



Direct from Dudack Downside Risk Guidance

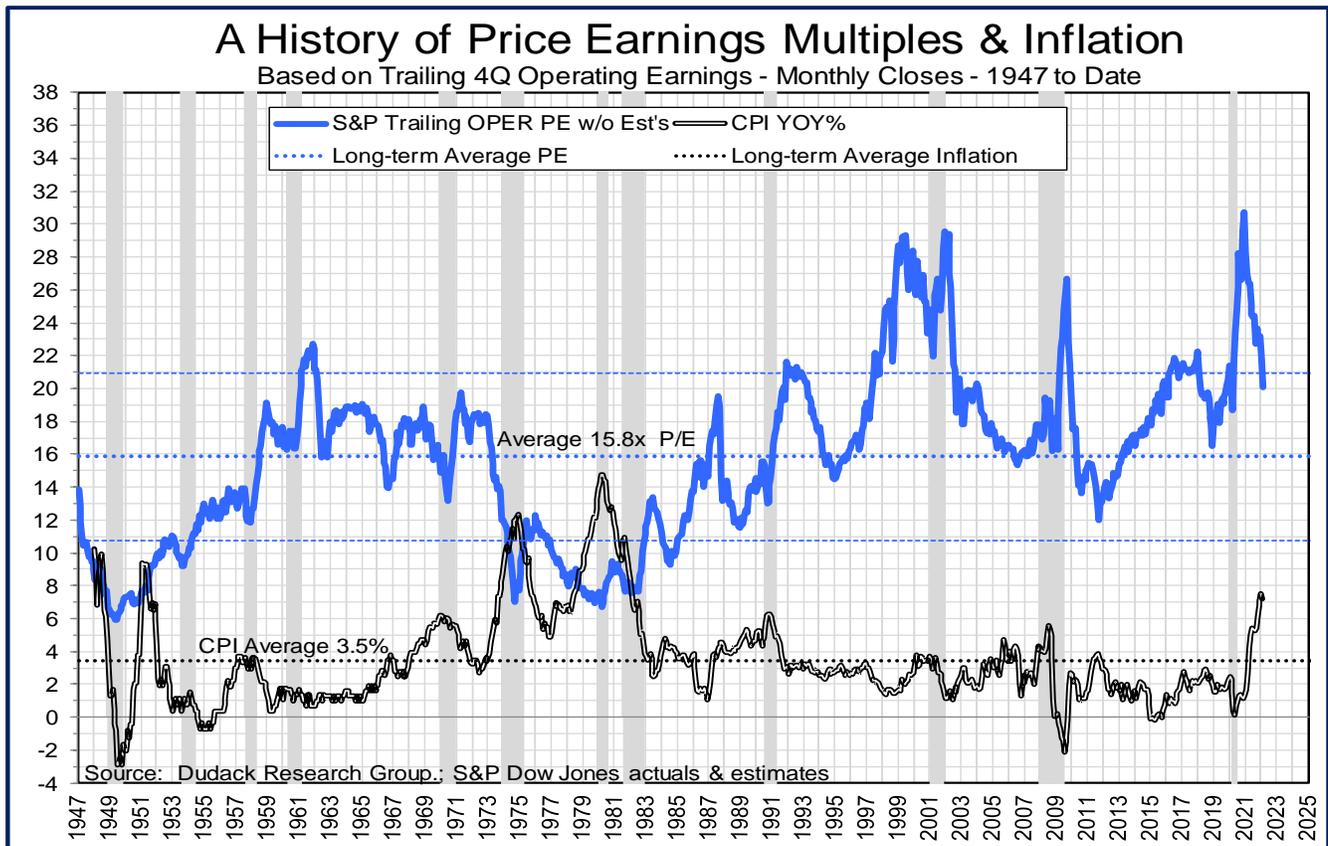
DJIA: 32468.24
SPX: 4151.239
NASDAQ: 12867.98

SUMMARY

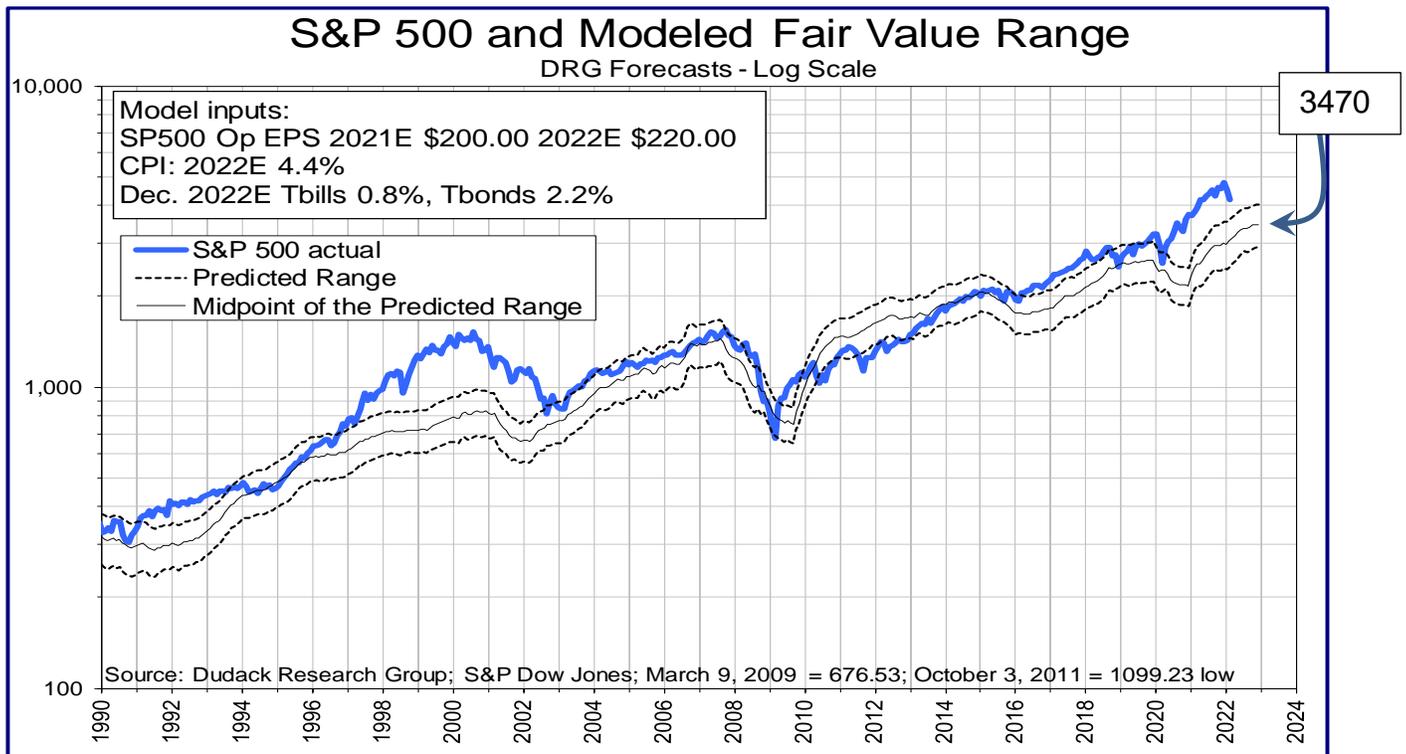
From both a technical and fundamental perspective there are two areas of downside risk/support for the equity market. The first of these is roughly the SPX 4000 area which is being challenged this week. However, all lows tend to be retested and are often broken temporarily. The second area of support identified by fundamental and technical measures falls within a range of SPX 3470-3700. This implies a fall below SPX 3700 would be a favorable/low risk entry point. The fallout of the Russian invasion of Ukraine could be known within a matter of days, however there is also the possibility that China may take advantage of the geopolitical scene to make moves on Taiwan. Therefore, identifying these short and longer-term entry points in advance is prudent. In the near-term the energy, financial, and staples sectors are favored. Defense stocks are also apt to do well given the risk of war in Europe. Longer term we see this sell-off as a great opportunity to buy technology at “value” levels.

VALUATION

When inflation is above its long-term average of 3.5%, it is normal for PE multiples to fall to their long-term average of 15.8 times or lower. Applying a 15.8 multiple to our \$220 earnings estimate for 2022 equates to a downside of **SPX 3476**, or the SPX 3500 area.



Our valuation model suggests an average PE of 15.8 for 2022 and a range of 13.2 to 18.3 times, assuming inflation falls to 4.4% this year. Inflation is questionable with crude oil at \$100 a barrel. However, these PE multiples couple with our \$220 earnings forecast equate to an SPX low, mid, and high range of **2905, 3470, and 4035**.



The head and shoulders top has broken the neckline support and now generates downside targets of roughly **SPX 4000 and 3700**. More specifically, the neckline at SPX 4222, less the 574 points to the record high of SPX 4796.56 yields a full downside count of **SPX 3648** and a midpoint count of **SPX 3844**.



Regulation AC Analyst Certification

I, Gail Dudack, hereby certify that all of 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.

IMPORTANT DISCLOSURES

RATINGS DEFINITIONS:

Sectors/Industries:

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

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

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

Other Disclosures

This report has been written without regard for the specific investment objectives, financial situation or particular needs of any specific recipient, and should not be regarded by recipients as a substitute for the exercise of their own judgment. The report is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell securities or related financial instruments. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. The report is based on information obtained from sources believed to be reliable, but is not guaranteed as being accurate, nor is it a complete statement or summary of the securities, markets or developments referred to in the report. Any opinions expressed in this report are subject to change without notice and Dudack Research Group division of Wellington Shields & Co. LLC. (DRG/Wellington) is under no obligation to update or keep current the information contained herein. Options, derivative products, and futures are not suitable for all investors, and trading in these instruments is considered risky. Past performance is not necessarily indicative of future results, and yield from securities, if any, may fluctuate as a security's price or value changes. Accordingly, an investor may receive back less than originally invested. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report.

DRG/Wellington relies on information barriers, such as “Chinese Walls,” to control the flow of information from one or more areas of DRG/Wellington into other areas, units, divisions, groups or affiliates. DRG/Wellington accepts no liability whatsoever for any loss or damage of any kind arising out of the use of all or any part of this report.

The content of this report is aimed solely at institutional investors and investment professionals. To the extent communicated in the U.K., this report is intended for distribution only to (and is directed only at) investment professionals and high net worth companies and other businesses of the type set out in Articles 19 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001. This report is not directed at any other U.K. persons and should not be acted upon by any other U.K. person. Moreover, the content of this report has not been approved by an authorized person in accordance with the rules of the U.K. Financial Services Authority, approval of which is required (unless an exemption applies) by Section 21 of the Financial Services and Markets Act 2000.

Additional information will be made available upon request.

©2022. All rights reserved. No part of this report may be reproduced or distributed in any manner without the written permission of Dudack Research Group division of Wellington Shields & Co. LLC. The Company specifically prohibits the re-distribution of this report, via the internet or otherwise, and accepts no liability whatsoever for the actions of third parties in this respect.

Main Office:
Wellington Shields & Co. LLC
140 Broadway, 44th Floor
New York, NY 10005
212-320-3511

Research Sales: 212-320-2046

Florida office:
549 Lake Road
Ponte Vedra Beach, FL 32082
212-320-2045