



Dudack Research Group

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January 5, 2022

DJIA: 36799.65

SPX: 4793.54

NASDAQ: 15622.72

US Strategy Weekly

On the Verge of a Bubble?

Stocks performed well in 2021, but while gains were widespread, it was not easy to outperform some of the indices. The best performing index in 2021 was the Dow Jones Transportation Average which rose 31.8% for the year. The SPX was second with a gain of 26.9%, followed by the Wilshire 5000 index which rallied 22.8%.

The Dow Jones Industrial Average had an 18.7% gain in 2021 and in most years, this would have been an exceptional performance, but for last year it made the index a laggard. The Russell 2000 index rose roughly half of the SPX at 13.7% for the year and performed just slightly better than the Dow Jones Utility Average which rose 13.4%. However, on a total return basis, the Dow Jones Utility Average clearly outperformed the Russell small cap index.

One might wonder about the amazing outperformance of the Dow Jones Transportation Average given the weak performance of the airlines during the pandemic, but airlines were offset by strong performances in some unexpected components like Avis Budget Group, Inc. (CAR - \$202.53), and the various shipping and freight components such as, Expeditors International of Washington, Inc. (EXPD - \$130.06), C. H. Robinson Worldwide, Inc. (CHRW - \$110.38), J.B. Hunt Transport Services, Inc. (JBHT - \$207.66), or the marine shipping company, Matson, Inc. (MATX - \$91.15). Despite the angst about transportation logjams and the disaster at the Port of Los Angeles, many transportation stocks performed well last year.

However, for most individual investors and many money managers, 2021 proved to be a challenging time to outperform the SPX. The reason for this is the emergence of a few stocks that are beginning to dominate the cap-weighted benchmark indices like the S&P 500 and the Nasdaq 100. In our December 15, 2021 weekly (*"Monetary Policy Shift Ahead"*) we displayed a table of the eight stocks that represented 63% of the total market capitalization of the Nasdaq 100 at that time. These stocks are Apple, Inc. (AAPL - \$179.70), Microsoft Corp. (MSFT - \$329.01), Alphabet Inc. Class C (GOOG.O - \$2888.33), Alphabet Inc. Class A (GOOGL.O - \$2887.99), Amazon.com, Inc. (AMZN - \$3350.44), Tesla Inc. (TSLA - \$1149.59), Meta Platforms, Inc. Class A (FB - \$336.53) and Nvidia Corp. (NVDA - \$292.90). This week, as Apple, Inc. approached an historic \$3 trillion market capitalization, S&P wrote that a mere five stocks currently represent 26% of the market weight of the SPX (AAPL, MSFT, GOOG, AMZN and FB).

It is noteworthy that with a \$3 trillion market capitalization, Apple would singularly represent 7.8% of the S&P 500 index. This market cap dominance easily exceeds the 6.4% weighting seen by International Business Machine (IBM - \$138.02) in 1985. There are many theories about what happens to a stock when it becomes a dominant part of the index, and most theories suggest that dominance is not long-lived. However, there is another important aspect to the fact that a small group of stocks are driving the SPX. Particularly those money managers pegged to the SPX, the fact that AAPL is 7.8% of the SPX market capitalization, you risk underperforming your benchmark if you are not similarly weighted in AAPL. If you are not, this equates to a large bet *against* AAPL doing well. We expect there was a lot of portfolio adjustments going on at year end.

For important disclosures and analyst certification please refer to the last page of this report.

What we find disturbing about the dominance of a few stocks driving the major benchmark indices is that it reminds us of the Nifty Fifty era that preceded the top in 1970. The nifty fifty stocks included companies like Polaroid, Eastman Kodak, Digital Equipment and S.S. Kresge (Kmart), Sears and Roebuck, and Xerox (XRJ - \$23.76). Most of which do not exist in their previous form. It is also similar to the dot-com bubble that led to the 2000 peak. Global Crossing was part of the dot-com bubble. It was a telecommunications company founded in 1997 that reached a market capitalization of \$47 billion in February 2000 before filing bankruptcy in January 2002. In both of these previous cases the momentum of the market was driven by a relatively small number of popular growth stocks that represented the future to most investors. They were the disruptors of their era. But over time, if a few stocks are driving market performance, fundamentals and valuation models are replaced by momentum models. Momentum models simply drive more investors into a small group of outperforming stocks. We do not believe we are currently in a bubble; but having lived through the aftermath of both the 1970 and 2000 tops, the seeds of a bubble do exist, in our view. If we are on the verge of a bubble, 2022 may be the decisive year. Many indicators point to a correction that is greater than 10% over the next twelve months. But if this does not materialize, it is quite possible that a new set of investors, who have never lived through the humbling experience of a bear market may continue to follow momentum and drive stock prices higher.

The last three years have been good to investors. The SPX has had consecutive annual gains of 28.9%, 16.3% and 26.9%. The Nasdaq Composite has been even stronger with gains of 35.2%, 43.6% and 21.4%. The DJIA has not quite kept up, yet in the last three years it has had gains of 22.3%, 7.2% and 18.7%. History has shown that three consecutive years of double-digit gains in the indices has been followed by a negative year. Since 1901 there has been only one exception to this pattern: the five double-digit up years that lead into the 2000 peak. See page 3. However, as we noted, 2000 was a bubble peak and March 2000 was followed by three consecutive years of losses.

In sum, 2022 is apt to be a pivotal and defining year. A down year should be expected and it would be stabilizing for the longer run. But if stocks continue to advance strongly, it would be a likely sign of an emerging bubble. Fundamentals do not work in a bubble, but technical indicators are helpful. The NYSE cumulative advance decline line peaked in late 1997, yet the indices continued to move higher for more than two years. This was a massive two-plus year divergence. We have found that the divergence between the advance decline line and the indices is a simple way of gauging future downside risk in the marketplace. At present, the NYSE cumulative advance decline line made its last record high on November 8. This 8-week divergence is not unusual, and it suggests a correction of 10% or more. But the longer the divergence persists, the more the downside risk in the market grows as seen in 2000.

One of the warning signs that a bubble is reaching its peak is a surge in leverage. Massive borrowing against stocks is what will produce an eventual selling surge as leverage is unwound. For this reason, we are keeping a watch on margin debt growth. But total margin debt fell \$17.3 billion in November to \$918.6 billion. See page 4. As a percentage of total market capitalization margin debt was unchanged at just under 1.8%. This is a high ratio but not a record. November's 2-month rate-of-change in margin debt was a modest 1.7% and compares to a 1.4% gain in the Wilshire 5000. Prior to market peaks margin debt can rise to 15.3% or more, yet barely move equity prices higher. From this perspective, the equity market appears to be in good shape.

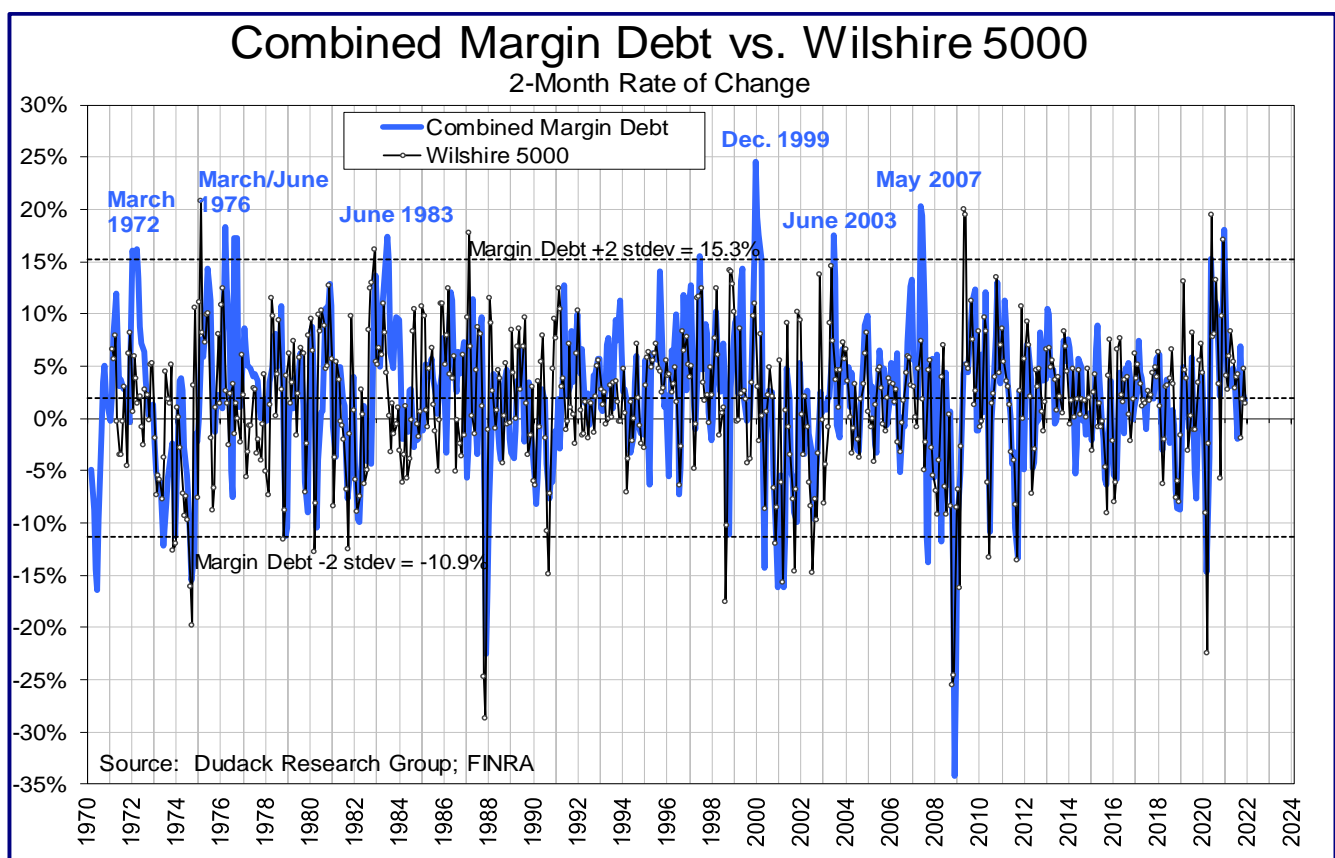
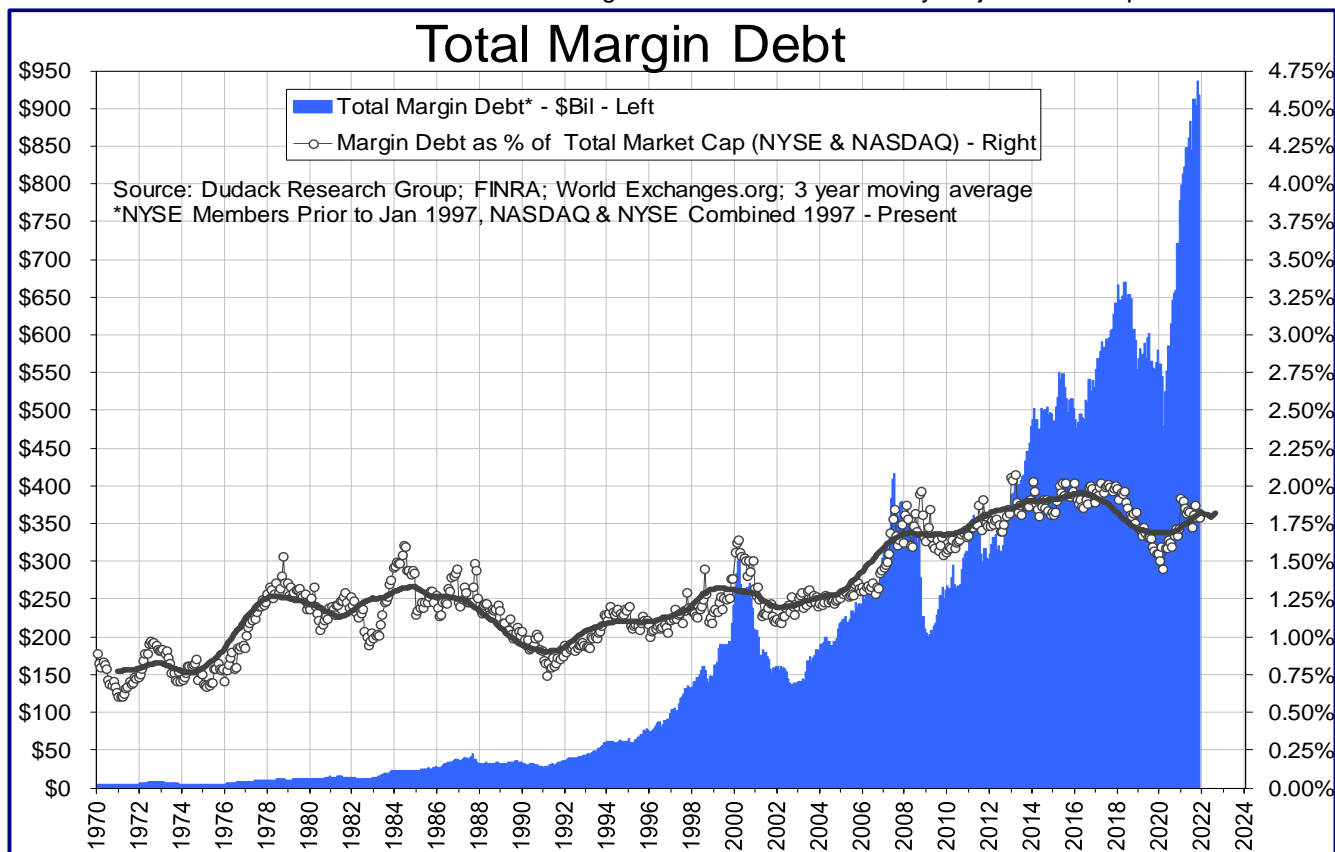
Earnings are expected to increase 8% to 9% this year, but we fear inflation could erode this more than expected. The Santa Claus rally implies 2022 could be a good year and the first five trading days of January is off to a good start. The early January market has had an accuracy rate of 79% of predicting the annual trend. See page 5. We will follow up on this next week but overall, a diversified portfolio is the best way to manage through what may be a tumultuous year. Our favorite sectors for diversification are technology, financials, energy and staples -- a mixture of growth, value, and yield.

History shows that three consecutive years of double-digit gains in the indices is typically followed by a negative year. The only exception to this pattern: the five double-digit up years leading into the 2000 peak. However, this was a bubble, and it was followed by three consecutive years of losses. This may mean that 2022 is a defining year - either a down year or an emerging 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

Surging leverage is a sign of a bubble, but total margin debt fell \$17.3 billion in November to \$918.6 billion. As a percentage of total market capitalization MD was unchanged at just under 1.8%. November's 2-month ROC in MD was 1.7% versus 1.4% in the Wilshire 5000. This was well below the dangerous 15.3% seen at many major market tops.



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%
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	24	14	11
Average	-2.0%	-1.7%	2.8%
Min	-6.2%	-8.8%	-33.8%
Max	-0.2%	6.2%	27.7%

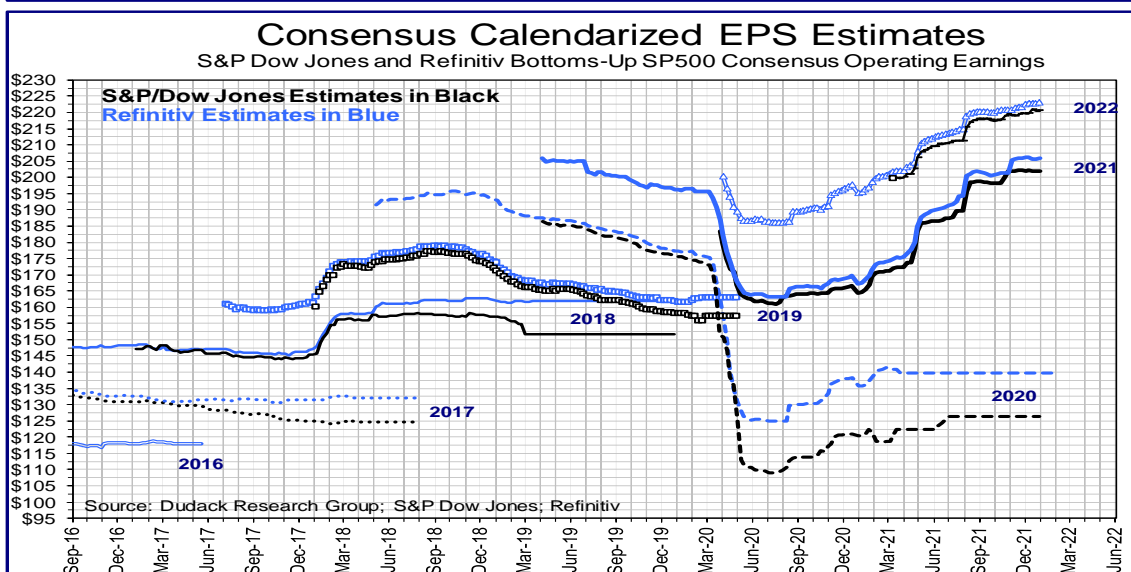
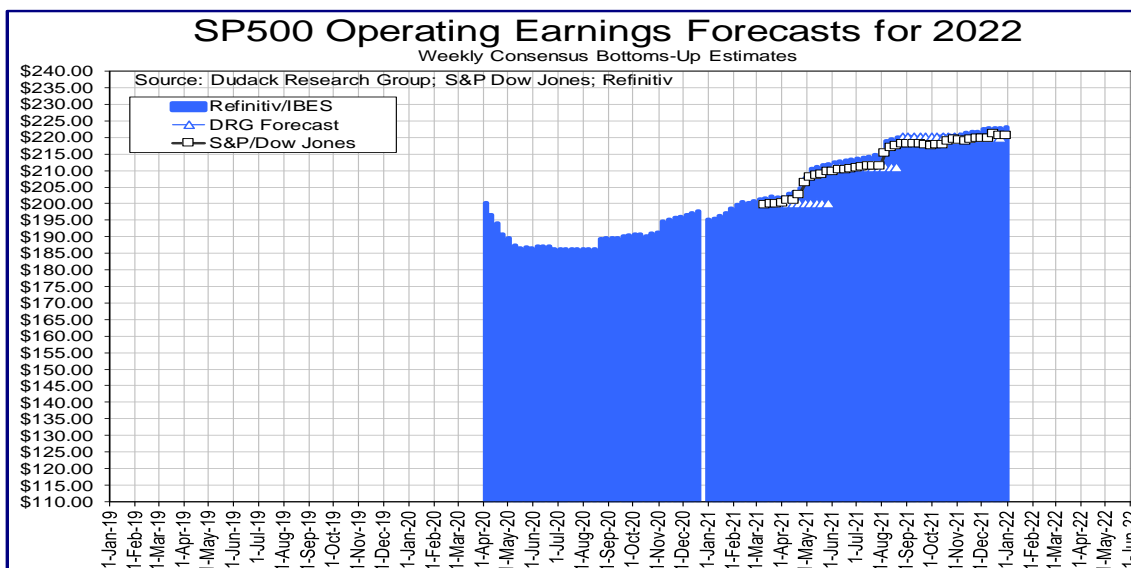
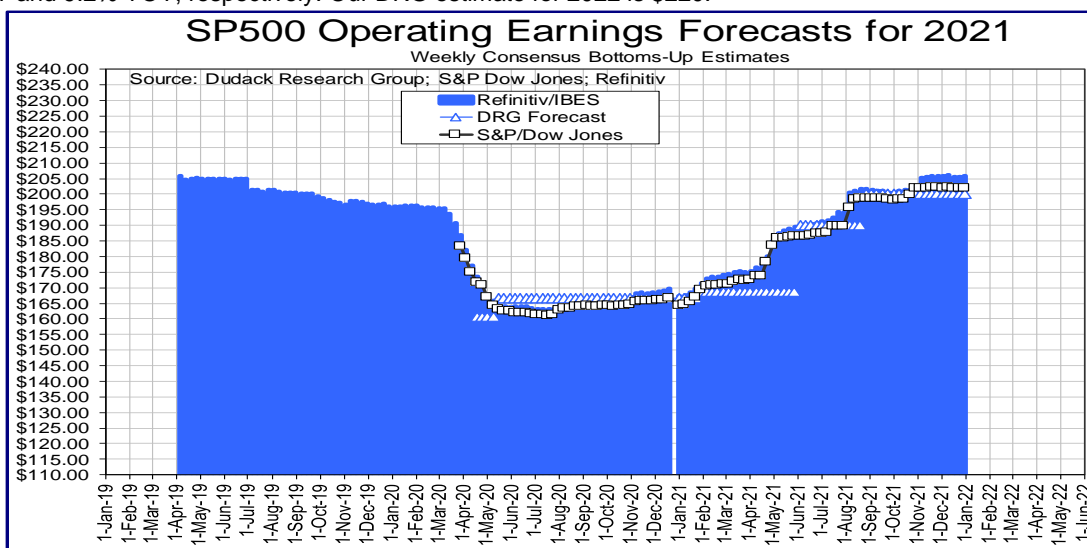
Source: Stock Trader's Almanac; Refinitiv

January Barometer Statistics

79% Early January Gain Predicts the Year's Action

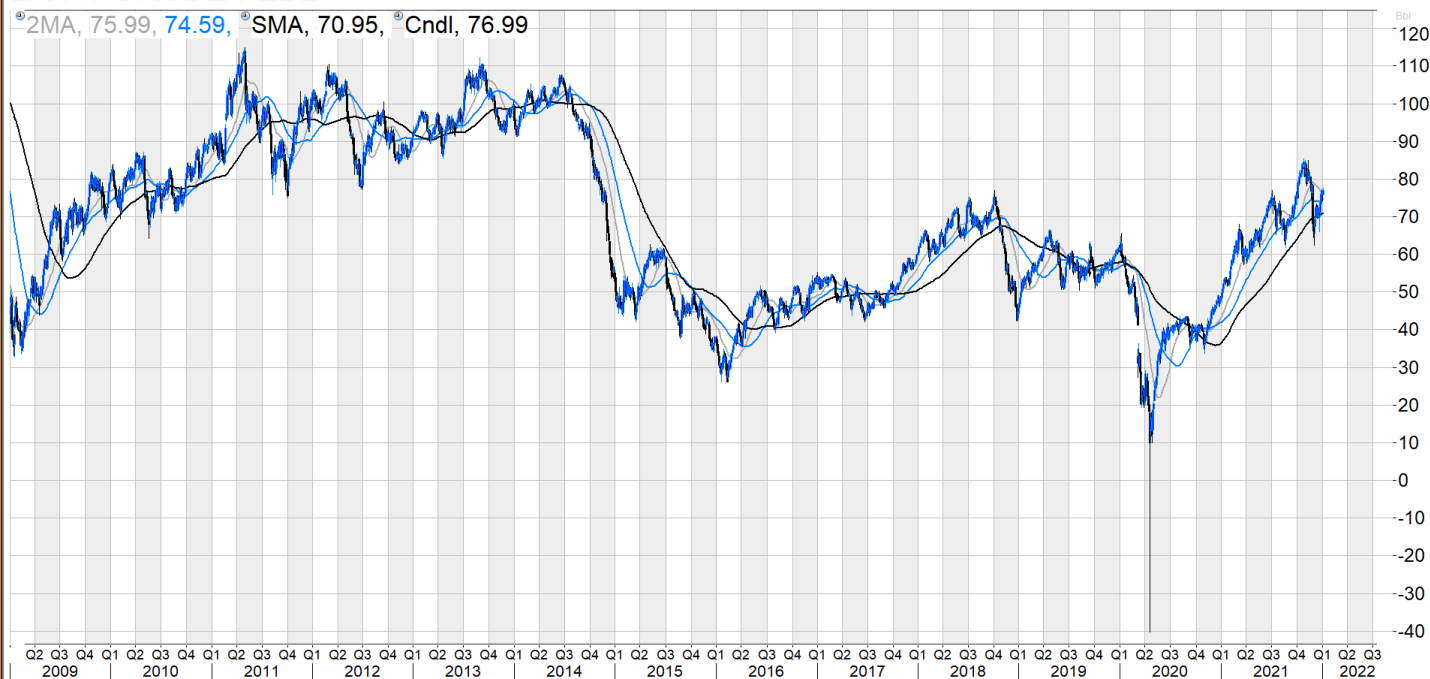
92% January Gain Predicts the Year's Action

With 2021 in the rearview mirror, IBES Refinitiv and S&P Dow Jones earnings estimates for 2021 are \$205.79 and \$201.93, respectively. For 2022 estimates rise to \$223.04 and \$220.47, respectively. The IBES and the S&P Dow Jones earnings growth rate forecasts for 2022 are 8.4% YOY and 9.2% YOY, respectively. Our DRG estimate for 2022 is \$220.



WTI crude futures and gasoline futures are on the rise early in 2022 and both charts show current prices are above all moving averages. This implies the decline in November was merely a brief respite in a longer-term uptrend. This is good for energy investors but keep in mind that higher fuel prices are similar to a tax on most households and businesses.

LIGHT CRUDE FEB2

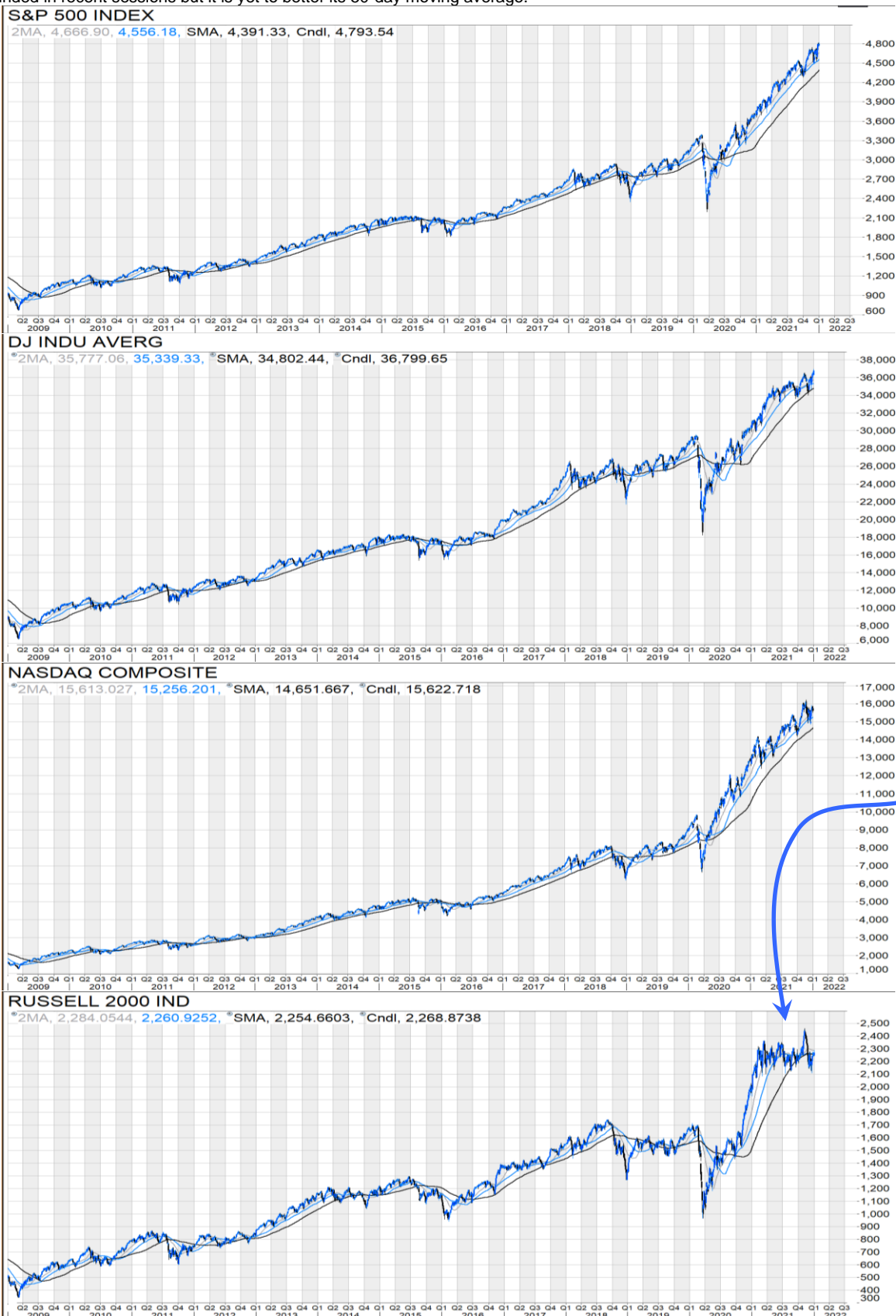


NY RBOB FEB2



Source: Refinitiv

All the broad indices are rallying early in the new year, but the SPX and DJIA, which recently recorded all-time highs, are the charts that look the best from a technical perspective. The Nasdaq and the RUT are yet to record new highs in 2022 and are 2.7% and 7.1%, respectively from their all-time highs. The RUT has rebounded in recent sessions but it is yet to better its 50-day moving average.



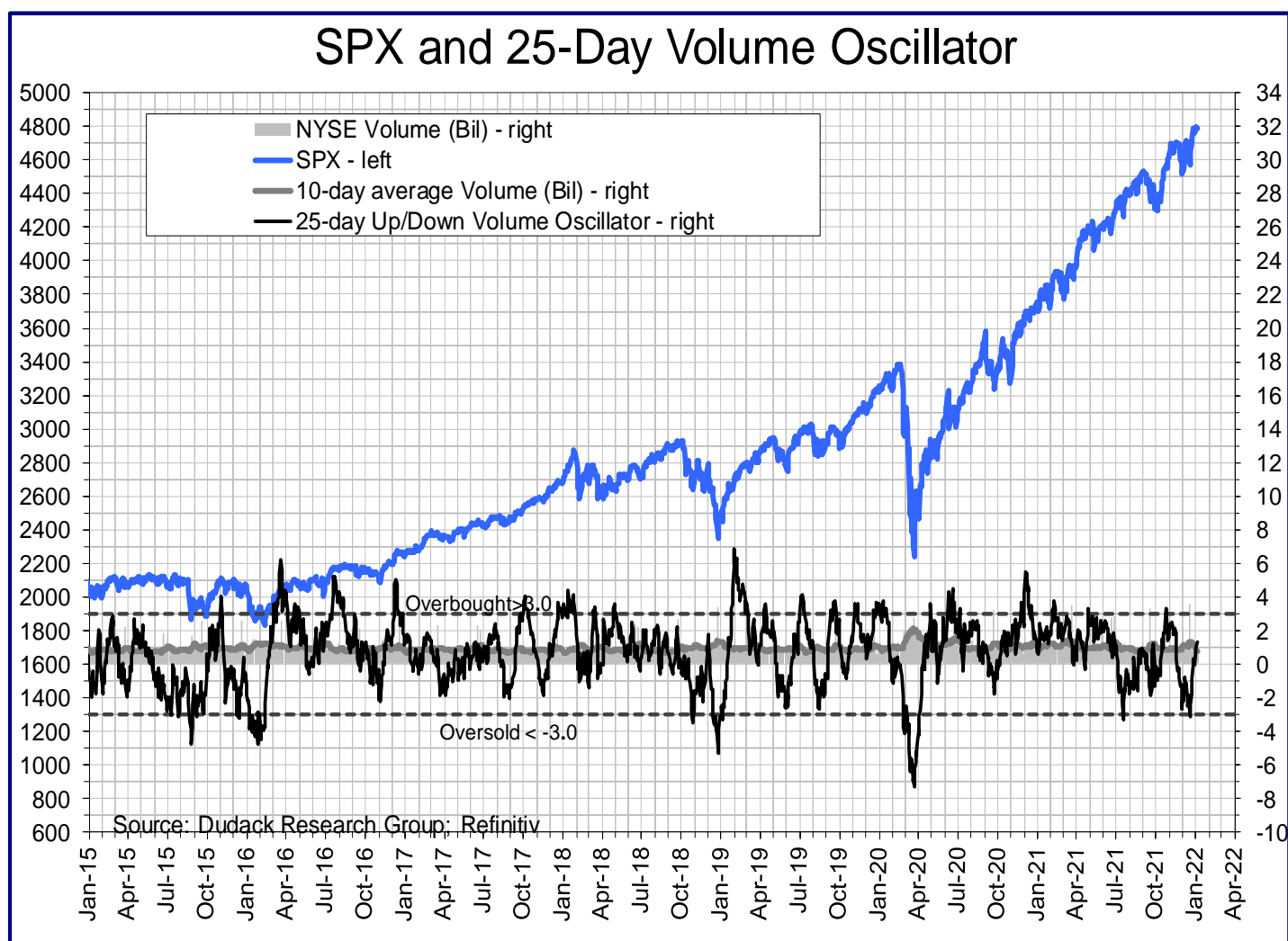
Source: Refinitiv

The 25-day up/down volume oscillator is at 1.33 this week and above the midpoint of the neutral range for the first time since mid-November. This oscillator recorded a one-day oversold reading on December 20. 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 was avoided; but the oscillator is not confirming the highs in the indices.

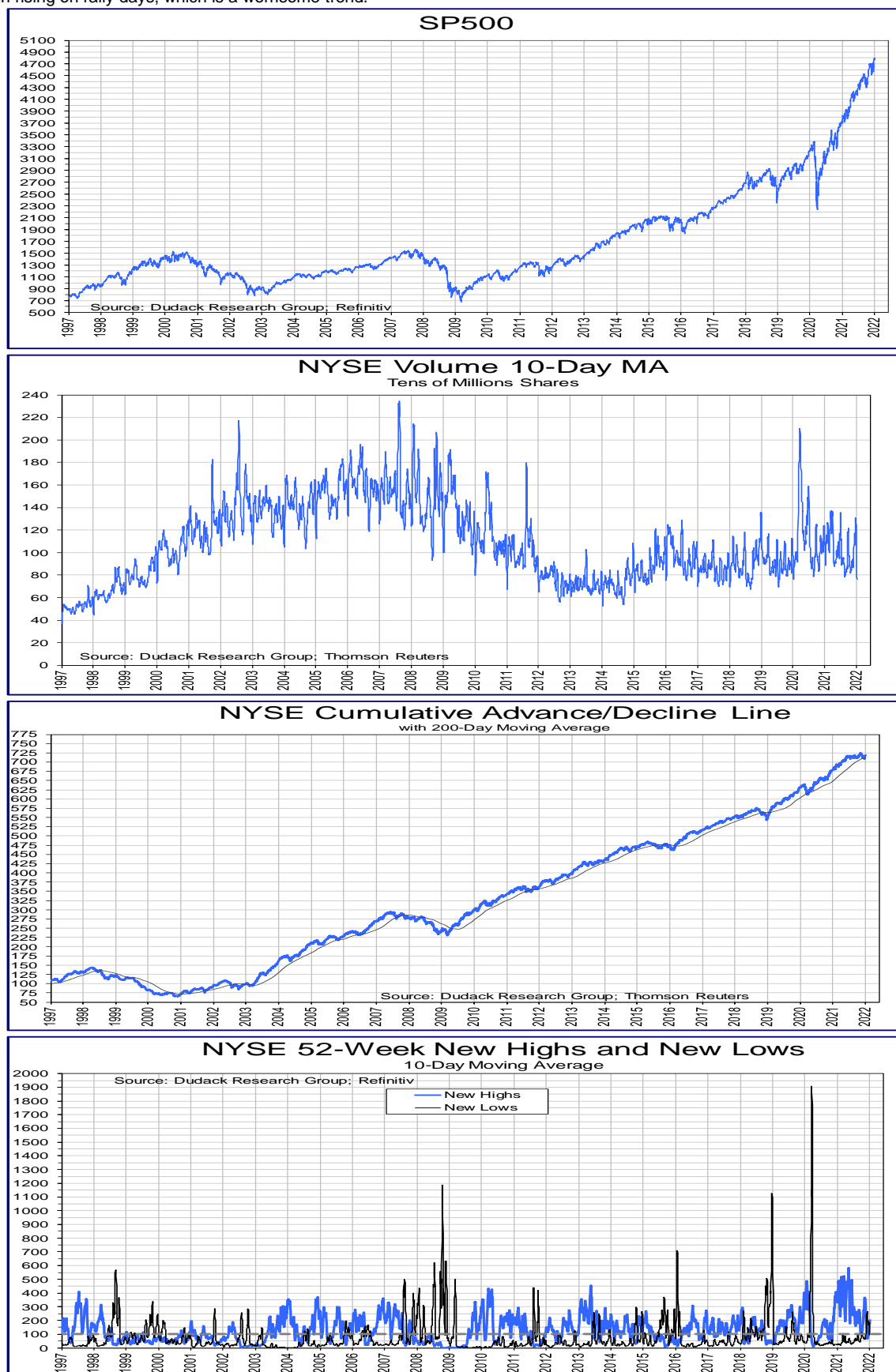
The indicator only spent two days in overbought territory on October 25 and 26; but to confirm new highs in the popular indices, this indicator should have remained in overbought range for a minimum of 5 consecutive trading days. The last time this indicator did this and confirmed new highs in the equity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

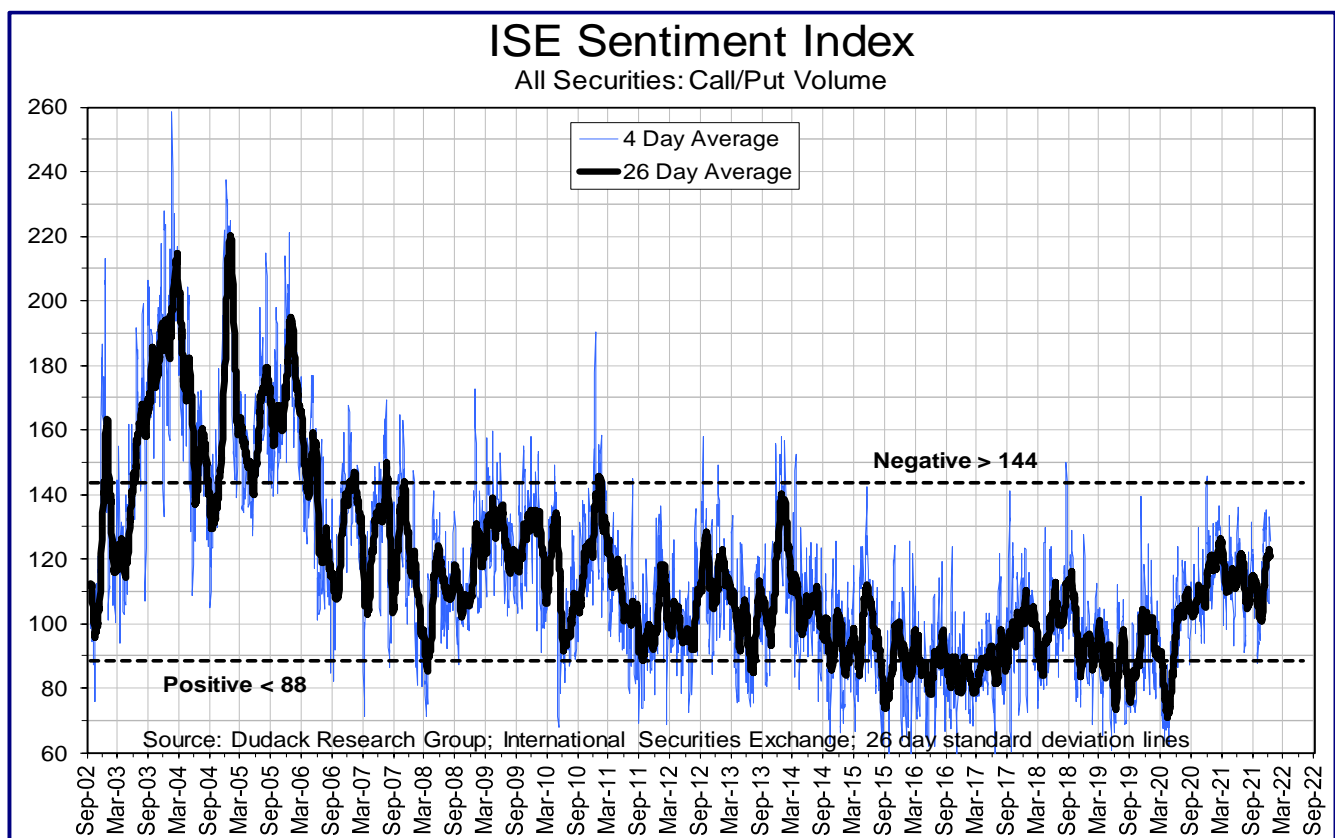
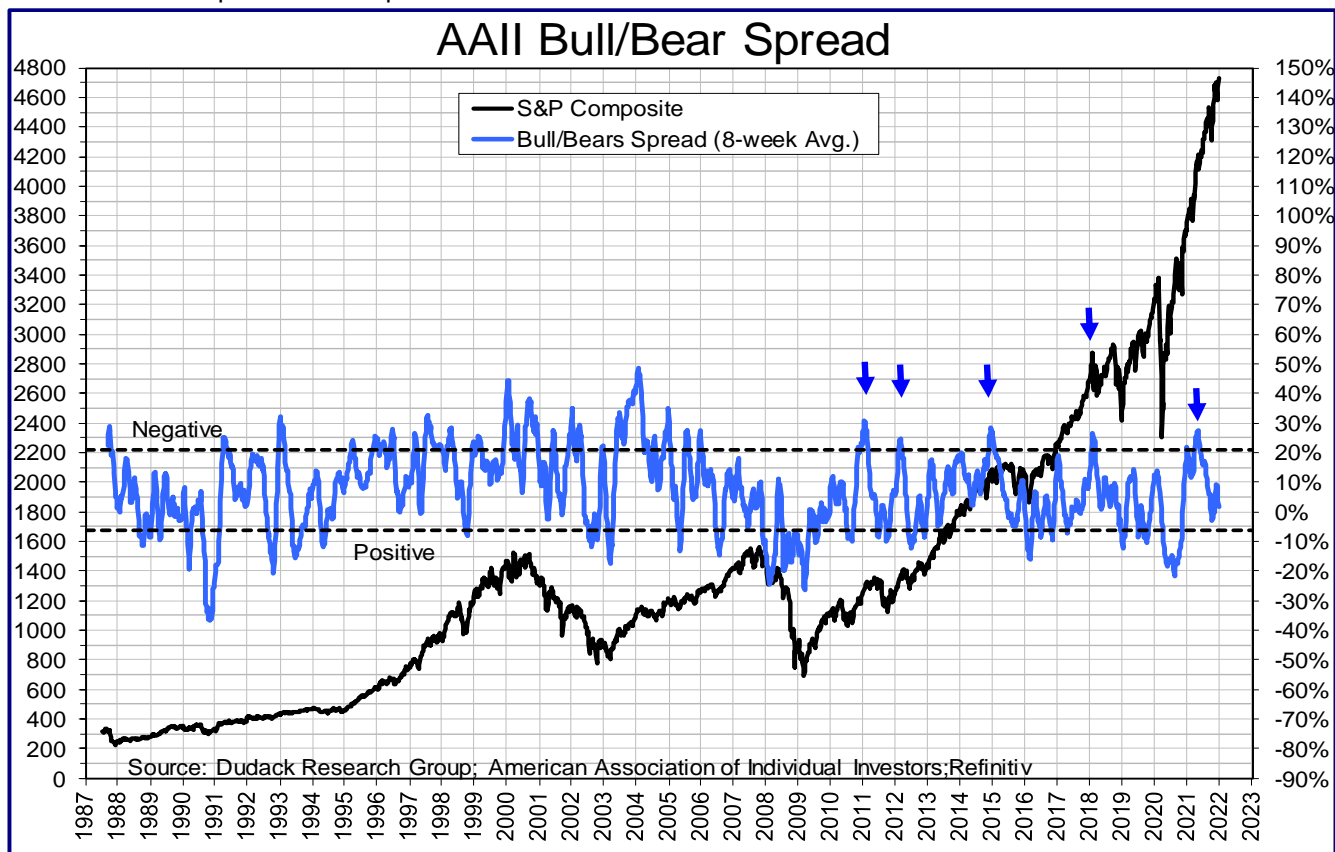
This 25-day up/down volume oscillator measures buying and selling momentum. New highs should be accompanied by strong and consistent buying pressure which results in long and sometimes extreme overbought readings. An absence of overbought readings at a new high reveals a weakness in the trend and is 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 204 this week and daily new lows fell to 97. This combination is a reversal of recent weeks when new lows over 100 per day. The indicator is back to positive. 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 increased 8.1 points this week to 37.7% and is still below the historical average of 38.0%. Bearish sentiment fell 3.3 points to 30.5% and matches 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.

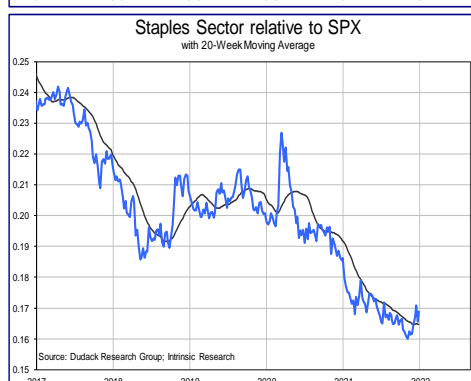
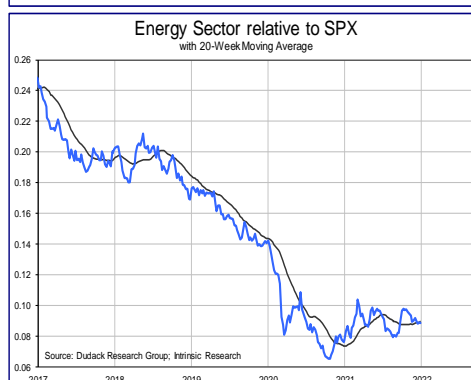
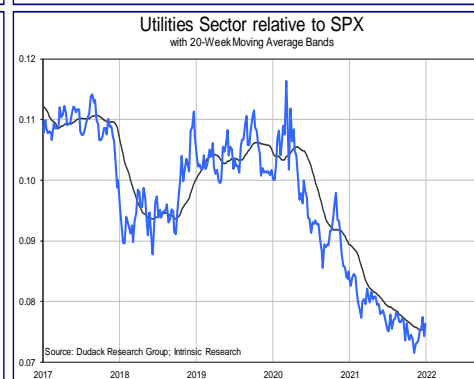
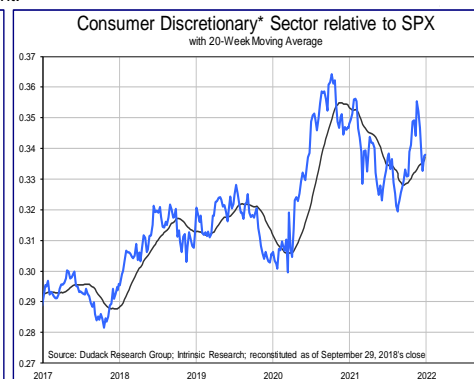
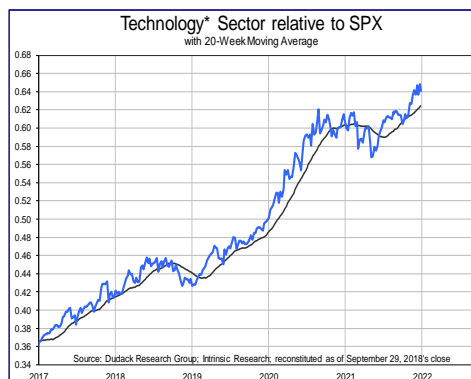


SECTOR RELATIVE PERFORMANCE – RELATIVE OVER/UNDER/ PERFORMANCE TO S&P 500

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.



2021 Performance - Ranked	
SP500 Sector	% Change
S&P ENERGY	47.7%
S&P REITS	42.5%
S&P INFORMATION TECH	33.4%
S&P FINANCIAL	32.5%
S&P 500	26.9%
S&P MATERIALS	25.0%
S&P HEALTH CARE	24.2%
S&P CONSUMER DISCRETIONARY	23.7%
S&P COMMUNICATIONS SERVICES	20.5%
S&P INDUSTRIALS	19.4%
S&P CONSUMER STAPLES	15.6%
S&P UTILITIES	14.0%

Source: Dudack Research Group; Refinitiv; Monday closes

GLOBAL MARKETS AND COMMODITIES - RANKED BY 2021 TRADING PERFORMANCE

Index/EFT	Symbol	Price	5-Day%	20-Day%	QTD%	YTD%
United States Oil Fund, LP	USO	54.36	2.3%	15.6%	3.4%	64.7%
Oil Future	CLc1	75.21	1.9%	14.7%	-0.9%	55.0%
Energy Select Sector SPDR	XLE	55.50	1.1%	2.8%	6.5%	46.4%
SPDR Homebuilders ETF	XHB	85.78	2.9%	7.1%	19.5%	48.8%
SPDR S&P Semiconductor ETF	XSD	243.15	1.0%	2.3%	22.8%	42.4%
SPDR S&P Retail ETF	XRT	90.29	1.7%	-0.6%	0.0%	40.4%
Technology Select Sector SPDR	XLK	173.87	0.5%	4.5%	16.4%	33.7%
iShares US Real Estate ETF	IYR	116.14	3.3%	10.0%	13.4%	35.6%
Financial Select Sector SPDR	XLF	39.05	0.6%	4.0%	4.1%	32.5%
SPDR S&P Bank ETF	KBE	54.56	0.9%	2.9%	3.1%	30.5%
Consumer Discretionary Select Sector SPDR	XLY	204.44	0.6%	1.8%	13.9%	27.2%
PowerShares Water Resources Portfolio	PHO	60.84	2.6%	7.1%	11.2%	31.0%
iShares MSCI Austria Capped ETF	EWO	25.45	-0.2%	4.6%	2.3%	28.3%
NASDAQ 100	NDX	16320.08	0.1%	2.8%	11.1%	26.6%
SP500	.SPX	4766.18	0.9%	5.6%	10.6%	26.9%
iShares Russell 1000 Growth ETF	IWF	305.59	0.2%	3.8%	11.5%	26.7%
iShares Russell 2000 Value ETF	IWN	166.05	0.8%	5.6%	3.6%	26.0%
iShares MSCI Taiwan ETF	EWT	66.61	1.3%	1.9%	7.4%	25.5%
iShares Russell 1000 ETF	IWB	264.43	0.8%	5.2%	9.4%	24.8%
iShares MSCI Canada ETF	EWC	38.43	1.3%	4.3%	5.9%	24.6%
Materials Select Sector SPDR	XLB	90.61	2.6%	8.1%	14.5%	25.2%
iShares Russell 1000 Value ETF	IWD	167.93	1.4%	6.9%	7.3%	22.8%
Nasdaq Composite Index Tracking Stock	ONEQ.O	60.90	-0.1%	2.5%	8.4%	21.4%
Health Care Select Sect SPDR	XLV	140.89	1.1%	8.8%	10.7%	24.2%
iShares DJ US Oil Eqpt & Services ETF	IEZ	12.89	-1.2%	5.3%	-5.8%	14.7%
DJIA	.DJI	36338.30	1.1%	6.8%	7.4%	18.7%
SPDR DJIA ETF	DIA	364.07	1.9%	5.6%	7.6%	19.1%
Industrial Select Sector SPDR	XLI	105.81	1.8%	6.5%	8.1%	19.5%
iShares MSCI Mexico Capped ETF	EWX	50.60	1.8%	11.1%	4.8%	17.7%
iShares MSCI India ETF	INDA.K	45.84	1.6%	-3.7%	-5.9%	14.0%
iShares Russell 2000 ETF	IWM	222.45	0.2%	4.3%	1.7%	13.5%
iShares MSCI United Kingdom ETF	EWU	33.14	0.7%	4.2%	2.8%	13.1%
Consumer Staples Select Sector SPDR	XLP	77.11	2.5%	10.2%	12.0%	14.3%
Utilities Select Sector SPDR	XLU	71.58	2.7%	8.6%	12.1%	14.2%
Gold Future	GCc1	2213.10	0.2%	1.0%	3.0%	12.8%
iShares US Telecomm ETF	IYZ	32.91	0.2%	8.7%	1.4%	8.9%
iShares MSCI EAFE ETF	EFA	78.68	0.2%	3.0%	0.9%	7.8%
Shanghai Composite	.SSEC	3619.19	-0.7%	1.2%	-0.6%	7.6%
Vanguard FTSE All-World ex-US ETF	VEU	61.28	0.4%	2.5%	0.5%	5.0%
iShares MSCI Germany ETF	EWG	32.78	0.5%	3.2%	-0.4%	3.2%
iShares MSCI Australia ETF	EWA	24.83	-0.7%	2.4%	0.0%	3.7%
iShares Russell 2000 Growth ETF	IWO	293.05	-0.5%	3.1%	-0.2%	2.2%
iShares Nasdaq Biotechnology ETF	IBB.O	152.62	-1.3%	1.2%	-5.6%	0.7%
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 Singapore ETF	EWS	21.39	1.5%	-3.9%	-6.1%	-0.4%
iShares MSCI Japan ETF	EWJ	66.96	-0.7%	1.5%	-4.7%	-0.9%
iShares MSCI Emerg Mkts ETF	EEM	48.85	0.3%	-0.3%	-3.0%	-5.5%
iShares iBoxx \$ Invest Grade Corp Bond	LQD	132.52	-0.1%	-0.2%	-0.4%	-4.1%
iShares MSCI Hong Kong ETF	EWH	23.19	0.4%	0.0%	-3.3%	-5.9%
SPDR Gold Trust	GLD	170.96	1.2%	2.9%	4.1%	-4.1%
iShares 20+ Year Treas Bond ETF	TLT	148.19	-0.2%	-2.7%	2.7%	-6.0%
iShares MSCI South Korea Capped ETF	EWY	77.87	-1.1%	0.7%	-3.5%	-9.5%
iShares MSCI Malaysia ETF	EWM	25.03	3.0%	2.2%	-1.2%	-13.1%
iShares Silver Trust	SLV	22.40	1.5%	4.6%	4.8%	-12.3%
iShares MSCI BRIC ETF	BKF	44.76	0.4%	-3.2%	-7.1%	-14.3%
iShares China Large Cap ETF	FXI	36.58	-0.1%	-4.0%	-6.0%	-21.2%
iShares MSCI Brazil Capped ETF	EWZ	28.07	1.2%	-1.6%	-12.6%	-24.3%

Outperformed SP500
Underperformed SP500

Source: Dudack Research Group; Thomson Reuters

Priced as of December 31, 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	~~~~~	\$191.25	\$201.84	\$200.00	63.4%	\$205.79	47.3%	23.6X	1.3%	NA	\$1,834.70	-6.0%
2022E		\$209.79	\$220.11	\$220.00	10.0%	\$223.04	8.4%	21.8X	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	1.6%	2.3%	NA	NA
2021 4QE	4766.18	\$47.32	\$50.38	\$51.98	36.1%	\$51.15	20.1%	23.6	1.6%	NA	NA	NA
2022 1QE*	4793.54	\$53.47	\$51.46	\$53.50	12.8%	\$52.22	6.3%	23.3	NA	NA	NA	NA
2022 2QE		\$49.71	\$54.35	\$54.00	3.6%	\$55.12	4.8%	23.0	NA	NA	NA	NA
2022 3QE		\$52.49	\$56.76	\$55.00	13.4%	\$57.64	7.3%	22.5	NA	NA	NA	NA
2022 4QE		\$54.12	\$57.54	\$57.50	10.6%	\$58.40	14.2%	21.8	NA	NA	NA	NA

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

1/4/2022

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