



Dudack Research Group

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DJIA: 36252.02

SPX: 4713.07

NASDAQ: 15153.45

US Strategy Weekly

Watch Your FANGs

The new year arrived, and with it came a new and revised perspective on the equity market. This is understandable. In 2021, the financial markets were insulated from downside risk given the extremely friendly posture of the Federal Reserve and the potential of more fiscal stimulus. Monetary policy would keep interest rates low and safeguard speculators while fiscal stimulus would support economic activity. With these two safety nets as backing, one could ignore inflation without consequences. But the Fed, many economists, and bankers are now addressing the strain that rising prices has had on consumers in 2021 and many are suddenly, although belatedly, calling for quick action. At the same time, more fiscal stimulus is looking less likely. Thus, both safety nets are disappearing in 2022.

In terms of fiscal policy, the logjam in Congress is no surprise. However, the shift in monetary policy came about amazingly quickly. At the June FOMC meeting, Fed officials -- or the dot plot -- forecasted no fed funds rate increases until 2023. In September, the dot plot changed to include one possible rate hike at the end of 2022. December's dot plot implied three possible rate hikes in 2022. This week the consensus expectation has changed once again to include four or five fed funds rate hikes this year, or at least one increase per quarter. This is a startling turnaround, albeit a necessary one. We believed inflation would be a big hurdle for equities last year. It proved not to be. But this year as the Fed addresses the existence of inflation, the significance of price increases is apt to become quite apparent. Keep in mind that four fed fund rate hikes within a twelve-month period tends to produce a down market in the subsequent six months. We will discuss Fed rate hikes in future weeklies.

Independent of monetary and fiscal policy, the new year begins under a dark cloud. As we have often noted, three consecutive years of double-digit gains in the indices are often followed by a year of losses. The one exception to this precedent was the five double-digit up years that led into the 2000 peak. However, this historic rise was a stock market bubble, and it was followed by three consecutive years of losses. See page 3. Therefore, if history is any guide, 2022 may a defining year - either it is a down year or it is the beginning of an equity bubble. We think the first quarter will be revealing and may provide the answer.

JANUARY AND LIQUIDITY

Wall Street adages are typically built upon some fundamental or economic premise and the January Barometer is one of these. The concept of the first five days of the year and/or the first month of the year having predictive value for the overall year is based upon liquidity. The end of the year and the beginning of any year is a unique time for liquidity. A grouping of pension funding, IRA funding, tax loss selling proceeds, bonus payments and salary increases tends to cluster in the December/January period and makes this time unique in terms of providing potential demand for equities. If equities fail to rise during this time, it may be a signal of trouble ahead. Overall, it is a warning.

January is off to a weak start this year, with a 1.9% decline in the S&P 500 index and a 0.3% decline in the Dow Jones Industrial Average. And as shown on page 5, ten of the last 17 post-election-year markets were flat to

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down years. However, it is important to point out that the early January Barometer has a poor record of predicting annual declines. Early January losses have only been followed by annual declines 42% of the time in the S&P 500 and 46% of the time in the DJIA. A decline in the month of January has been more accurate. January declines have been followed by annual declines 69% and 66% of the time in the S&P 500 and DJIA, respectively. All in all, the January Barometer has been a better guide in predicting up years after January gains. See pages 4 and 5. Still, we do think it would be a bad omen for January to be weak in face of the obstacles we see for equities.

OBSTACLES

One of the issues facing equities is the potential slowdown in earnings growth. After what we expect will be a high double-digit earnings growth rate in 2021, the pace is expected to slow to a single digit level this year. Currently, IBES Refinitiv and S&P/Dow Jones have 2022 earnings growth rates of 8.5% YOY and 9.0% YOY, respectively. Our estimate is for a 10% YOY growth rate, but only because our 2021 earnings estimate is below the consensus view. See page 7 and 16. Nevertheless, earnings are facing tough comparisons in 2022 and earnings will not provide the fundamental support it did over the last twelve months.

Higher inflation also pressures price-earnings multiples. Unless inflation falls well below the 4% level this year, we expect multiples to fall from the current level of 20+ to the average of 17.5 times. But inflation dropping to less than 4% seems unlikely in the near term, particularly with crude oil futures rising once again. The charts of both WTI and gasoline futures point to higher prices this year. See page 8. This implies inflation and multiple risk in coming months.

Plus, it is easy to become too insular and forget about the geopolitical problems that could upset the financial markets. Political hotspots include North Korea which launched two ballistic missiles off its East Coast in the last week, US forces in Iraq and Syria suffering three separate rocket attacks in recent days, Russian troops hovering ominously on the Ukrainian border and China becoming increasingly assertive in controlling both Hong Kong and Taiwan. All of these have the potential of upending the financial applecart.

FANG STOCKS

High PE stocks face the biggest threat in an environment of soaring inflation and rising interest rates. And we expect technology stocks could bear the brunt of any correction in 2022. With this in mind we looked at the charts of the FANG stocks this week and found some patterns that deserve monitoring. We have comments on Amazon (AMZN - \$3307.24), Meta Platform (FB - \$334.37) and Alphabet (GOOG - \$2800.35) on page 9. Each of these stocks have critical support levels that if broken, could trigger further selling. In sum, we would be defensive in the short run; but a sell-off in 2022 could produce an excellent long-term buying opportunity. Meanwhile, there are pockets of safety in the market in areas such as energy, banks, and staples, which all have modest multiples and good dividend yields.

TECHNICAL INDICATORS

The Russell 2000 index also has a pattern similar to the aforementioned FANG stocks in that the 2100 support level is important to the index. If this level is broken it would be extremely bearish for the RUT and a negative omen for the market. See page 10. Most other technical indicators are neutral or indecisive this week. The 25-day up/down volume oscillator is at 2.06 this week and above the midpoint of the neutral range, but still has not confirmed any market highs since February 2021. This implies that investors have been selling into rallies. Both the 10-day averages of new highs and new lows are above 100, leaving the "trend" of the market ambiguous. The NYSE cumulative advance/decline line made its last record high on November 8. Sentiment indicators like the AAI bull bear survey and the ISE call/put volume index are neutral. All in all, we remain cautious for the near term.

We start the year under a dark cloud. Three consecutive years of double-digit gains in the indices often precedes a negative year. The one exception: the five double-digit up years leading into the 2000 peak. However, this was a bubble market followed by three consecutive years of losses. In short, 2022 may be a defining year - either a down year or the emergence of an equity bubble.

Annual Performance											
	DJIA	SP500	NASQ		DJIA	SP500	NASQ		DJIA	SP500	NASQ
1901	-8.7%	-----	-----	1942	7.6%	12.4%	-----	1983	20.3%	17.3%	19.9%
1902	-0.4%	-----	-----	1943	13.8%	19.4%	-----	1984	-3.7%	1.4%	-11.2%
1903	-23.6%	-----	-----	1944	12.1%	13.8%	-----	1985	27.7%	26.3%	31.4%
1904	41.7%	-----	-----	1945	26.6%	30.7%	-----	1986	22.6%	14.6%	7.4%
1905	38.2%	-----	-----	1946	-8.1%	-11.9%	-----	1987	2.3%	2.0%	-5.3%
1906	-1.9%	-----	-----	1947	2.2%	0.0%	-----	1988	11.8%	12.4%	15.4%
1907	-37.7%	-----	-----	1948	-2.1%	-0.7%	-----	1989	27.0%	27.3%	19.3%
1908	46.6%	-----	-----	1949	12.9%	10.3%	-----	1990	-4.3%	-6.6%	-17.8%
1909	15.0%	-----	-----	1950	17.6%	21.8%	-----	1991	20.3%	26.3%	56.8%
1910	-17.9%	-----	-----	1951	14.4%	16.5%	-----	1992	4.2%	4.5%	15.5%
1911	0.4%	-----	-----	1952	8.4%	11.8%	-----	1993	13.7%	7.1%	14.7%
1912	7.6%	-----	-----	1953	-3.8%	-6.6%	-----	1994	2.1%	-1.5%	-3.2%
1913	-10.3%	-----	-----	1954	44.0%	45.0%	-----	1995	33.5%	34.1%	39.9%
1914	-30.7%	-----	-----	1955	20.8%	26.4%	-----	1996	26.0%	20.3%	22.4%
1915	81.7%	-----	-----	1956	2.3%	2.6%	-----	1997	22.6%	31.0%	21.5%
1916	-4.2%	-----	-----	1957	-12.8%	-14.3%	-----	1998	16.1%	26.7%	40.1%
1917	-21.7%	-----	-----	1958	34.0%	38.1%	-----	1999	25.2%	19.5%	85.6%
1918	10.5%	-----	-----	1959	16.4%	8.5%	-----	2000	-6.2%	-10.1%	-39.3%
1919	30.5%	-----	-----	1960	-9.3%	-3.0%	-----	2001	-7.1%	-13.0%	-21.1%
1920	-32.9%	-----	-----	1961	18.7%	23.1%	-----	2002	-16.8%	-23.4%	-31.5%
1921	12.7%	-----	-----	1962	-10.8%	-11.8%	-----	2003	25.3%	26.4%	50.0%
1922	21.7%	-----	-----	1963	17.0%	18.9%	-----	2004	3.1%	9.0%	8.6%
1923	-3.3%	-----	-----	1964	14.6%	13.0%	-----	2005	-0.6%	3.0%	1.4%
1924	26.2%	-----	-----	1965	10.9%	9.1%	-----	2006	16.3%	13.6%	9.5%
1925	30.0%	-----	-----	1966	-18.9%	-13.1%	-----	2007	6.4%	3.5%	9.8%
1926	0.3%	-----	-----	1967	15.2%	20.1%	-----	2008	-33.8%	-38.5%	-40.5%
1927	28.8%	-----	-----	1968	4.3%	7.7%	20.6%	2009	18.8%	23.5%	43.9%
1928	48.2%	-----	-----	1969	-15.2%	-11.4%	-0.8%	2010	11.0%	12.8%	16.9%
1929	-17.2%	-----	-----	1970	4.8%	0.1%	-13.7%	2011	5.5%	0.0%	-1.8%
1930	-33.8%	-----	-----	1971	6.1%	10.8%	27.7%	2012	7.3%	13.4%	15.9%
1931	-52.7%	-----	-----	1972	14.6%	15.6%	17.2%	2013	26.5%	29.6%	38.3%
1932	-23.1%	-15.1%	-----	1973	-16.6%	-17.4%	-31.1%	2014	7.5%	11.4%	13.4%
1933	66.7%	46.6%	-----	1974	-27.6%	-29.7%	-35.1%	2015	-2.2%	-0.7%	5.7%
1934	4.1%	-5.9%	-----	1975	38.3%	31.5%	29.8%	2016	13.4%	9.5%	7.5%
1935	38.5%	41.4%	-----	1976	17.9%	19.1%	26.1%	2017	25.1%	19.4%	28.2%
1936	24.8%	27.9%	-----	1977	-17.3%	-11.5%	7.3%	2018	-5.6%	-6.2%	-3.9%
1937	-32.8%	-38.6%	-----	1978	-3.1%	1.1%	12.3%	2019	22.3%	28.9%	35.2%
1938	28.1%	25.2%	-----	1979	4.2%	12.3%	28.1%	2020	7.2%	16.3%	43.6%
1939	-2.9%	-5.5%	-----	1980	14.9%	25.8%	33.9%	2021	18.7%	26.9%	21.4%
1940	-12.7%	-15.3%	-----	1981	-9.2%	-9.7%	-3.2%	2022			
1941	-15.4%	-17.9%	-----	1982	19.6%	14.8%	18.7%	2023			

Source: Dudack Research Group; Refinitiv; Blue = 3 or more consecutive years of double digit gains

January is off to a weak start, but the early January Barometer has a poor record of predicting the full year.

SPX Ups - January

1950 - 2016	1st Five Days % Performance	January % Performance	Year % Performance
1987	6.2%	13.2%	2.0%
1976	4.9%	11.8%	19.1%
1999	3.7%	4.1%	19.5%
2003	3.4%	-2.7%	26.4%
2006	3.4%	2.5%	13.6%
1983	3.2%	3.3%	17.3%
1967	3.1%	7.8%	20.1%
1979	2.8%	4.0%	12.3%
2018	2.8%	5.6%	-6.2%
2019	2.7%	7.9%	28.9%
2010	2.7%	-3.7%	12.8%
1963	2.6%	4.9%	18.9%
1958	2.5%	4.3%	38.1%
1984	2.4%	-0.9%	1.4%
1951	2.3%	6.1%	16.5%
2013	2.2%	5.0%	29.6%
1975	2.2%	12.3%	31.5%
1950	2.0%	1.7%	21.8%
2012	1.8%	4.4%	13.4%
2021	1.8%	-1.1%	26.9%
2004	1.8%	1.7%	9.0%
1973	1.5%	-1.7%	-17.4%
1972	1.4%	1.8%	15.6%
2017	1.3%	1.9%	19.4%
1964	1.3%	2.7%	13.0%
1961	1.2%	6.3%	23.1%
1989	1.2%	7.1%	27.3%
2011	1.1%	2.3%	-0.003%
2002	1.1%	-1.6%	-23.4%
1997	1.0%	6.1%	31.0%
1980	0.9%	5.8%	25.8%
1966	0.8%	0.5%	-13.1%
1994	0.7%	3.3%	-1.5%
1965	0.7%	3.3%	9.1%
2009	0.7%	-8.6%	23.5%
2020	0.7%	-0.2%	16.3%
1970	0.7%	-7.6%	0.1%
1952	0.6%	1.6%	11.8%
1954	0.5%	5.1%	45.0%
1996	0.4%	3.3%	20.3%
1959	0.3%	0.4%	8.5%
1995	0.3%	2.4%	34.1%
1992	0.2%	-2.0%	4.5%
2015	0.2%	-3.1%	-0.7%
1968	0.2%	-4.4%	7.7%
1990	0.1%	-6.9%	-6.6%
1971	0.0%	4.0%	10.8%
Up	47	34	39

Average	1.7%	2.4%	14.0%
Min	0.0%	-8.6%	-23.4%
Max	6.2%	13.2%	45.0%

Election years are bolded; post-election years are highlighted in blue

SPX Declines - January

1950 - 2016	1st Five Days % Performance	January % Performance	Year % Performance
2007	-0.4%	1.4%	3.5%
2014	-0.6%	-3.6%	11.4%
1960	-0.7%	-7.1%	-3.0%
1957	-0.9%	-4.2%	-14.3%
1953	-0.9%	-0.7%	-6.6%
1974	-1.5%	-1.0%	-29.7%
1998	-1.5%	1.0%	26.7%
1988	-1.5%	4.0%	12.4%
1993	-1.5%	0.7%	7.1%
1986	-1.6%	0.2%	14.6%
1955	-1.8%	1.8%	26.4%
2001	-1.8%	3.5%	-13.0%
2022	-1.9%	?	?
2000	-1.9%	-5.1%	-10.1%
1985	-1.9%	7.4%	26.3%
1981	-2.0%	-4.6%	-9.7%
2005	-2.1%	-2.5%	3.0%
1956	-2.1%	-3.6%	2.6%
1977	-2.3%	-5.1%	-11.5%
1982	-2.4%	-1.8%	14.8%
1969	-2.9%	-0.8%	-11.4%
1962	-3.4%	-3.8%	-11.8%
1991	-4.6%	4.2%	26.3%
1978	-4.7%	-6.2%	1.1%
2008	-5.3%	-6.1%	-38.5%
2016	-6.0%	-5.1%	9.5%
Down	26	16	11

Average	-2.2%	-1.5%	1.0%
Min	-6.0%	-7.1%	-38.5%
Max	-0.4%	7.4%	26.7%

Source: Stock Trader's Almanac; Thomson Reuters

January Barometer Statistics: Up Years

83% Early January Gain Predicts the Year's Action
72% January Gain Predicts the Year's Action

January Barometer Statistics: Down Years

42% Early January Gain Predicts the Year's Action
69% January Gain Predicts the Year's Action

Note the blue shading above: 10 of the last 17 post-election-year markets were flat or negative.

The first five trading days of 2022 were less decisive in the DJIA, with a 0.3% loss, but declines for the full month of January has had a better record of forecasting annual declines than early January action. In general, a positive performance in January has good predictive value of forecasting annual gains. Declines in January are not favorable, but not as definitive.

DJIA Ups - Early January

1950 - 2016	1st Five Days % Performance	January % Performance	Year % Performance
1976	6.5%	14.4%	17.9%
1987	5.6%	13.8%	2.3%
1999	5.0%	1.9%	25.2%
1967	3.5%	8.2%	15.2%
1975	3.1%	14.2%	38.3%
2003	3.0%	-3.5%	25.3%
1979	2.9%	4.2%	4.2%
1983	2.8%	2.8%	20.3%
2006	2.7%	1.4%	16.3%
1973	2.7%	-2.1%	-16.6%
1963	2.7%	4.7%	17.0%
1958	2.5%	3.3%	34.0%
2018	2.3%	5.8%	-5.6%
1972	2.3%	1.3%	14.6%
1951	2.2%	5.7%	14.4%
1984	2.2%	-3.0%	-3.7%
2019	2.0%	7.2%	22.3%
2010	1.8%	-3.5%	11.0%
1994	1.8%	6.0%	2.1%
1966	1.7%	1.5%	-18.9%
2013	1.7%	5.8%	26.5%
2021	1.6%	-2.0%	18.7%
1996	1.6%	5.4%	26.0%
1997	1.6%	5.7%	22.6%
1980	1.5%	4.4%	14.9%
1964	1.5%	2.9%	14.6%
1990	1.5%	-5.9%	-4.3%
2012	1.4%	3.4%	7.3%
1989	1.4%	8.0%	27.0%
1961	1.4%	5.2%	18.7%
2004	1.3%	0.3%	3.1%
2002	1.3%	-1.0%	-16.8%
1974	1.3%	0.6%	-27.6%
1992	1.1%	1.7%	4.2%
1965	1.0%	3.3%	10.9%
1950	0.9%	0.8%	17.6%
2011	0.8%	2.7%	5.5%
1959	0.8%	1.8%	16.4%
2020	0.7%	-1.0%	7.2%
1995	0.7%	0.2%	33.5%
2017	0.6%	1.1%	25.1%
2015	0.5%	-3.7%	-2.2%
1968	0.4%	-5.5%	4.3%
1952	0.4%	0.5%	8.4%
2000	0.2%	-4.8%	-6.2%
1954	0.2%	4.1%	44.0%
1970	0.2%	-7.0%	4.8%
1981	0.2%	-1.7%	-9.2%
Up	48	35	38

Average	1.8%	2.3%	11.1%
Min	0.2%	-7.0%	-27.6%
Max	6.5%	14.4%	44.0%

Election years are highlighted in blue

DJIA Declines - Early January

1950 - 2016	1st Five Days % Performance	January % Performance	Year % Performance
1971	-0.2%	3.5%	6.1%
2022	-0.3%	?	?
2007	-0.4%	1.3%	6.4%
2009	-0.4%	-8.8%	18.8%
1953	-0.5%	-0.7%	-3.8%
1960	-0.5%	-8.4%	-9.3%
2014	-0.7%	-5.3%	7.5%
1982	-1.0%	-0.4%	19.6%
1957	-1.1%	-4.1%	-12.8%
1986	-1.3%	1.6%	22.6%
1998	-1.3%	0.0%	16.1%
1988	-1.4%	1.0%	11.8%
1993	-1.5%	0.3%	13.7%
2001	-1.5%	0.9%	-7.1%
1985	-1.6%	6.2%	27.7%
2005	-1.7%	-2.7%	-0.6%
1956	-1.8%	-3.6%	2.3%
1977	-2.1%	-5.0%	-17.3%
1955	-2.2%	1.1%	20.8%
1969	-2.4%	0.2%	-15.2%
1962	-3.0%	-4.3%	-10.8%
1991	-4.7%	3.9%	20.3%
2008	-5.1%	-4.6%	-33.8%
1978	-5.6%	-7.4%	-3.1%
2016	-6.2%	-5.5%	13.4%
Down	25	14	10

Average	-1.9%	-1.7%	3.9%
Min	-6.2%	-8.8%	-33.8%
Max	-0.2%	6.2%	27.7%

Source: Stock Trader's Almanac; Refinitiv

January Barometer Statistics

79% Early January Gain Predicts the Year's Action

92% January Gain Predicts the Year's Action

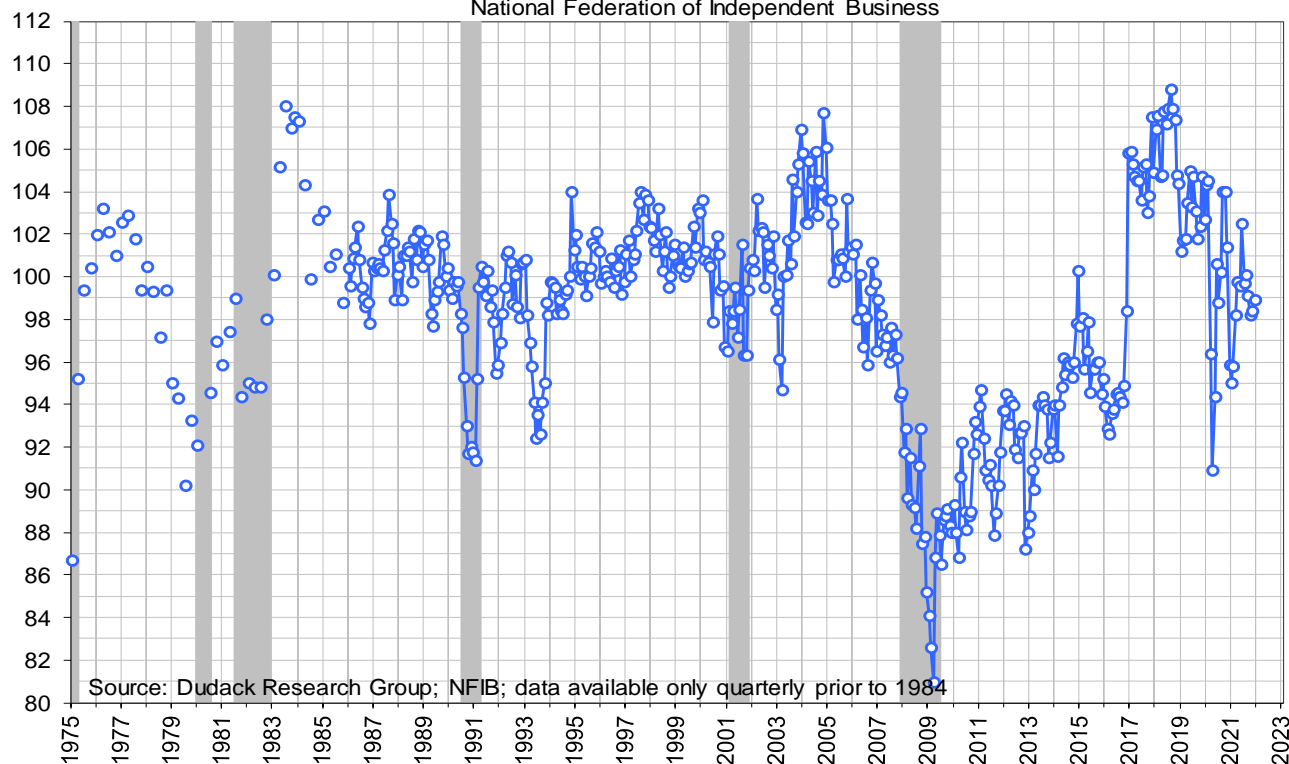
46% Early January Loss Predicts the Year's Action

66% January Loss Predicts the Year's Action

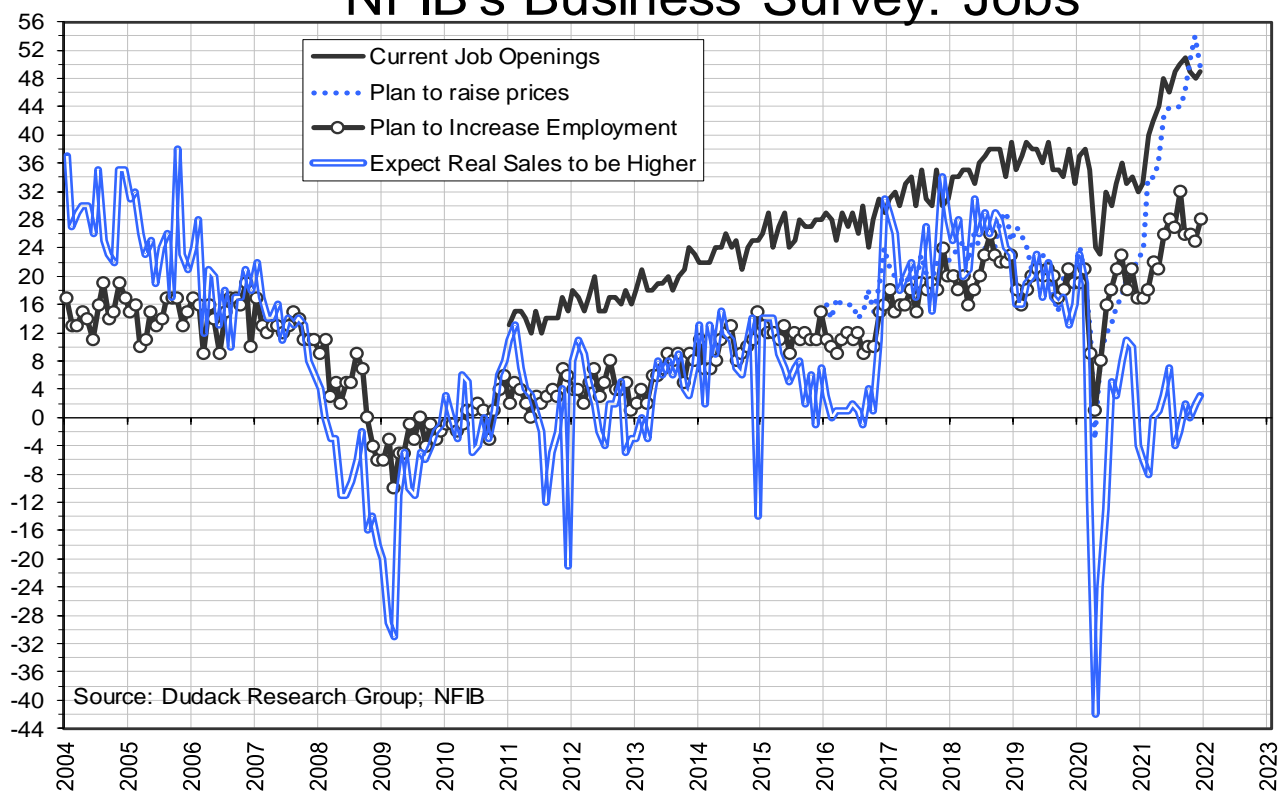
With December's reading of 98.9, the small business optimism index edged higher for two consecutive months. Plans to raise prices in the coming month was another positive with a small decline of 5 points to 49%. There was a minor improvement in the index of businesses expecting the economy to improve (-38 to -35), however, this remains in negative territory. Sales expectations rose from 2 to 3 in December.

NFIB Small Business Optimism Index

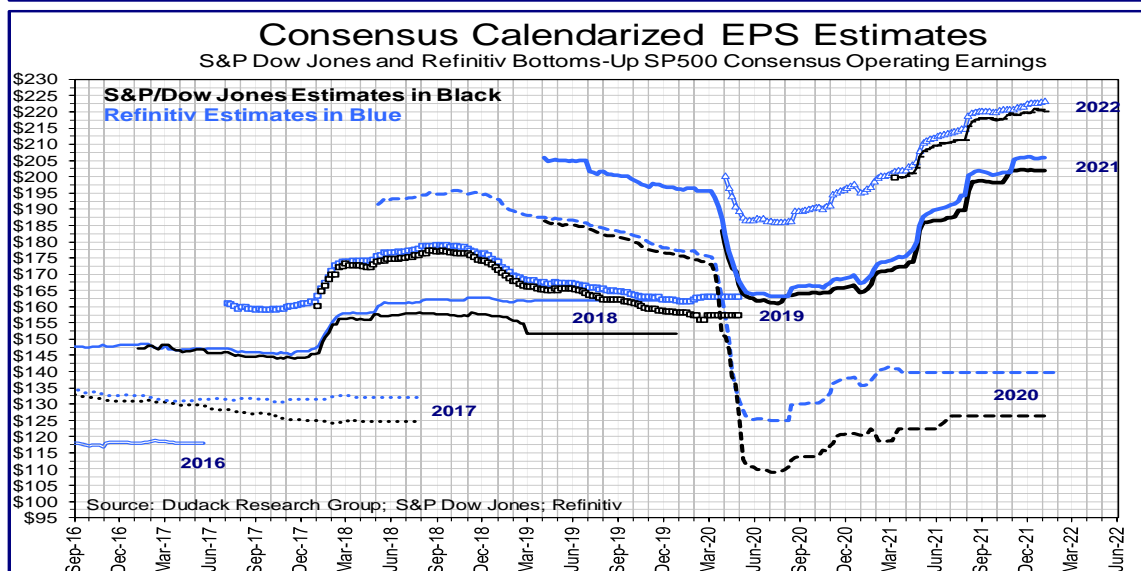
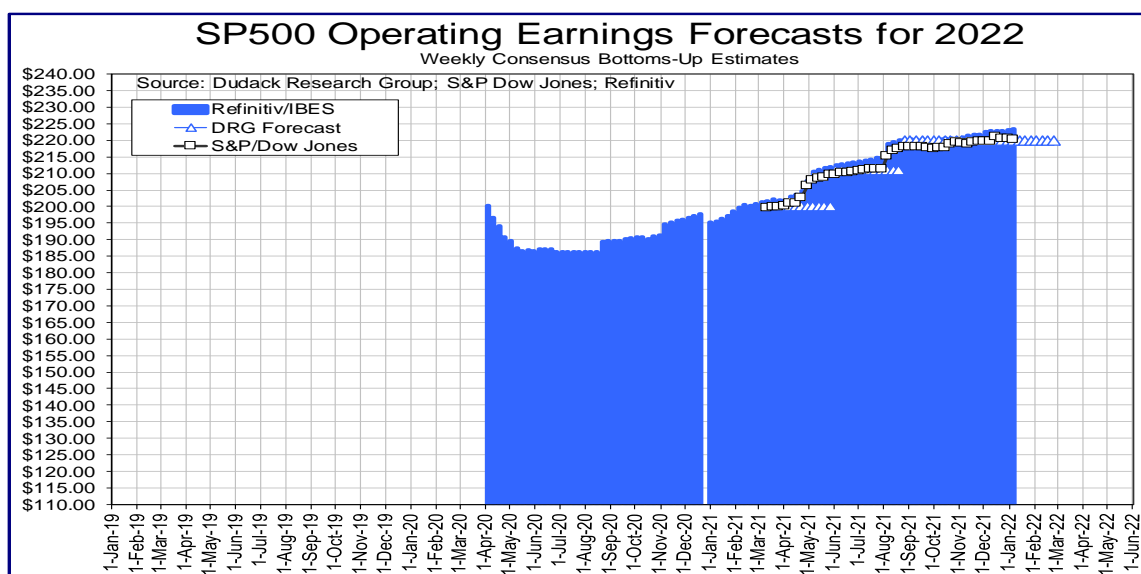
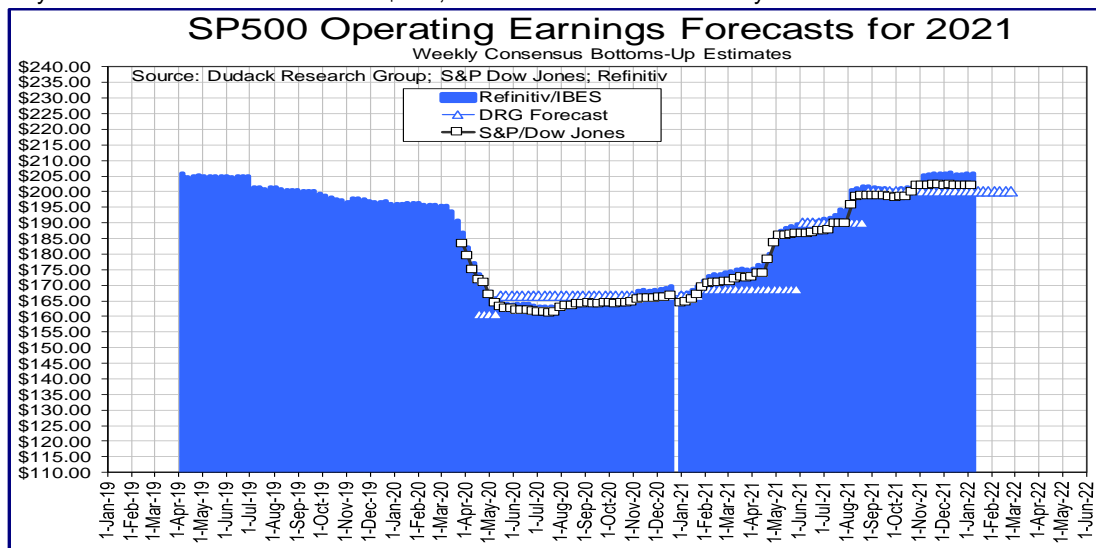
National Federation of Independent Business



NFIB's Business Survey: Jobs

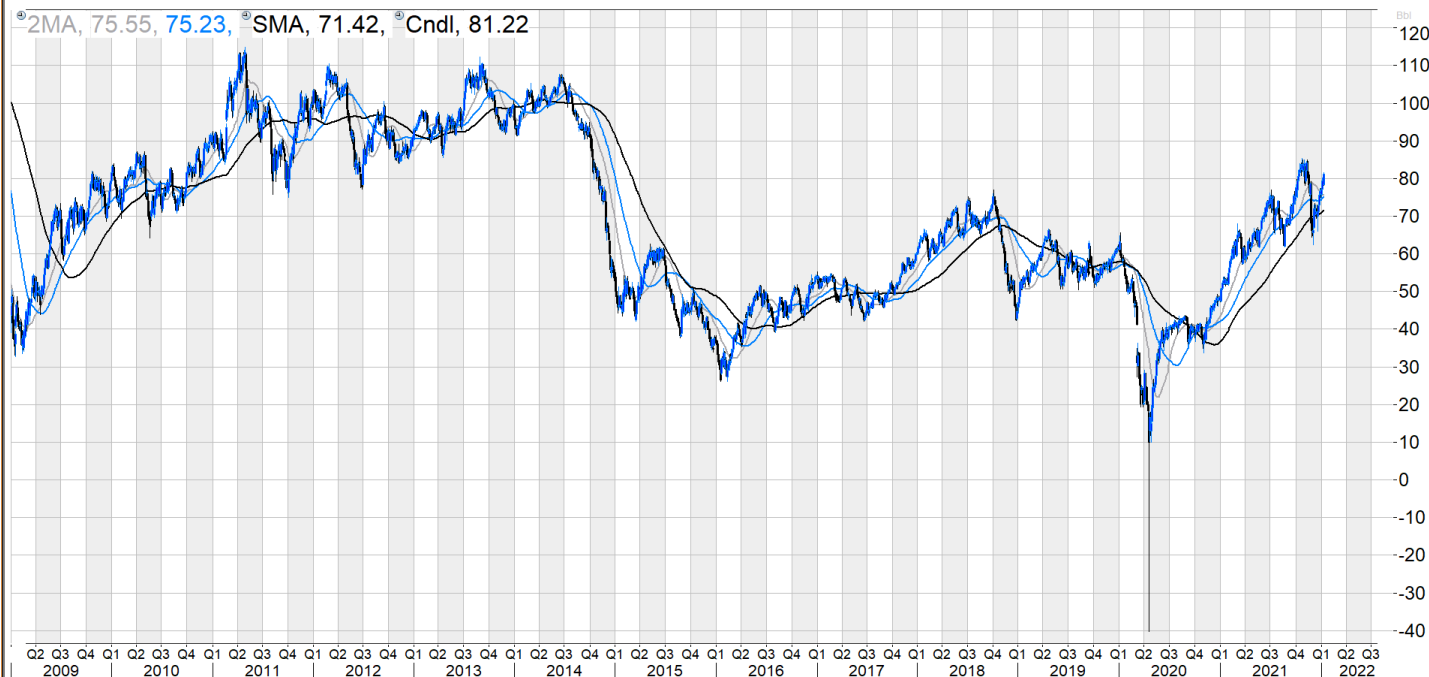


With 2021 in the rearview mirror, and fourth quarter earnings season about to begin, IBES Refinitiv and S&P Dow Jones earnings estimates for 2021 are \$205.79 and \$201.85, respectively. For 2022, estimates rise to \$223.35 and \$220.11, respectively; this week's numbers rising for IBES and falling for S&P. The IBES and S&P Dow Jones earnings growth rates for 2022 are 8.5% YOY and 9.0% YOY, respectively. Our DRG estimate for 2022 is \$220, a 10% YOY increase but only because our 2021 estimate is lower.

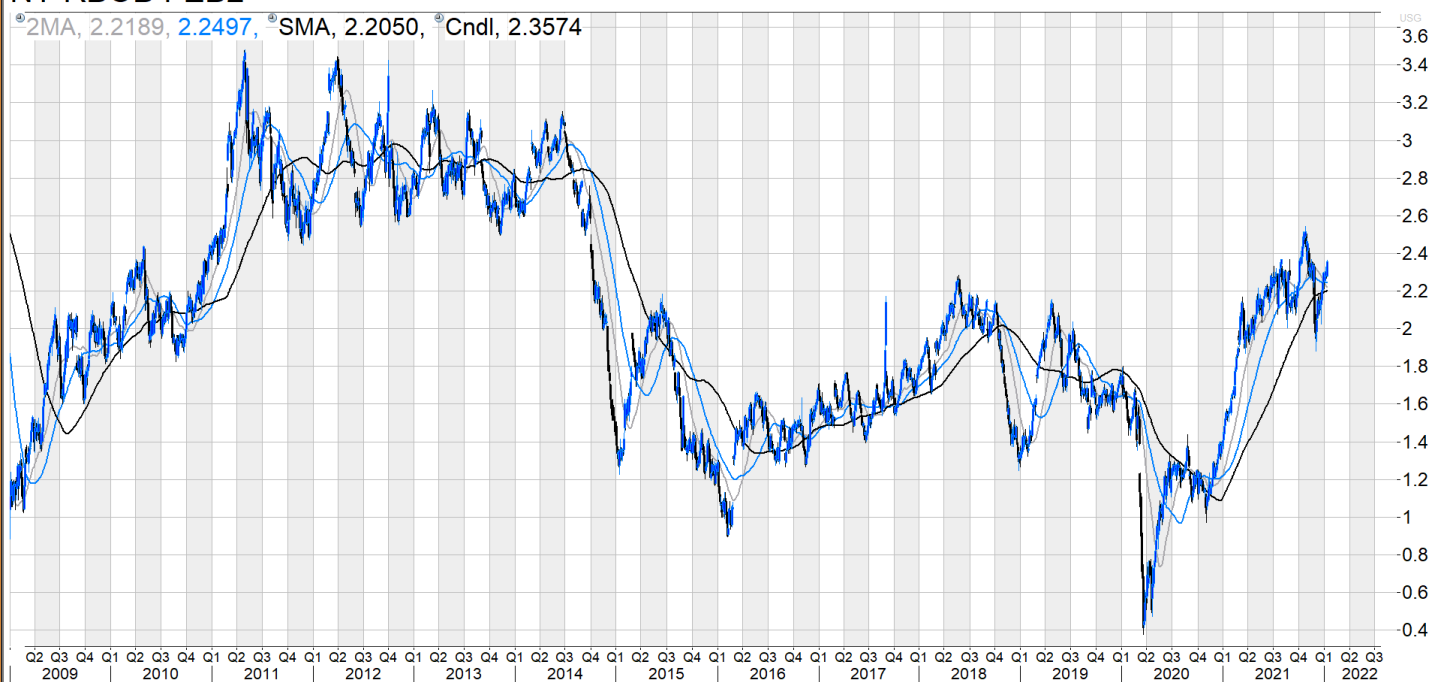


The main hurdles for 2022 will be inflation and a monetary policy reversal. WTI crude futures and gasoline futures are on the rise early in 2022 and both charts indicate that prices remain above all moving averages. This implies the decline in November was a brief respite in a longer-term uptrend. This is good for energy investors, but higher fuel prices are the same as a tax on most households and businesses.

LIGHT CRUDE FEB2



NY RBOB FEB2



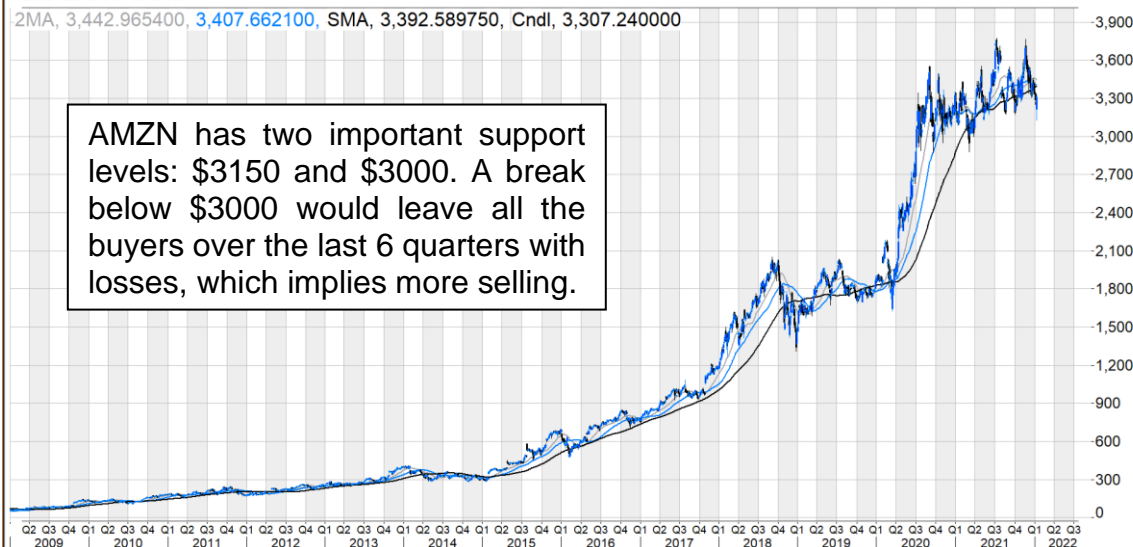
Source: Refinitiv

Three FANG stocks with suspicious technical patterns and possibly breaking all moving averages.

AMAZON COM

2MA, 3,442.965400, 3,407.662100, SMA, 3,392.589750, CndI, 3,307.240000

AMZN has two important support levels: \$3150 and \$3000. A break below \$3000 would leave all the buyers over the last 6 quarters with losses, which implies more selling.



META PLATFORM ORD

2MA, 333.433400, 341.706200, SMA, 337.088450, CndI, 334.370000

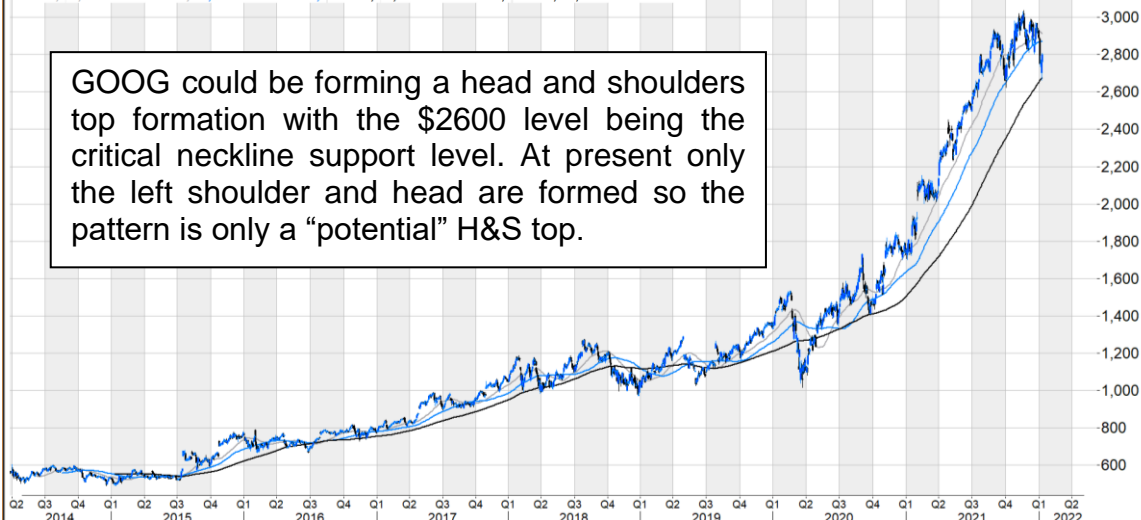
The consolidation between \$300 and \$360 could be a consolidation phase before another up leg in FB, but the longer the stock trades below \$340 the more vulnerable and topy the pattern becomes.



ALPHABET INC C

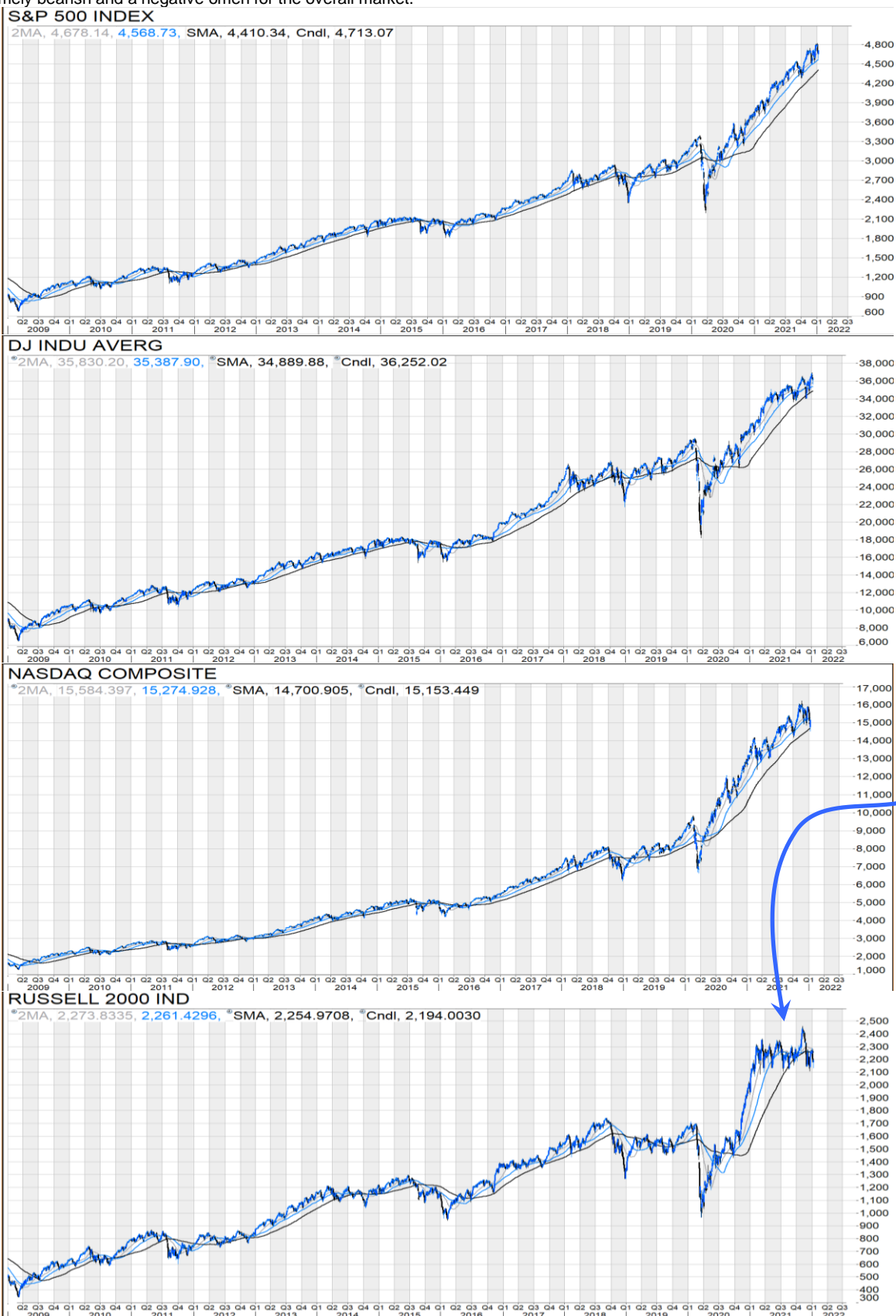
2MA, 2,912.288400, 2,870.430700, SMA, 2,676.850800, CndI, 2,800.350000

GOOG could be forming a head and shoulders top formation with the \$2600 level being the critical neckline support level. At present only the left shoulder and head are formed so the pattern is only a "potential" H&S top.



Source: Refinitiv

Most of the major indices are trading above their major moving averages, except the RUT. The small capitalization index is trading below all its moving averages. With the exception of a brief false rally in early November, RUT has been trading between 2100 and 2350. A break of this 2100 support level would be extremely bearish and a negative omen for the overall market.



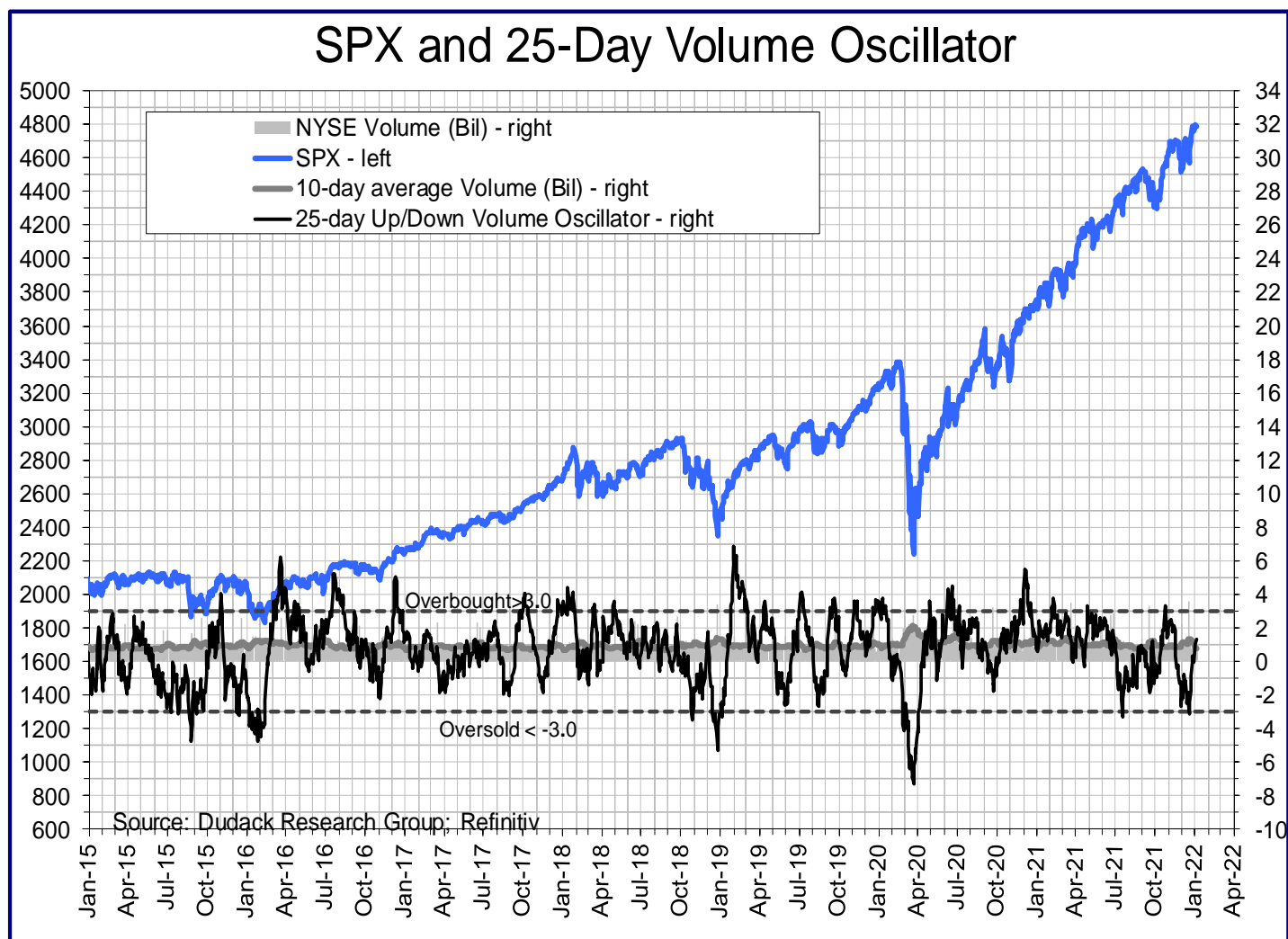
Source: Refinitiv

The 25-day up/down volume oscillator is at 2.06 this week and above the midpoint of the neutral range for the second time since mid-November. This oscillator had a one-day oversold reading on December 20; but had this indicator recorded five consecutive days in oversold, after failing to record overbought readings at recent record highs, it would have been a signal of a major shift in trend. This signal was avoided; but the oscillator is not confirming the recent highs in the indices.

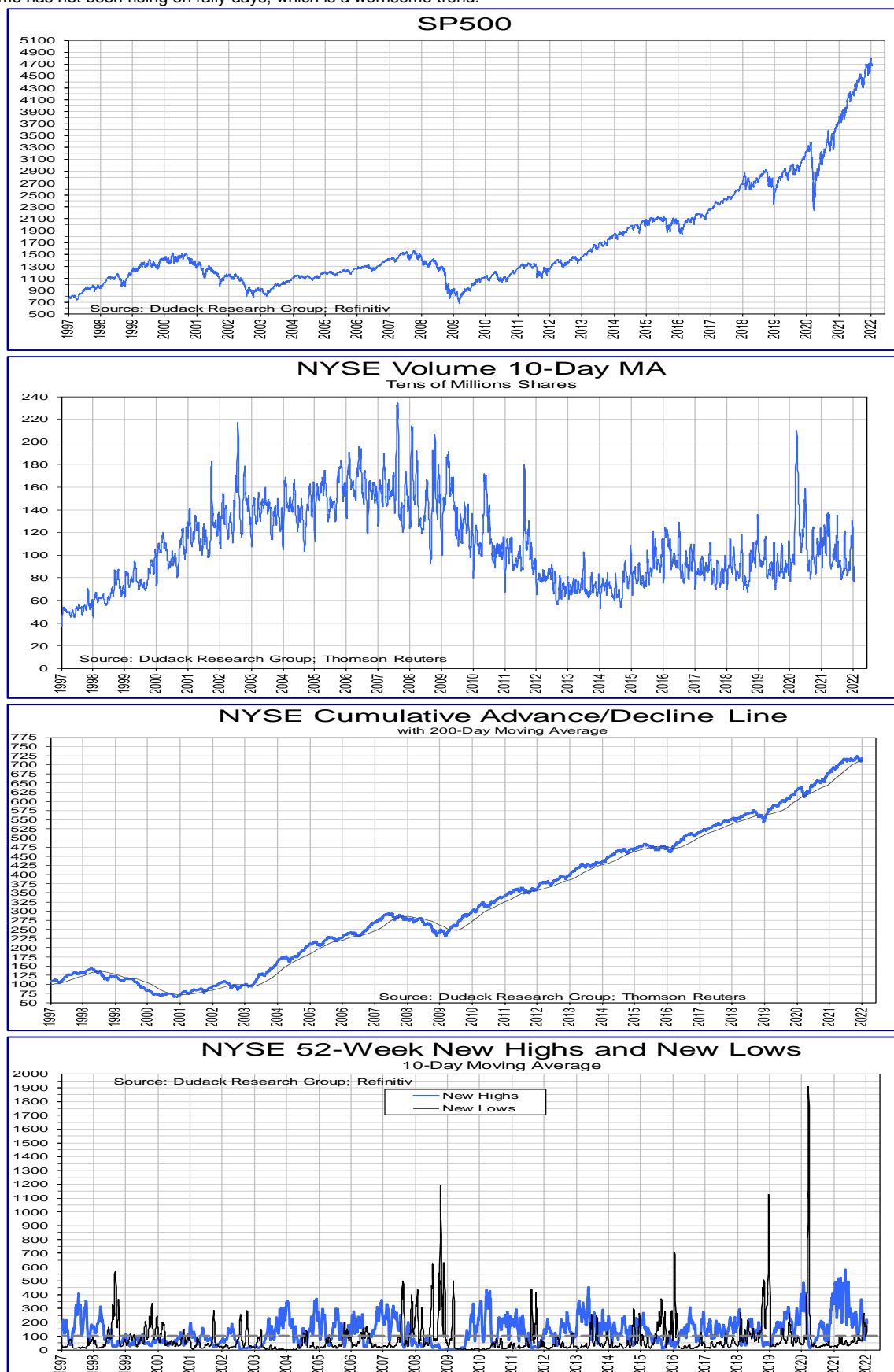
The oscillator spent two days in overbought territory on October 25 and 26; but to confirm new highs in the popular indices, it should have remained in overbought range for a minimum of 5 consecutive trading days. The last time this indicator did this and confirmed new highs in the equity market was between February 4 and February 10 in 2021.

The absence of overbought readings since February, coupled with a one-day oversold reading on July 19 revealed that the advance has not been supported by solid or consistent buying pressure between February and November.

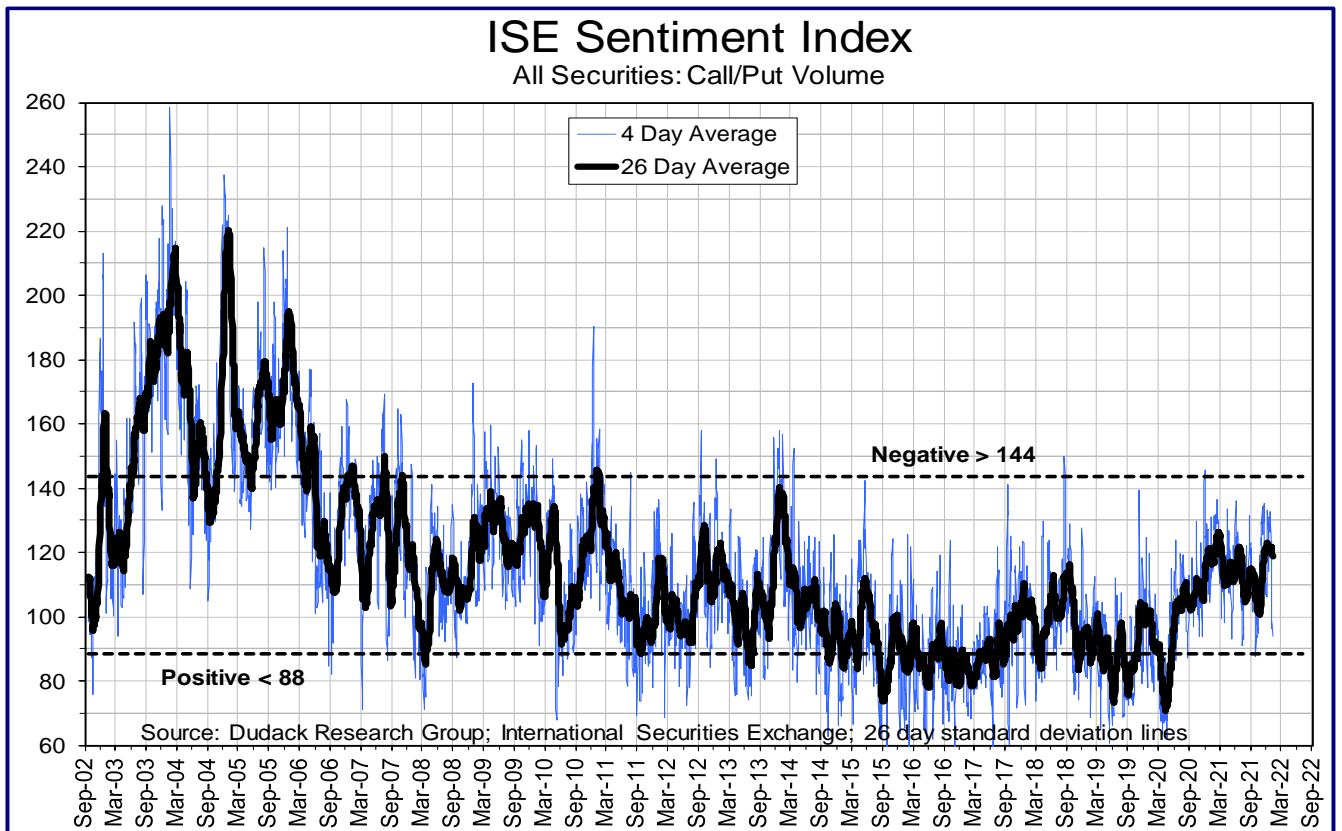
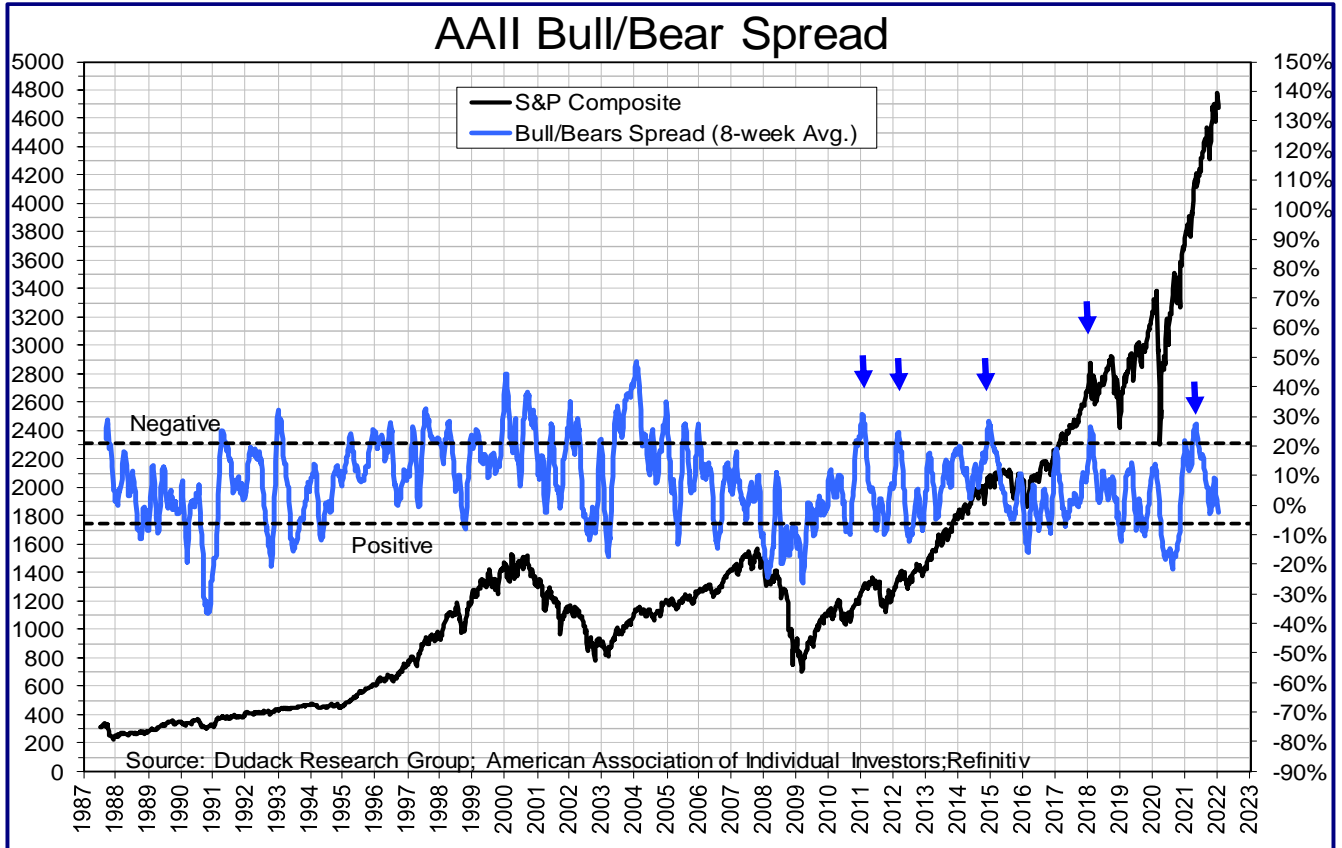
This 25-day up/down volume oscillator measures buying and selling momentum. New highs should be accompanied by strong and consistent buying pressure which results in long and sometimes extreme overbought readings. An absence of overbought readings at a new high reveals a weakness in the trend and is a sign of waning demand and/or investors selling into strength. Conversely, significant lows are often accompanied by panic selling. For example, an extreme oversold reading in this indicator, followed by a shallower oversold reading despite a new low in price indicates that selling pressure is fading and the lows are likely in place.



The 10-day average of daily new highs rose to 192 this week and daily new lows fell to 175. This combination of both averages above 100 per day is ambiguous and neutral. Still, the indicator has a negative tilt. The A/D line's last record high was on November 8, 2021 and it is trading well below this level currently. Volume has not been rising on rally days, which is a worrisome trend.



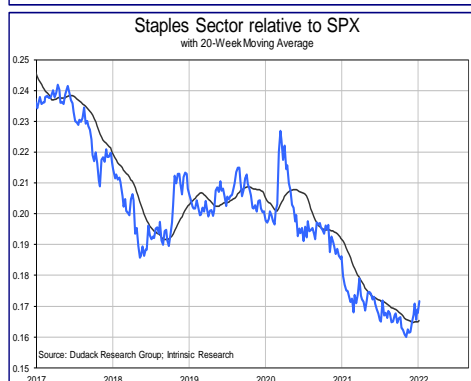
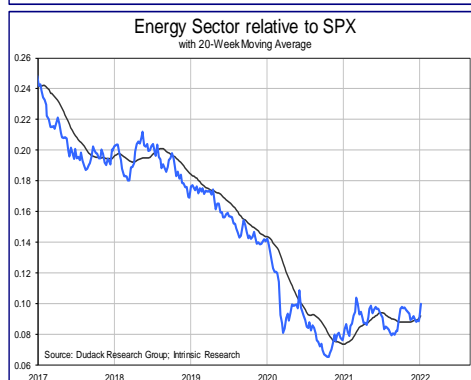
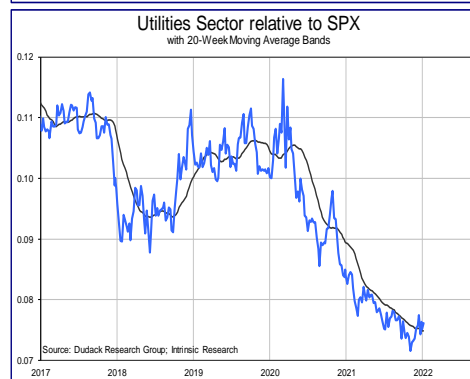
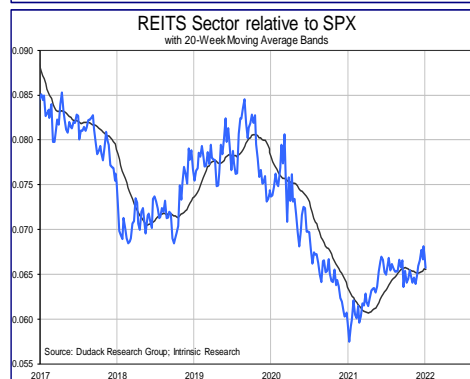
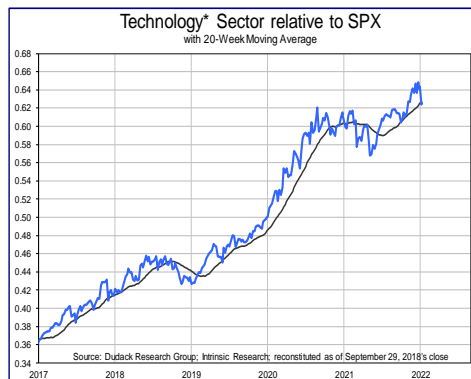
Bullish sentiment decreased 4.9 points this week to 32.8% and is still below the historical average of 38.0%. Bearish sentiment rose 2.1 points to 33.9% and is above the historical average of 30.5%. However, the sentiment spread index remains within the normal range. The 8-week bull/bear spread ticked up but remains neutral. The ISE Sentiment index remains neutral.



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

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

12/15/2021: Energy upgraded from under to over eight; Staples upgraded from neutral to over eight; Healthcare and Industrials downgraded from over eight to neutral; Materials downgraded from neutral to under eight.



2022 Performance - Ranked	
SP500 Sector	% Change
S&P ENERGY	14.1%
S&P FINANCIAL	5.9%
S&P INDUSTRIALS	0.1%
S&P CONSUMER STAPLES	-0.5%
S&P 500	-1.1%
S&P MATERIALS	-1.4%
S&P COMMUNICATIONS SERVICES	-1.7%
S&P CONSUMER DISCRETIONARY	-2.2%
S&P HEALTH CARE	-2.9%
S&P UTILITIES	-3.1%
S&P INFORMATION TECH	-3.4%
S&P REITS	-5.7%

Source: Dudack Research Group; Refinitiv; Monday closes

GLOBAL MARKETS AND COMMODITIES - RANKED BY 2022 TRADING PERFORMANCE

Index/EFT	Symbol	Price	5-Day%	20-Day%	QTD%	YTD%
iShares DJ US Oil Eqpt & Services ETF	IEZ	15.26	6.6%	16.8%	18.4%	18.4%
Energy Select Sector SPDR	XLE	63.23	6.8%	13.6%	13.9%	13.9%
SPDR S&P Bank ETF	KBE	59.63	4.2%	11.9%	9.3%	9.3%
Oil Future	CLc1	81.22	5.5%	13.9%	8.0%	8.0%
United States Oil Fund, LP	USO	58.16	4.5%	13.1%	7.0%	7.0%
Financial Select Sector SPDR	XLF	41.39	2.0%	7.1%	6.0%	6.0%
iShares MSCI India ETF	INDA.K	48.16	2.8%	7.5%	5.1%	5.1%
iShares China Large Cap ETF	FXI	37.82	5.1%	0.1%	3.4%	3.4%
iShares MSCI United Kingdom ETF	EWU	34.21	1.3%	7.5%	3.2%	3.2%
iShares MSCI Austria Capped ETF	EWO	26.25	1.0%	6.5%	3.1%	3.1%
iShares MSCI BRIC ETF	BKF	45.84	3.0%	1.4%	2.4%	2.4%
iShares MSCI Emerg Mkts ETF	EEM	50.02	1.9%	2.9%	2.4%	2.4%
iShares MSCI Germany ETF	EWG	33.26	0.0%	2.2%	1.5%	1.5%
iShares Russell 1000 Value ETF	IWD	170.37	0.1%	4.4%	1.5%	1.5%
iShares MSCI Malaysia ETF	EWM	25.33	2.3%	6.5%	1.2%	1.2%
iShares MSCI Singapore ETF	EWS	21.63	1.7%	3.0%	1.1%	1.1%
iShares MSCI Canada ETF	EWK	38.86	1.4%	5.2%	1.1%	1.1%
Vanguard FTSE All-World ex-US ETF	VEU	61.88	0.0%	1.5%	1.0%	1.0%
iShares MSCI Hong Kong ETF	EWK	23.36	-0.3%	0.1%	0.7%	0.7%
iShares MSCI Taiwan ETF	EWT	67.08	-1.2%	4.9%	0.7%	0.7%
iShares MSCI South Korea Capped ETF	EWY	78.22	0.6%	0.2%	0.4%	0.4%
iShares Russell 2000 Value ETF	IWN	166.62	-1.8%	3.7%	0.3%	0.3%
Gold Future	GCc1	2220.10	0.2%	1.0%	0.3%	0.3%
iShares MSCI EAFE ETF	EFA	78.89	-0.9%	2.5%	0.3%	0.3%
iShares MSCI Japan ETF	EWJ	67.03	-1.3%	0.2%	0.1%	0.1%
Industrial Select Sector SPDR	XLI	105.92	-1.0%	1.6%	0.1%	0.1%
SPDR Communication Services ETF	XLC	56.15	0.0%	0.0%	0.0%	0.0%
Silver Future	SLc1	18.54	0.0%	0.0%	0.0%	0.0%
iShares MSCI Mexico Capped ETF	EWX	50.52	0.2%	8.8%	-0.2%	-0.2%
iShares US Telecomm ETF	IYZ	32.84	-0.5%	4.8%	-0.2%	-0.2%
DJIA	.DJI	36252.02	-1.6%	1.7%	-0.2%	-0.2%
iShares MSCI Brazil Capped ETF	EWZ	27.99	2.8%	-1.4%	-0.3%	-0.3%
iShares MSCI Australia ETF	EWA	24.74	-2.1%	1.8%	-0.4%	-0.4%
SPDR Gold Trust	GLD	170.29	0.5%	2.0%	-0.4%	-0.4%
SPDR DJIA ETF	DIA	362.54	-0.9%	0.6%	-0.4%	-0.4%
Consumer Staples Select Sector SPDR	XLP	76.72	-1.3%	2.1%	-0.5%	-0.5%
SP500	.SPX	4713.07	-1.9%	0.9%	-1.1%	-1.1%
iShares Russell 1000 ETF	IWB	260.94	-1.8%	0.8%	-1.3%	-1.3%
Materials Select Sector SPDR	XLB	89.36	-1.3%	1.8%	-1.4%	-1.4%
Shanghai Composite	.SSEC	3567.44	-1.8%	-3.1%	-1.4%	-1.4%
iShares iBoxx \$ Invest Grade Corp Bond	LQD	129.99	-0.9%	-2.5%	-1.9%	-1.9%
Consumer Discretionary Select Sector SPDR	XLY	200.17	-4.3%	0.2%	-2.1%	-2.1%
iShares Silver Trust	SLV	21.93	-1.3%	2.1%	-2.1%	-2.1%
iShares Russell 2000 ETF	IWM	217.61	-3.3%	0.7%	-2.2%	-2.2%
Health Care Select Sect SPDR	XLV	136.81	-0.7%	0.7%	-2.9%	-2.9%
NASDAQ 100	NDX	15844.12	-2.7%	-1.5%	-2.9%	-2.9%
Nasdaq Composite Index Tracking Stock	ONEQ.O	59.03	-3.3%	-1.8%	-3.1%	-3.1%
iShares 20+ Year Treas Bond ETF	TLT	143.56	0.1%	-5.0%	-3.1%	-3.1%
Utilities Select Sector SPDR	XLU	69.32	-2.3%	-1.0%	-3.2%	-3.2%
Technology Select Sector SPDR	XLK	167.95	-3.3%	-2.5%	-3.4%	-3.4%
SPDR S&P Retail ETF	XRT	87.18	-4.3%	-2.5%	-3.4%	-3.4%
iShares Russell 1000 Growth ETF	IWF	293.96	-3.5%	-2.4%	-3.8%	-3.8%
iShares US Real Estate ETF	IYR	110.58	-3.9%	-0.6%	-4.8%	-4.8%
iShares Russell 2000 Growth ETF	IWO	279.00	-5.0%	-2.3%	-4.8%	-4.8%
SPDR Homebuilders ETF	XHB	80.92	-4.9%	-4.4%	-5.7%	-5.7%
SPDR S&P Semiconductor ETF	XSD	229.23	-6.5%	-3.0%	-5.7%	-5.7%
iShares Nasdaq Biotechnology ETF	IBB.O	143.52	-3.4%	-3.9%	-6.0%	-6.0%
PowerShares Water Resources Portfolio	PHO	57.06	-4.5%	-3.6%	-6.2%	-6.2%

Outperformed SP500
Underperformed SP500

Source: Dudack Research Group; Thomson Reuters

Priced as of January 11, 2022

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	~~~~~	\$191.38	\$201.97	\$200.00	63.4%	\$205.79	47.3%	23.6X	1.3%	NA	\$1,834.70	-6.0%
2022E		\$210.07	\$220.21	\$220.00	10.0%	\$223.35	8.5%	21.4X	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%	\$1,924.00	7.4%
2020 2Q	3100.29	\$17.83	\$26.79	\$26.79	-33.3%	\$27.98	-32.3%	24.7	1.9%	-31.2%	\$1,701.50	-8.4%
2020 3Q	3363.00	\$32.98	\$37.90	\$37.90	-4.8%	\$38.69	-8.2%	27.3	1.7%	33.8%	\$2,135.10	8.7%
2020 4Q	3756.07	\$31.45	\$38.19	\$38.19	-2.5%	\$42.58	1.4%	30.7	1.6%	4.5%	\$2,111.90	5.7%
2021 1Q	3972.89	\$45.95	\$47.41	\$47.41	143.1%	\$49.13	48.3%	26.4	1.5%	6.3%	\$2,207.70	14.7%
2021 2Q	4297.50	\$48.39	\$52.03	\$52.10	94.5%	\$52.58	87.9%	24.5	1.3%	6.7%	\$2,440.60	43.4%
2021 3QP	4307.54	\$49.59	\$52.02	\$48.51	28.0%	\$53.72	38.8%	22.7	1.4%	2.3%	NA	NA
2021 4QE	4766.18	\$47.45	\$50.51	\$51.98	36.1%	\$51.16	20.2%	23.6	1.3%	NA	NA	NA
2022 1QE*	4713.07	\$53.53	\$51.49	\$53.50	12.8%	\$52.26	6.4%	22.9	NA	NA	NA	NA
2022 2QE		\$49.80	\$54.35	\$54.00	3.6%	\$55.16	4.9%	22.6	NA	NA	NA	NA
2022 3QE		\$52.55	\$56.79	\$55.00	13.4%	\$57.66	7.3%	22.1	NA	NA	NA	NA
2022 4QE		\$54.19	\$57.58	\$57.50	10.6%	\$58.43	14.2%	21.4	NA	NA	NA	NA

Source: DRG; S&P Dow Jones; Refinitiv Consensus estimates; **quarterly EPS may not sum to official CY estimates

1/11/2022

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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Sectors/Industries:

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

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

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