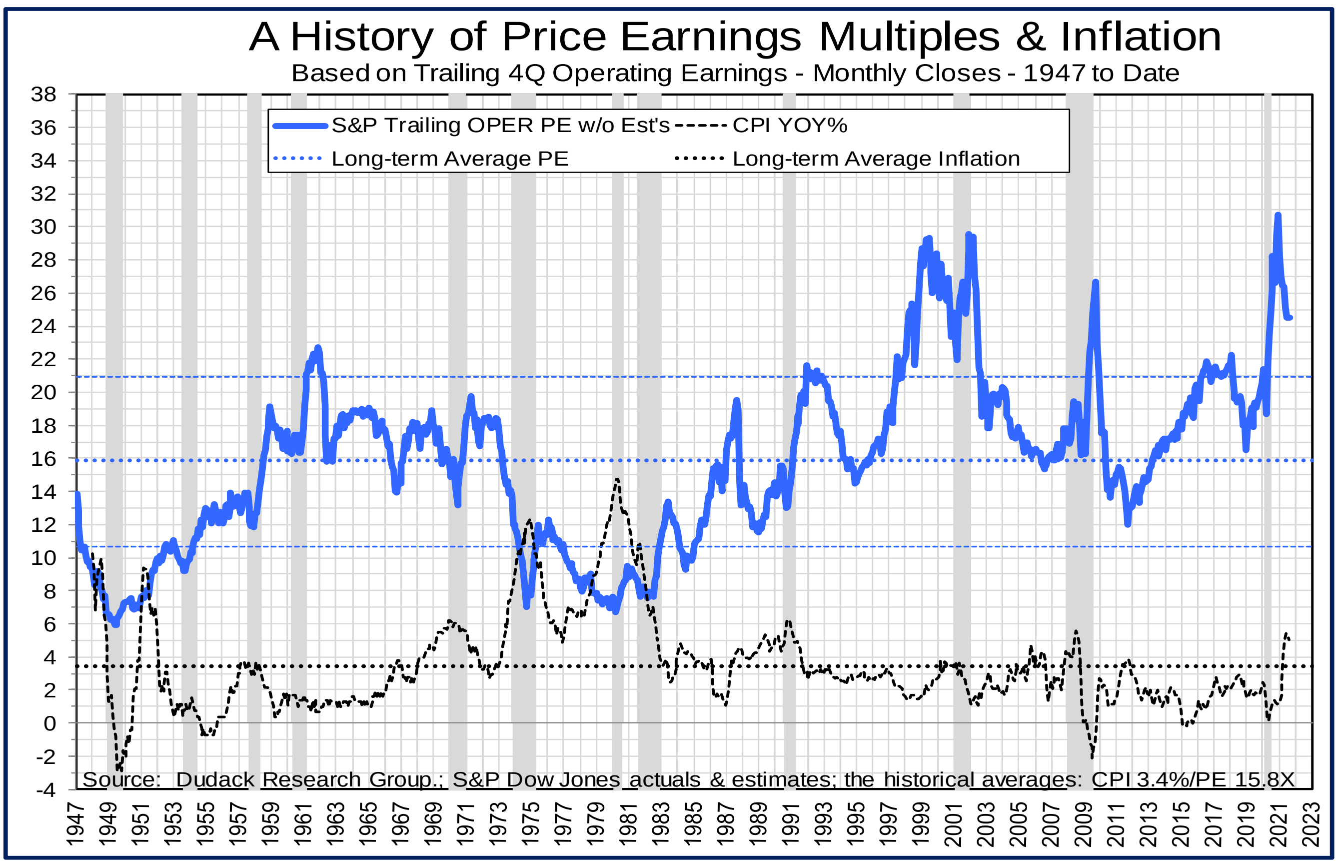
The strong gains in earnings in 2021 have supported gains in the SPX, but as seen in the charts below, the run-up in the SPX relative to earnings has generated a significant valuation gap, much like what was seen prior to the 2000 top.



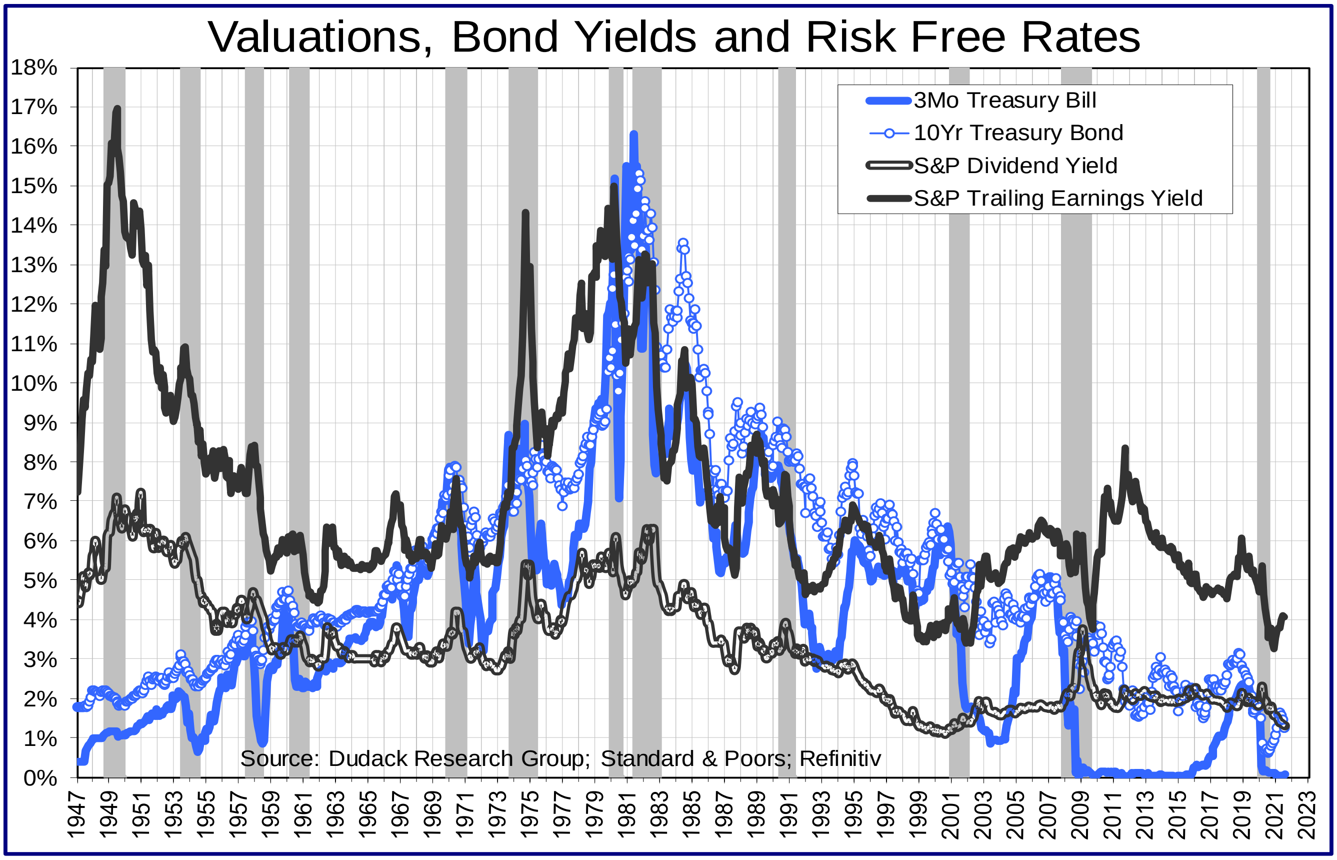


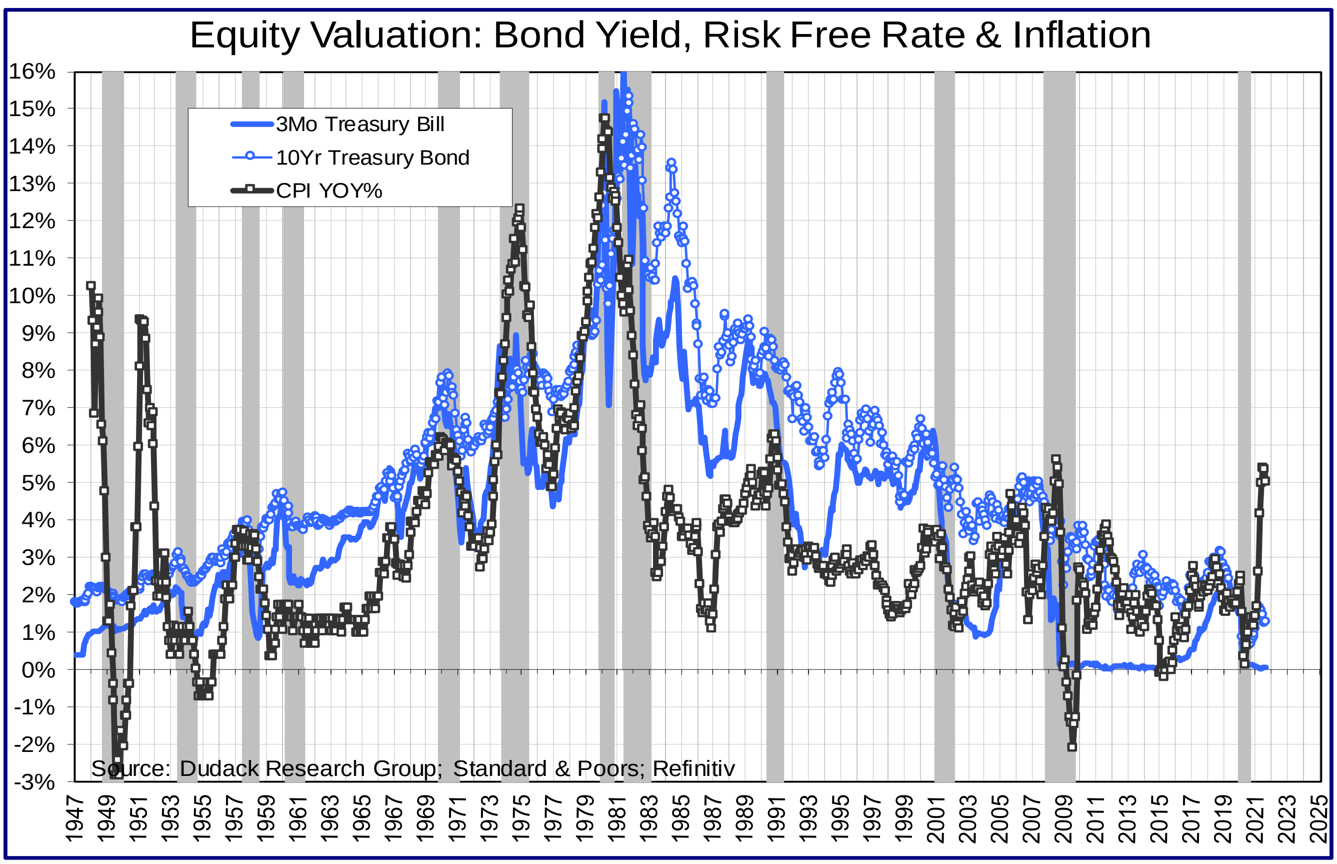
Earnings have been strong in 2021 but valuations still remain high. This is particularly true when inflation is taken into consideration. We have used the sum of inflation and the trailing PE as a guide to indicating when multiples are appropriate for the current level of inflation. With CPI rising 5.4% YOY in July and the trailing PE at 24.5, the sum becomes 29.9, well above the standard deviation of 23.8. Note that the high readings seen in this indicator are similar to those seen in 1999-2000 prior to the second worst bear market in history.



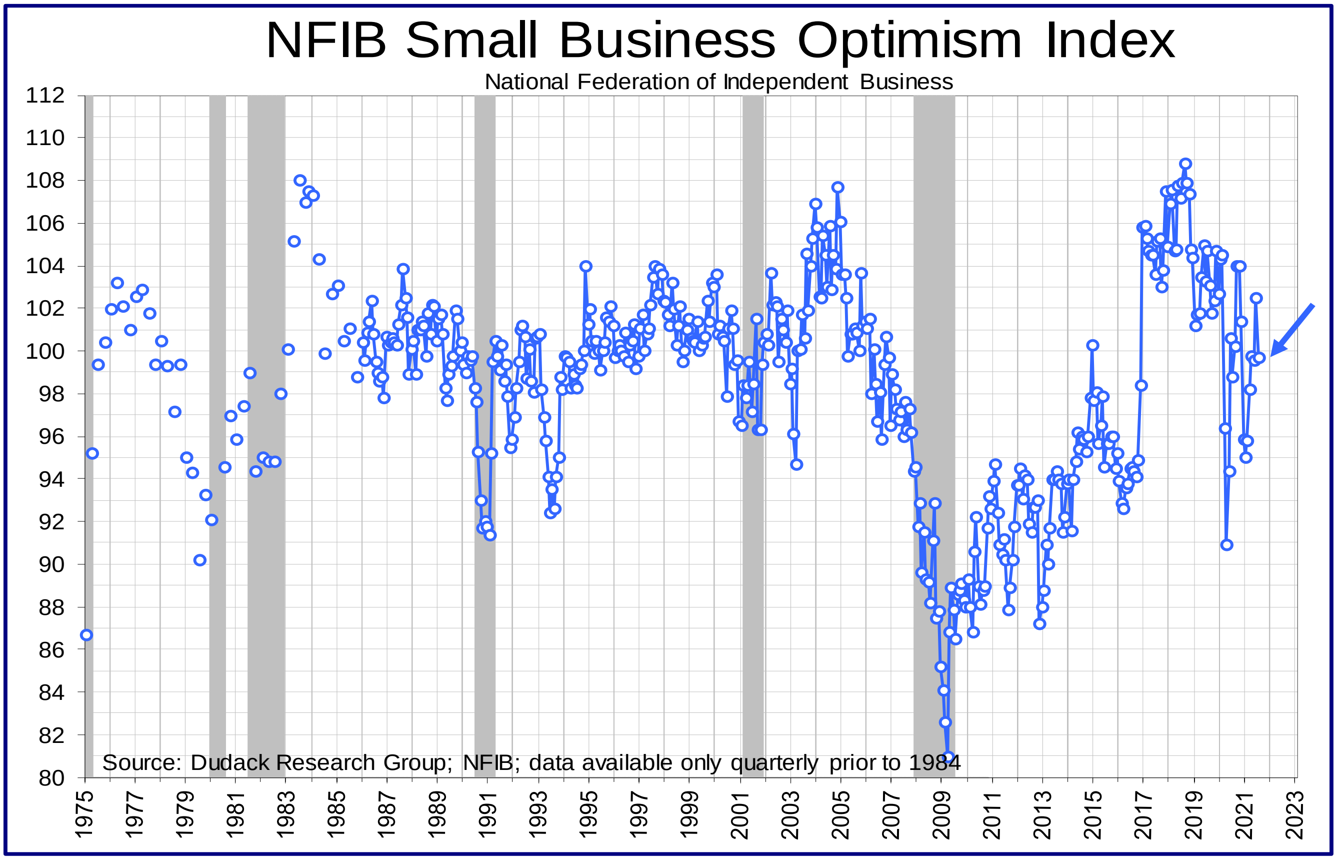


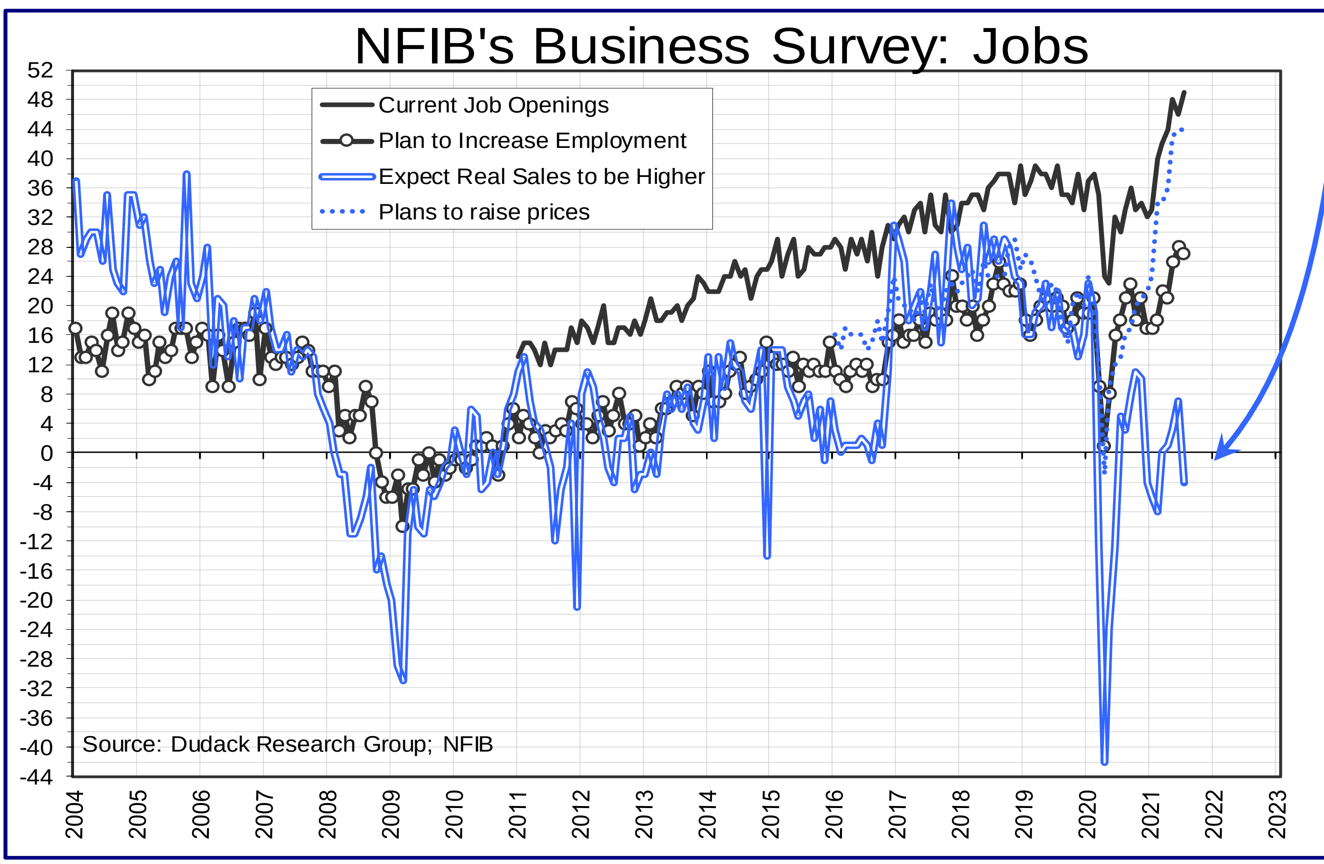
A solid earnings rebound off the pandemic low has supported equities. The low level of interest rates has as well. With 3-month and 10-year Treasury rates at 0.05% and 1.29%, respectively, equities remain competitive investments. However, the bottom chart compares the history of interest rates and inflation. Unless inflation falls below 1% YOY in the very near future, rates are much too low.





The NIFB Optimism Index decreased 2.8 points in July to 99.7, reversing nearly the entire 2.9-point gain in June's report. Six of the 10 Index components declined, three improved, and one was unchanged. The NFIB Uncertainty Index decreased 7 points to 76, sales expectations decreased 11 points to a net negative 4 percent, owners expecting better business conditions over the next six months fell 8 points to a net negative 20. Earnings trends over the past three months declined 8 points to a net negative 13 percent, and 49% of owners reported job openings that could not be filled, a 48-year record high.





The rally from the March 2020 low recently exceeded 100% which is the sixth largest gain in history and the sixth time a bull market has advanced 100% or more without an intervening 10% correction.

The current advance is also the second fastest 100% gain in history, bettered only by a 3.2-month advance from the June 1932 low to the September 1932 peak. It is the fasted bull market in post-World War II history.

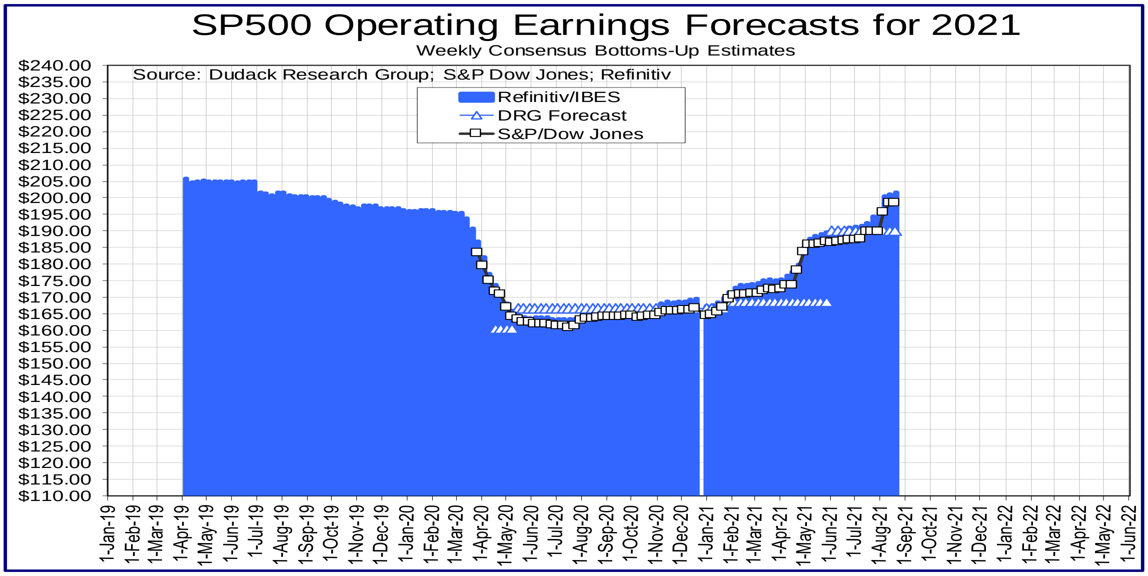
Note that the September 1932 peak was followed by an 8.9 month decline of 40.6% that ended in February 1933. But this was not the final low in the 1930s which was made in October 1933. The Great Crash of 1932-1934 clearly displayed an historic level of volatility.

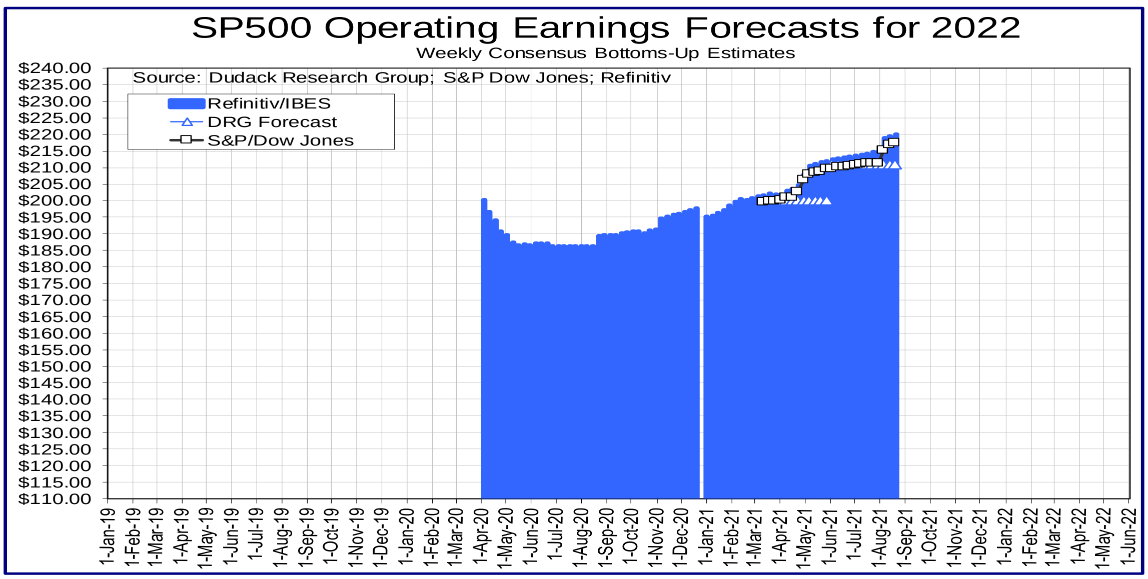
SPX Peaks & Troughs (Using 10% as a Minimum Decline)

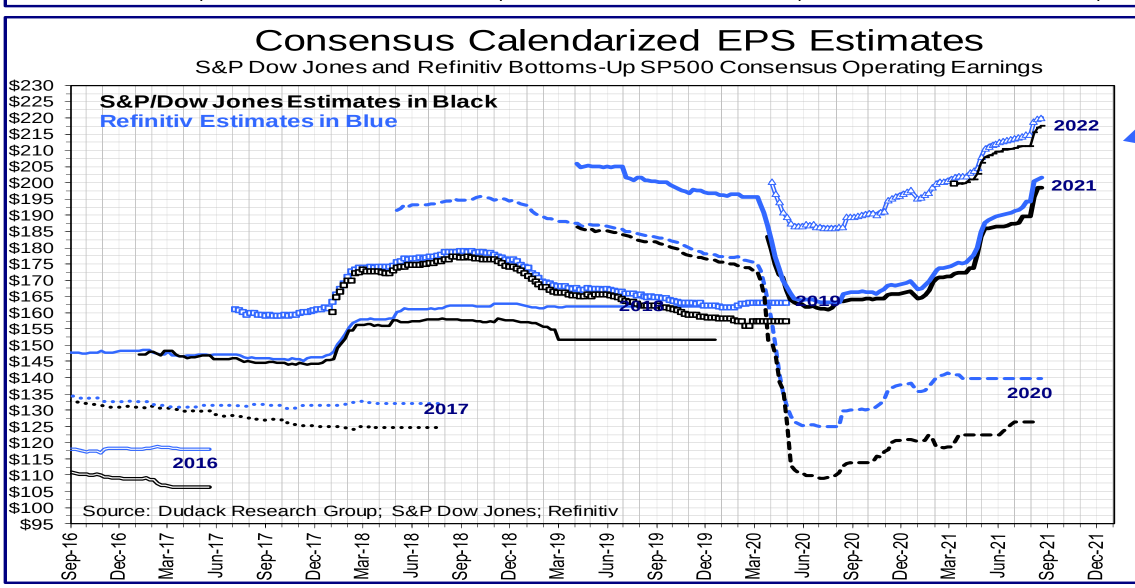
SPX Peaks Date	Price	%Increase	SPX Troughs Date	Price	%Decline		Peak to Trough Months	Trough to Peak Months	Trough to Trough Months
			Jan 19, 1931	15.46	-4.7%				
Feb 24, 1931	18.17	17.5%							
			Oct 5, 1931	8.82	-51.5%	*	7.3		8.5
Nov 9, 1931	11.52	30.6%						1.2	
			Jun 1, 1932	4.40	-61.8%	*	6.7		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	38.1%						10.2	
			Mar 31, 1938	8.50	-54.5%	*	12.8		23.0
Nov 9, 1938	13.79	62.2%						7.3	
			Jun 10, 1940	8.99	-34.8%		19.0		26.4
Nov 9, 1940	11.40	26.8%						5.0	
			Apr 28, 1942	7.47	-34.5%	*	17.6		22.6
Jul 14, 1943	12.64	69.2%						14.5	
			Nov 29, 1943	10.99	-13.1%		4.5		19.1
Feb 2, 1946	18.71	70.2%						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	43.1%						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 23, 2020	2237.40	-33.9%		1.1		15.0
Aug 16, 2021	4479.71	100.2%						16.8	
Average		53.8%			-23.5%		7.6	15.5	22.8
Median		43.1%			-19.6%		5.7	11.1	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

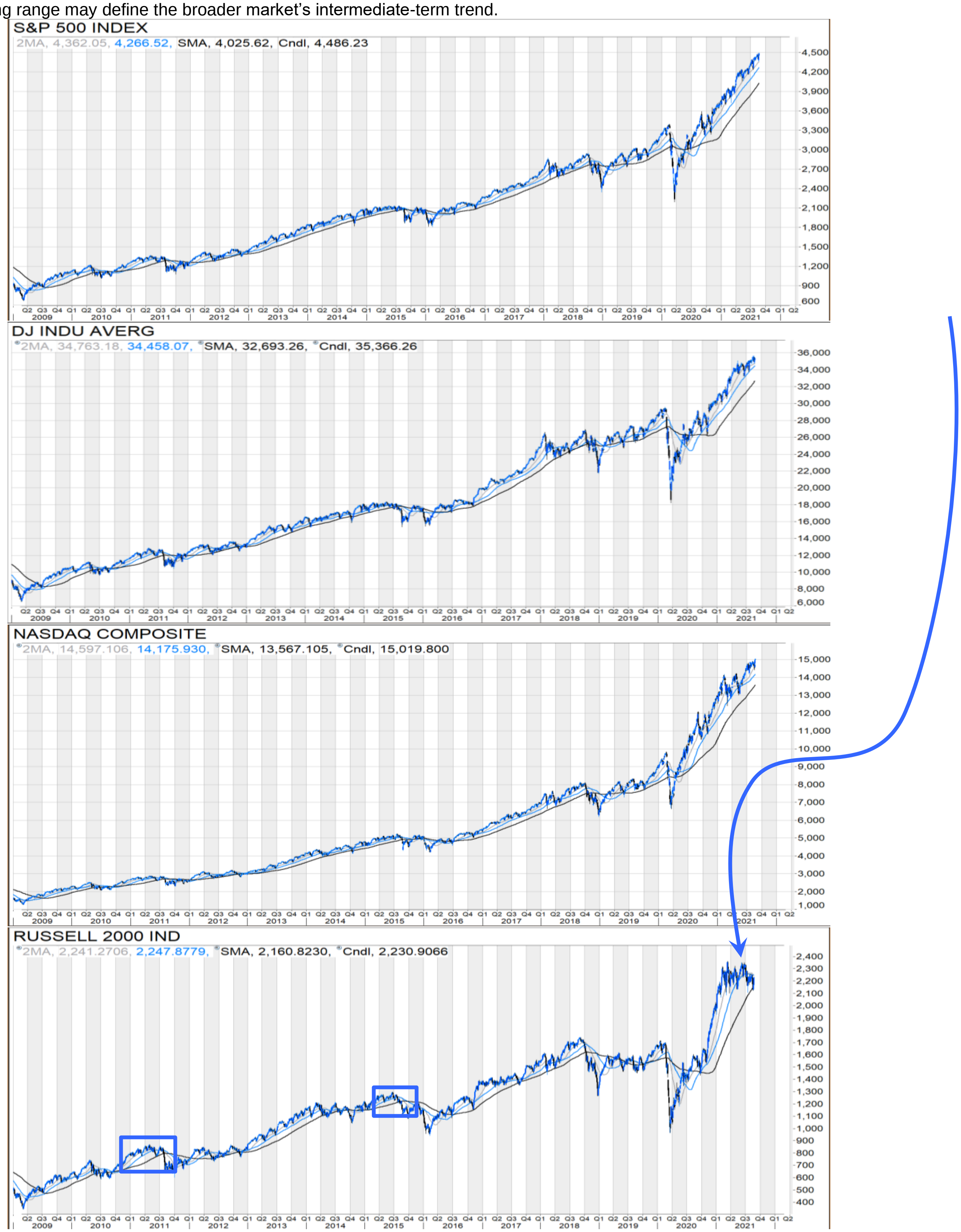
Last week the IBES estimate for 2021 rose $0.43 to $201.62 and its 2022 estimate rose $0.46 to $220.04. The S&P Dow Jones estimate for 2021 rose $0.13 to $198.56 and the 2022 estimate increased $0.63 to $217.52. All of this reflects the good results reported by the S&P 500 companies to date for their second quarter results. This supports equity prices and reduces downside risk.







The uptrends in all the major indices appear to be decelerating. But we remain focused on the RUT (2230.91) which has been trading in a sideways range for all of 2021. At present, the 200-day moving average (2160.82) is acting as support and the converging 50-day (2241.27) and 100-day (2247.88) moving averages, which are now decelerating, are acting as resistance. A breakout in the RUT from this narrowing range may define the broader market's intermediate-term trend.



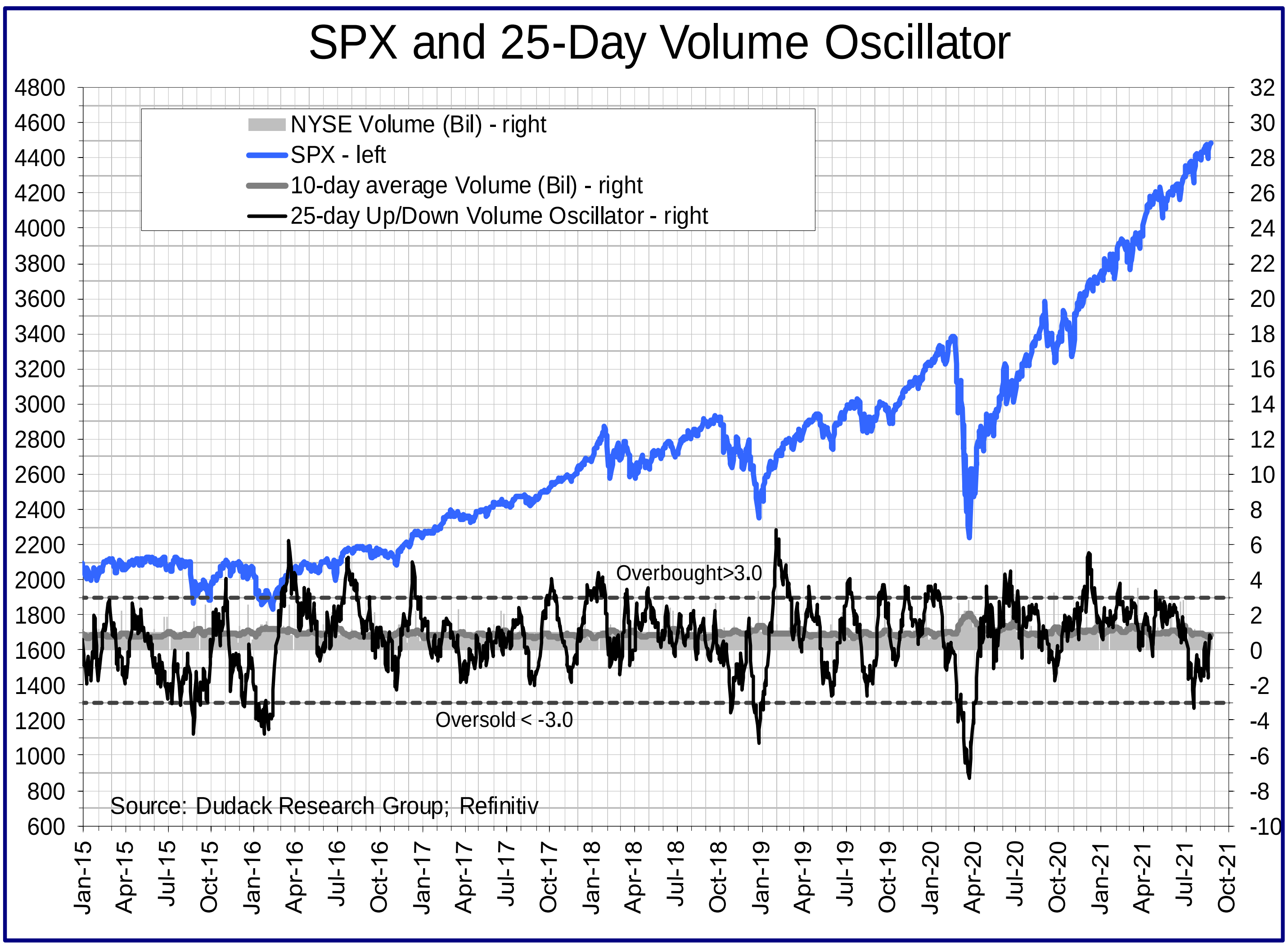
Source: Refinitiv

The 25-day up/down volume oscillator is at 0.64, minimally above the lower half of neutral this week after recording one day in oversold territory on July 19. This is an unusually low value for this oscillator since there have been two 90% up volume days included in the last 25 trading sessions, i.e., in the current reading. The oscillator has mostly lingered in the negative half of neutral since July 7.

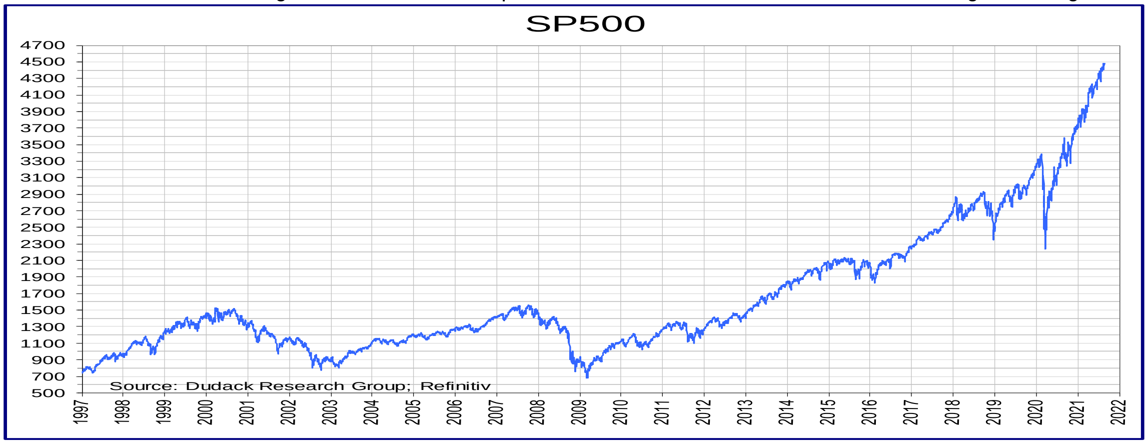
The last time the 25-day up/down volume oscillator showed strong buying pressure was when it recorded one day in overbought territory on April 29. Prior to that there was a minimal five consecutive trading days in overbought territory between February 4 and February 10. In sum, the February readings confirmed the record highs in the broad indices at that time; but since then, there have been no confirmations of recent highs. The July 19 drop to negative 3.49 was the first oversold reading since the pandemic, or in March-April 2020.

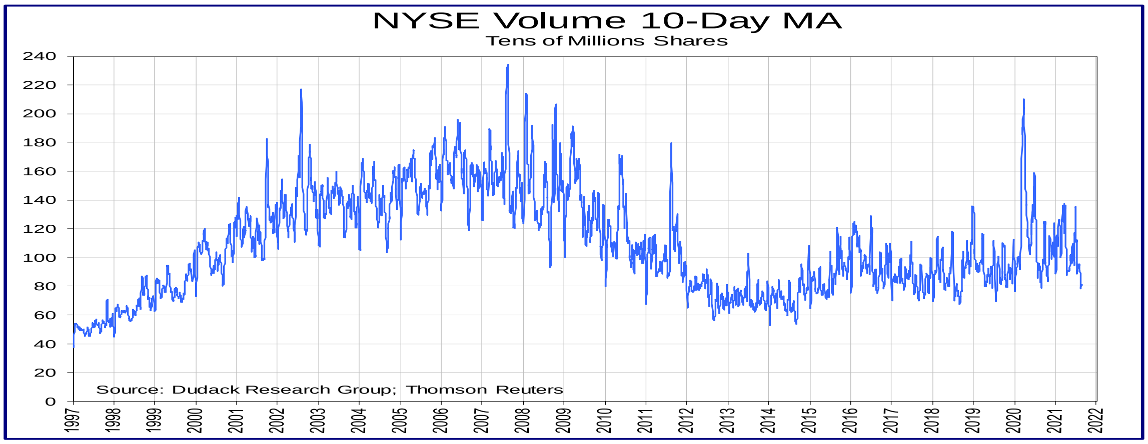
Our 25-day up down volume oscillator measures internal volume momentum and it is showing that as the indices have been moving higher, volume in advancing stocks is declining and volume in declining stocks is increasing. This is a sign of waning demand and of investors selling into strength. The longer this volume non-confirmation of new highs continues the greater the downside risk to the broader market.

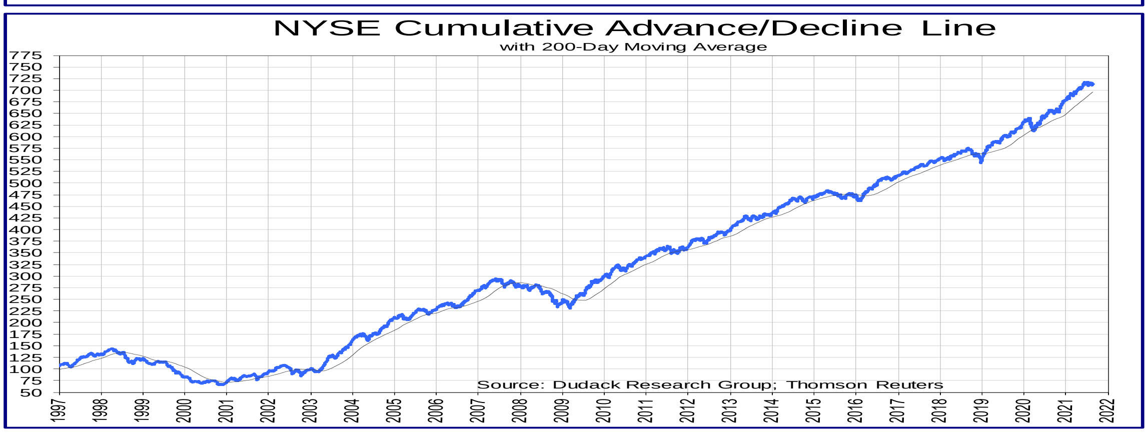
In short, the recent selloffs have been expected and should be considered healthy. However, if a new rally fails to generate a new overbought reading, it would be a signal that the major trend is weakening. If a future pullback generates an oversold reading without an intervening overbought reading, it will confirm that the major cycle has shifted from bullish to bearish

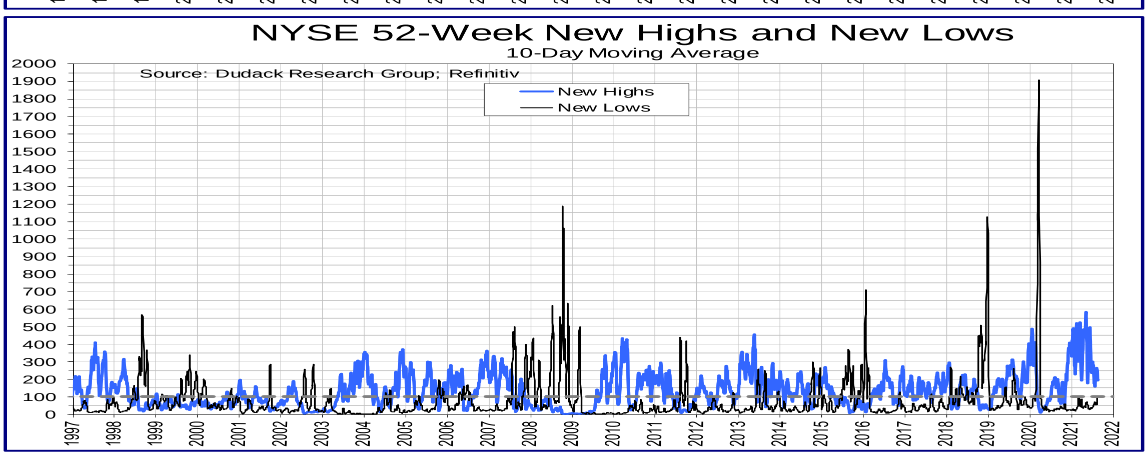


The 10-day average of daily new highs hit 589 on May 10, a record high and beating the 10-day new high average of 526 on March 18 and the 489 record of January 22, 2000. Note: the 2000 advance peaked in March. The 10-day average of daily new highs was 194 this week. Daily new lows of 99 are nearly at the 100 mark that defines a bear market, shifting this combination from positive to neutral. The A/D line made a confirming record high on July 2, 2021.

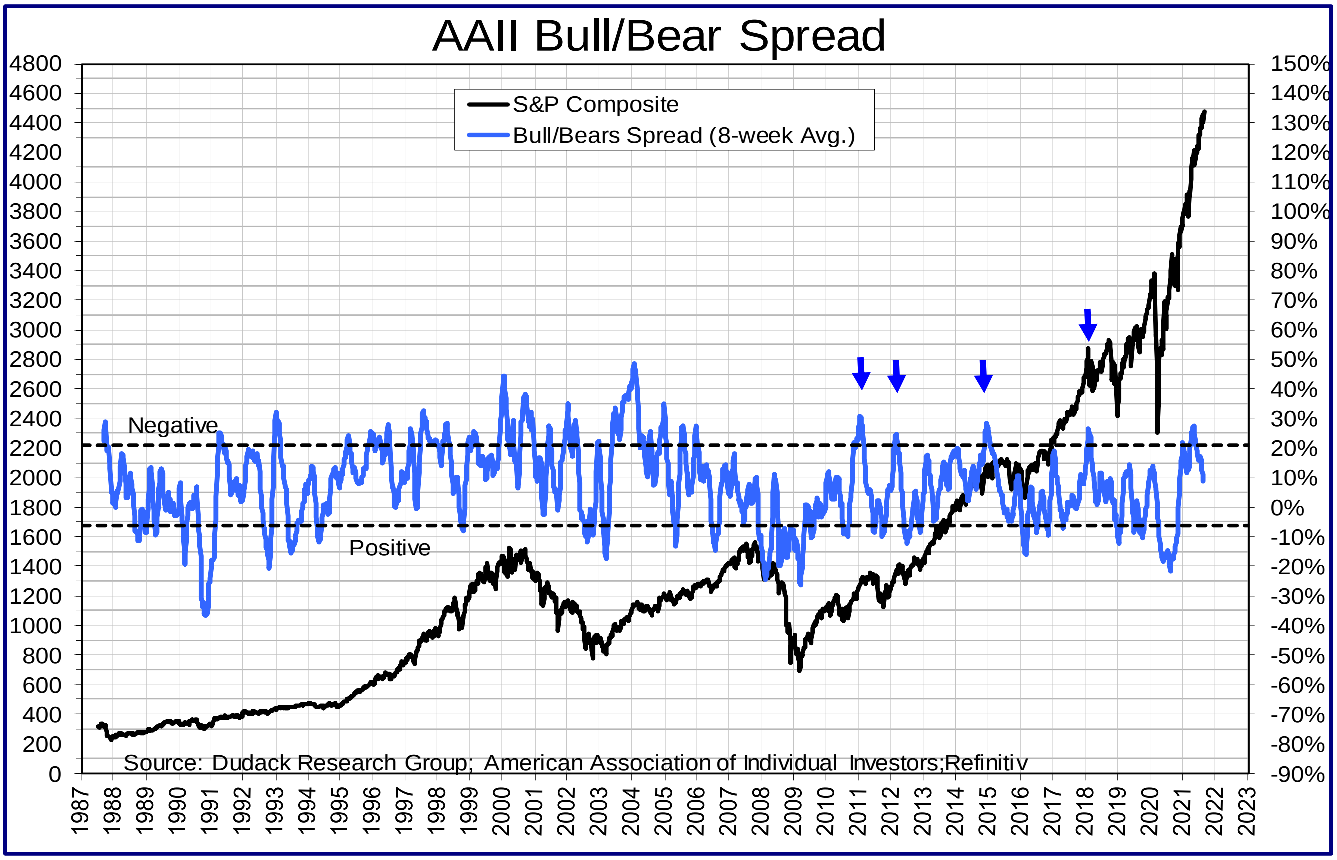


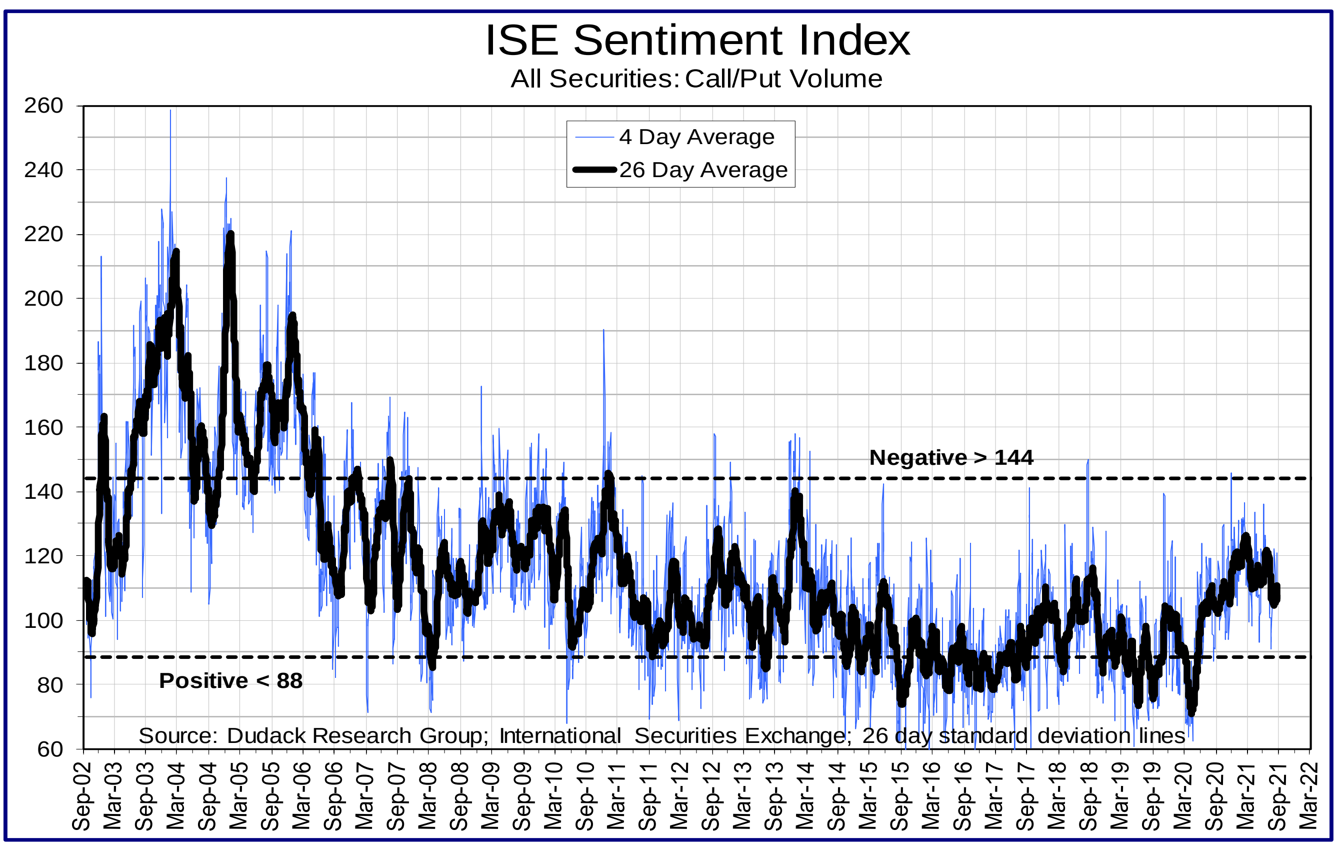




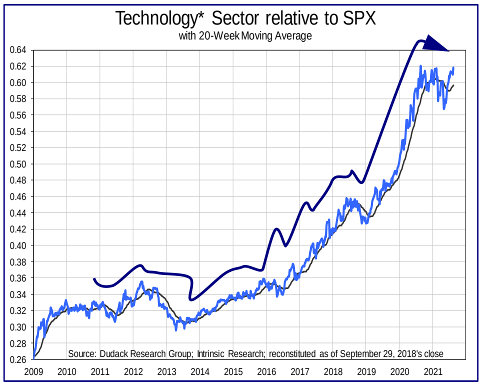


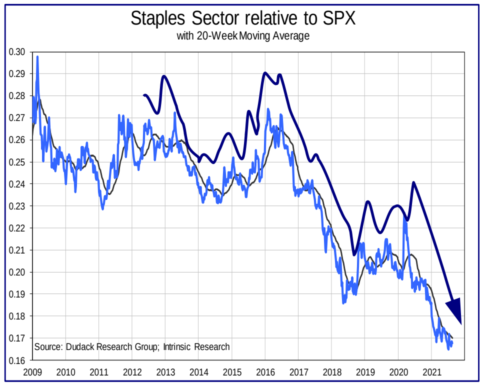
Bullish sentiment fell 0.93.8 to 33.2%, the sixth consecutive week that optimism is below the historical average of 38%. Bearish sentiment rose 3.6 points to 35.1%. Pessimism was last higher on February 3, 2021 (35.6%) and this is the fourth time in the last 28 weeks that bearish sentiment is above its historical average of 30.5%. However, at present all sentiment indicators are in neutral. The ISE Sentiment index shifted from favorable to neutral on June 1, 2020.

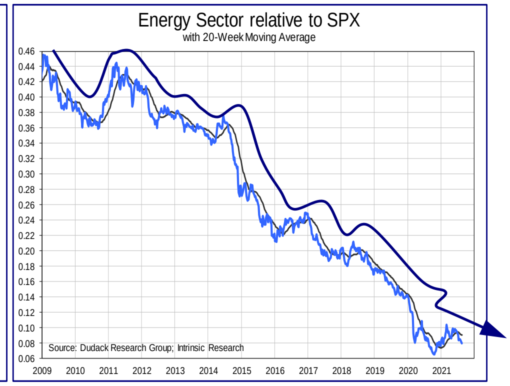


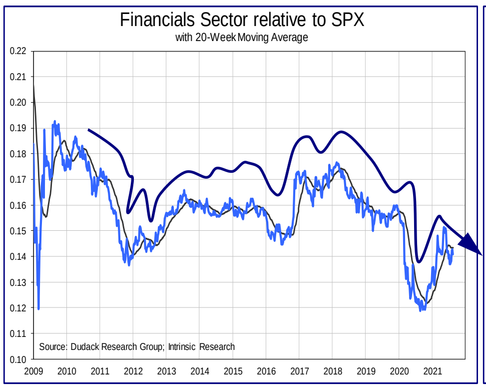


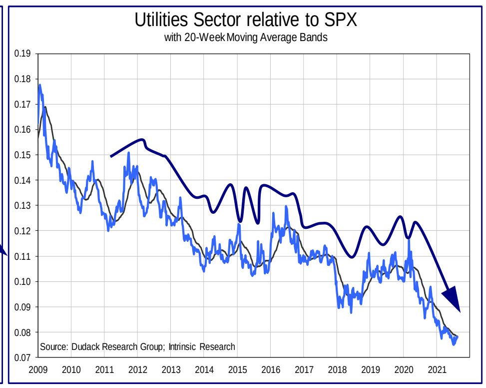
SECTOR RELATIVE PERFORMANCE – RELATIVE OVER/UNDER/ PERFORMANCE TO S&P 500

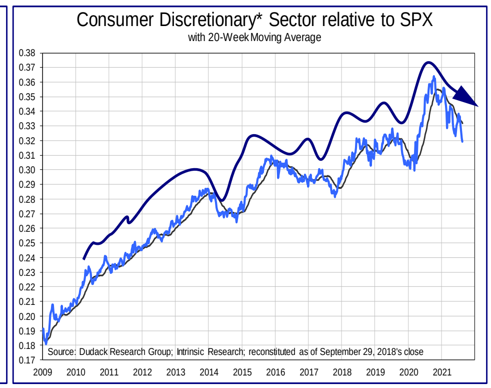


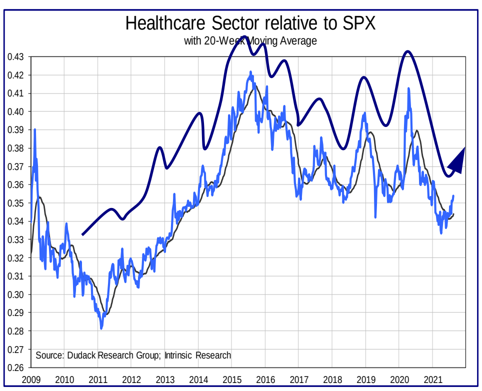


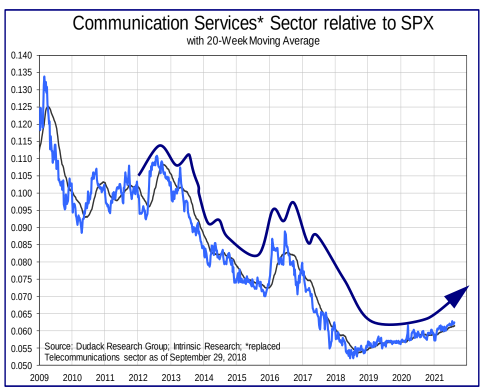


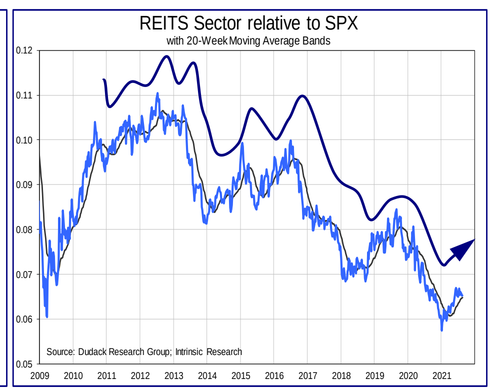


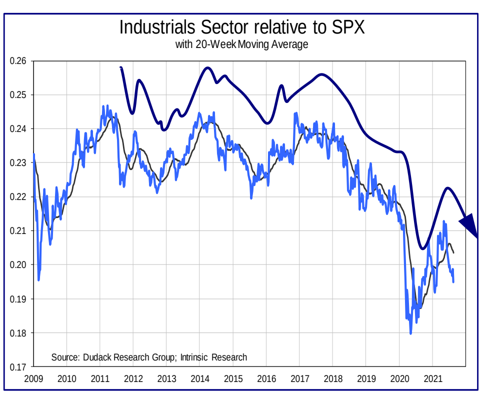


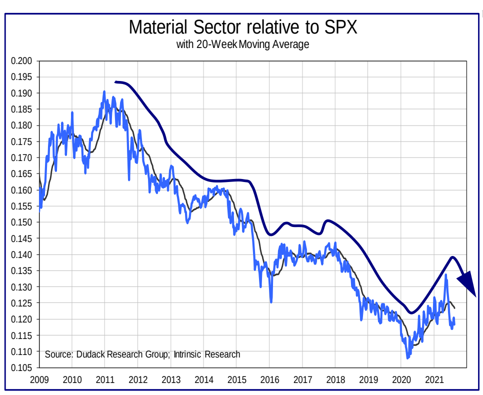












2021 Performance - Ranked	
SP500 Sector	% Change
S&P FINANCIAL	29.4%
S&P REITS	27.4%
S&P ENERGY	26.7%
S&P COMMUNICATIONS SERVICES	26.6%
S&P INFORMATION TECH	20.6%
S&P 500	19.4%
S&P HEALTH CARE	19.3%
S&P INDUSTRIALS	17.1%
S&P MATERIALS	17.1%
S&P CONSUMER DISCRETIONARY	10.7%
S&P UTILITIES	8.8%
S&P CONSUMER STAPLES	7.0%

Source: Dudack Research Group; Refinitiv; Monday closes

Global Markets - Ranked by 2021 Trading Performance

Index/EFT	Symbol	Price	5-Day%	20-Day%	QTD%	YTD%
SPDR S&P Retail ETF	XRT	97.27	4.6%	1.2%	0.0%	51.2%
United States Oil Fund, LP	USO	47.37	1.7%	-4.2%	-5.0%	43.5%
Oil Future	CLc1	67.61	3.3%	-6.0%	-8.0%	39.3%
SPDR Homebuilders ETF	XHB	77.27	2.5%	3.9%	5.5%	34.1%
Financial Select Sector SPDR	XLF	38.23	0.1%	5.4%	4.2%	29.7%
Energy Select Sector SPDR	XLE	48.40	0.8%	-0.2%	-10.2%	27.7%
iShares MSCI Austria Capped ETF	EWO	25.02	1.2%	4.4%	4.4%	26.2%
PowerShares Water Resources Portfolio	PHO	58.06	0.5%	4.0%	8.5%	25.0%
iShares US Real Estate ETF	IYR	106.28	-0.6%	0.0%	4.3%	24.1%
SPDR S&P Bank ETF	KBE	51.77	1.0%	6.1%	0.9%	23.8%
iShares Russell 2000 Value ETF	IWN	161.35	1.8%	2.4%	-2.7%	22.5%
iShares MSCI Canada ETF	EWC	37.49	1.1%	1.5%	0.6%	21.6%
Technology Select Sector SPDR	XLK	157.57	2.1%	2.0%	6.7%	21.2%
Health Care Select Sect SPDR	XLV	135.68	-0.8%	3.2%	7.7%	19.6%
SP500	.SPX	4486.23	0.9%	1.7%	4.4%	19.4%
NASDAQ 100	NDX	15357.68	2.4%	1.6%	5.5%	19.2%
iShares Russell 1000 Growth ETF	IWF	287.13	2.0%	1.1%	5.8%	19.1%
iShares Russell 1000 ETF	IWB	252.21	1.0%	1.7%	4.2%	19.1%
iShares Russell 1000 Value ETF	IWD	162.59	0.1%	2.3%	2.5%	18.9%
Materials Select Sector SPDR	XLB	85.03	0.0%	4.0%	3.3%	17.5%
Industrial Select Sector SPDR	XLI	103.99	-0.2%	0.4%	1.6%	17.4%
iShares MSCI Taiwan ETF	EWT	62.11	2.5%	-2.5%	-2.9%	17.0%
Nasdaq Composite Index Tracking Stock	ONEQ.O	58.35	2.4%	1.3%	3.5%	16.3%
iShares MSCI India ETF	INDA.K	46.64	0.6%	4.8%	5.4%	16.0%
SPDR DJIA ETF	DIA	353.74	0.0%	0.9%	2.5%	15.7%
DJIA	.DJI	35366.26	0.1%	0.9%	2.5%	15.6%
SPDR S&P Semiconductor ETF	XSD	196.93	4.0%	7.2%	2.4%	15.3%
iShares MSCI Mexico Capped ETF	EWW	49.39	-0.2%	2.9%	2.9%	14.9%
iShares DJ US Oil Eqpt & Services ETF	IEZ	12.86	4.2%	-2.5%	-16.1%	14.4%
iShares US Telecomm ETF	IYZ	34.44	2.1%	2.4%	3.7%	14.0%
iShares Nasdaq Biotechnology ETF	IBB.O	171.45	0.5%	2.8%	4.8%	13.2%
iShares Russell 2000 ETF	IWM	221.78	2.5%	1.0%	-3.3%	13.1%
Consumer Discretionary Select Sector SPDR	XLY	181.18	2.7%	-1.1%	1.5%	12.7%
iShares MSCI United Kingdom ETF	EWU	32.96	-0.8%	1.6%	0.8%	12.5%
iShares MSCI EAFE ETF	EFA	80.36	0.1%	1.4%	1.9%	10.1%
iShares MSCI Germany ETF	EWG	34.99	0.4%	1.2%	1.1%	10.1%
Utilities Select Sector SPDR	XLU	68.58	-0.8%	4.4%	8.5%	9.4%
Gold Future	GCc1	2123.10	0.2%	1.0%	1.8%	8.3%
iShares MSCI Singapore ETF	EWS	23.25	0.3%	0.3%	0.0%	8.2%
Vanguard FTSE All-World ex-US ETF	VEU	62.96	0.8%	0.4%	-0.7%	7.9%
iShares MSCI Australia ETF	EWA	25.80	0.4%	-0.3%	-0.7%	7.7%
Consumer Staples Select Sector SPDR	XLP	71.98	-1.4%	0.8%	2.9%	6.7%
iShares MSCI Hong Kong ETF	EWH	25.77	-0.4%	-3.4%	-3.6%	4.6%
Shanghai Composite	.SSEC	3514.47	2.0%	-1.0%	-2.1%	4.5%
iShares Russell 2000 Growth ETF	IWO	299.22	3.2%	-0.2%	-4.0%	4.4%
iShares MSCI Japan ETF	EWJ	68.14	0.8%	0.4%	0.9%	0.9%
SPDR Communication Services ETF	XLC	56.15	0.0%	0.0%	0.0%	0.0%
Silver Future	SIc1	18.54	0.0%	0.0%	0.0%	0.0%
iShares MSCI Emerg Mkts ETF	EEM	51.39	2.1%	-2.1%	-6.8%	-0.5%
iShares MSCI South Korea Capped ETF	EWY	85.49	1.8%	-5.2%	-8.3%	-0.7%
iShares MSCI Brazil Capped ETF	EWZ	36.29	0.9%	-5.4%	-10.5%	-2.1%
iShares iBoxx $ Invest Grade Corp Bond	LQD	135.02	0.1%	-0.6%	0.5%	-2.3%
iShares 20+ Year Treas Bond ETF	TLT	149.28	0.3%	0.5%	3.4%	-5.4%
SPDR Gold Trust	GLD	168.65	1.0%	0.1%	1.8%	-5.4%
iShares MSCI BRIC ETF	BKF	49.35	2.5%	-3.4%	-9.7%	-5.5%
iShares Silver Trust	SLV	23.01	0.9%	-5.3%	-8.7%	-9.9%
iShares MSCI Malaysia ETF	EWM	25.52	2.1%	2.4%	-0.1%	-11.4%
iShares China Large Cap ETF	FXI	40.80	3.2%	-4.6%	-11.9%	-12.1%

Outperformed SP500
Underperformed SP500

Source: Dudack Research Group; Thomson Reuters   Priced as of close August 24, 2021

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%	S&P Op PE Ratio	S&P Divd Yield	GDP Annual Rate	GDP Profits post-tax w/ IVA & CC	YOY %
2004	1211.92	$58.55	**$67.68**	$67.68	23.8%	**$67.10**	20.9%	17.9X	1.8%	2.9%	$977.30	20.3%
2005	1248.29	$69.93	**$76.45**	$76.45	13.0%	**$76.28**	13.7%	16.3X	1.8%	3.8%	$1,065.30	9.0%
2006	1418.30	$81.51	**$87.72**	$87.72	14.7%	**$88.18**	15.6%	16.2X	1.8%	3.5%	$1,173.10	10.1%
2007	1468.36	$66.18	**$82.54**	$82.54	-5.9%	**$85.12**	-3.5%	17.8X	1.8%	2.9%	$1,083.50	-7.6%
2008	903.25	$14.88	**$49.51**	$49.51	-40.0%	**$65.47**	-23.1%	18.2X	2.5%	1.9%	$976.00	-9.9%
2009	1115.10	$50.97	**$56.86**	$56.86	14.8%	**$60.80**	-7.1%	19.6X	2.6%	-0.1%	$1,029.70	-9.8%
2010	1257.64	$77.35	**$83.77**	$83.77	47.3%	**$85.28**	40.3%	15.0X	1.9%	-2.5%	$1,182.60	14.8%
2011	1257.60	$86.95	**$96.44**	$96.44	15.1%	**$97.82**	14.7%	13.0X	2.0%	2.6%	$1,456.20	23.1%
2012	1426.19	$86.51	**$96.82**	$96.82	0.4%	**$103.80**	6.1%	14.7X	2.1%	1.6%	$1,528.70	5.0%
2013	1848.36	$100.20	**$107.30**	$107.30	10.8%	**$109.68**	5.7%	17.2X	2.0%	2.2%	$1,662.50	8.8%
2014	2127.83	$102.31	**$113.01**	$113.01	5.3%	**$118.78**	8.3%	18.8X	2.2%	1.8%	$1,647.90	-0.9%
2015	2043.94	$86.53	**$100.45**	$100.45	-11.1%	**$118.20**	-0.5%	20.3X	2.1%	2.5%	$1,712.90	3.9%
2016	2238.83	$94.55	**$106.26**	$96.82	-3.6%	**$118.10**	-0.1%	21.1X	1.9%	3.1%	$1,664.90	-2.8%
2017	2673.61	$109.88	**$124.51**	$124.51	28.6%	**$132.00**	11.8%	21.5X	1.8%	1.7%	$1,633.90	-1.9%
2018	2506.85	$132.39	**$151.60**	$151.60	21.8%	**$161.93**	22.7%	16.5X	1.9%	2.3%	$1,686.50	3.2%
2019	3230.78	$139.47	**$157.12**	$157.12	3.6%	**$162.93**	0.6%	20.6X	1.8%	2.2%	$1,960.10	16.2%
2020	3756.07	$94.14	**$122.38**	$122.38	-22.1%	**$139.72**	-14.2%	30.7X	1.6%	-3.5%	$1,951.80	-0.4%
2021E	~~~~~~~	$185.49	**$198.56**	$200.00	63.4%	**$201.62**	44.3%	22.6X	1.3%	NA	NA	NA
2022E		$200.62	**$217.52**	$220.00	10.0%	**$220.04**	9.1%	20.6X	NA	NA	NA	NA
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%	2.6%	$1,963.40	4.8%
2019 4Q	3230.78	$35.53	$39.18	$39.18	11.8%	$41.98	1.9%	20.6	1.8%	2.4%	$1,998.90	7.1%
2020 1Q	2584.59	$11.88	$19.50	$19.50	-48.7%	$33.13	-15.4%	18.6	2.3%	-5.1%	$1,779.50	-0.7%
2020 2Q	3100.29	$17.83	$26.79	$26.79	-33.3%	$27.98	-32.3%	24.7	1.9%	-31.2%	$1,589.40	-14.4%
2020 3Q	3363.00	$32.98	$37.90	$37.90	-4.8%	$38.69	-8.2%	27.3	1.7%	33.8%	$2,018.50	2.8%
2020 4Q	3756.07	$31.45	$38.19	$38.19	-2.5%	$42.58	1.4%	30.7	1.6%	4.5%	$1,951.40	-2.4%
2021 1Q	3972.89	$45.95	$47.41	$47.41	143.1%	$49.13	48.3%	26.4	1.5%	6.3%	$1,983.80	11.5%
2021 2QP	4297.50	$48.77	$52.10	$52.10	94.5%	$52.57	87.9%	24.5	1.3%	6.5%	NA	NA
2021 3QE*	4486.23	$44.26	$48.51	$48.51	28.0%	$49.18	27.1%	24.1	NA	NA	NA	NA
2021 4QE		$46.50	$50.54	$51.98	36.1%	$51.29	20.5%	22.6	NA	NA	NA	NA
2022 1QE		$48.19	$51.22	$53.50	12.8%	$51.58	5.0%	22.2	NA	NA	NA	NA
2022 2QE		$48.52	$53.83	$54.00	3.6%	$54.27	3.2%	22.0	NA	NA	NA	NA
2022 3QE		$50.91	$55.27	$55.00	13.4%	$55.74	13.3%	21.3	NA	NA	NA	NA
2022 4QE		$53.01	$57.20	$57.50	10.6%	$58.00	13.1%	20.6	NA	NA	NA	NA

Source: Dudack Research Group; S&P Dow Jones; Refinitiv Consensus estimates; **Refinitiv quarters may not sum to CY *8/25/2021

Regulation AC Analyst Certification

I, Gail Dudack, hereby certify that all the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly related to the specific views contained in this report.

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

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