



Dudack Research Group

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Gail M. Dudack, CMT • Chief Investment Strategist • [gail@dudackresearchgroup.com](mailto:gail@dudackresearchgroup.com) • 212-320-2045

September 14, 2022

DJIA: 31104.97  
SPX: 3932.69  
NASDAQ: 11633.57

# US Strategy Weekly

## Inflation Basics

The past week has been filled with global events, although none as historic as the sudden passing of Queen Elizabeth II of Great Britain on September 8 at the age of 96. She was Britain's longest-reigning monarch, who guided her country for decades with grace and diplomacy, held an audience with 15 British Prime Ministers and spanned a timeframe that included 14 US presidents, from Harry Truman to Joe Biden. Closer to home, Ken Starr, lead prosecutor in the Clinton-Lewinsky investigation which led to the impeachment of President Bill Clinton, died at age 76.

Ukraine regained ground in the Russia/Ukraine conflict in what could be a pivotal shift in momentum in the war. The Ukrainian counteroffensive in the northeastern part of the country made impressive gains and, in some cases, pushed Russian soldiers back behind the Russian border. President Zelensky reported that his troops captured more territory in the last week than Russia did in the last five months. German Chancellor Olaf Scholz called on Russian President Vladimir Putin to find a diplomatic solution as soon as possible, based upon a ceasefire, complete withdrawal of Russian troops, and respect for the territorial integrity and sovereignty of Ukraine. This is a developing situation that could have significant implications for geopolitical and economic events in the months ahead.

Peiter "Mudge" Zatko, a famed hacker who served as Twitter's (TWTR - \$41.74) head of security until his firing in January, testified before the Senate Judiciary Committee this week in what could also be a turning point for both Twitter and Elon Musk. Zatko said that in the week before he was fired from Twitter, he learned the FBI told the company that an agent of China's Ministry of State Security (MSS), the country's main espionage agency, was on the payroll at Twitter. "This was a big internal conundrum," according to Zatko since China is Twitter's fastest growing overseas market for ad revenue. Musk and Twitter head to trial next month to determine whether the billionaire's \$44 billion takeover deal should be completed.

In an odd bit of timing, President Joe Biden celebrated his \$430 billion climate change and drug pricing bill, mislabeled as, *The Inflation Reduction Act*, on the same day that the Bureau of Labor Statistics reported that inflation did not decline in August as expected but in fact rose 0.1%. This squashed burgeoning hopes that inflation was cooling. All three major stock indices turned sharply lower and notched their biggest one-day loss since the throes of the pandemic in June 2020. The Dow Jones Industrial Average fell 1,276.37 points, or 3.94%, to 31,104.97, the S&P 500 lost 177.72 points, or 4.32%, to 3,932.69 and the Nasdaq Composite dropped 632.84 points, or 5.16%, to 11,633.57. All 11 major sectors of the S&P 500 ended the session deep in red territory.

### THE BASICS OF INFLATION

The stock market's dramatic reaction to the inflation report was both startling and revealing, in our view. We were surprised at the market's intense reaction to the fact that neither headline nor core CPI

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

declined on a month-over-month basis. It reveals that neither economists nor investors understand the underpinnings of inflation or the composition of the consumer price index. It also reveals that much of the recent advance was based upon the expectations that inflation was moderating simply because gasoline prices had declined. Again, these were naïve or premature presumptions.

As we have been writing for the last 18 months, the combination of historic monetary and fiscal stimulus in 2021 during an economic recovery, coupled with signing of The Paris Climate Agreement and reducing carbon fuel supplies, and the Russian invasion of Ukraine was a volatile mix for the world for the following reasons: 1.) Stimulus, monetary or fiscal, during a recovery is inflationary. 2.) Reducing carbon fuels without an immediate plan to replace these energy supplies is foolish and will immediately increase fuel prices. 3.) Russia, a major source of fuel for Europe, has weaponized oil and restricted energy supplies to Europe which is increasing fuel prices. 4.) Ukraine, the breadbasket of Europe, has been demolished and this will result in critical food shortages in the world and raise food prices in coming months.

None of the above are temporary, and only monetary policy is controllable by the Federal Reserve. Nevertheless, the Federal Reserve is responsible for reducing inflation and it will continue to do so by reducing money supply and increasing interest rates. Both will slow the economy and the combination will increase the risk of recession. In our opinion, the Fed will raise rates 75 basis points later this month, with the hopes that inflation will begin to slow, and rates will continue to decrease economic activity.

However, the Fed has been late, and inflation has become systemic, in our view. As we show on page 3, prices are rising in all areas of the economy particularly in housing, food, and medical care. Owners' equivalent rent has a hefty 23.65% weighting in the CPI, and it rose 6.3% YOY in August. This series tends to move in line with housing prices, but with a multi-month lag, which means rents are likely to continue to rise along with housing and add to inflation even as gasoline prices fall. Auto and lodging prices rose less dramatically in August, but medical prices are seasonal which means they will now switch from tempering inflation to adding to inflation. Note that medical insurance prices tend to rise annually in the fourth quarter when corporate and Medicare contracts are finalized. See page 4. A broadening of inflation can be seen by the fact that while headline inflation fell from July's 8.5% YOY to August's 8.3% YOY, core inflation rose from July's 5.9% YOY to August's 6.3% YOY.

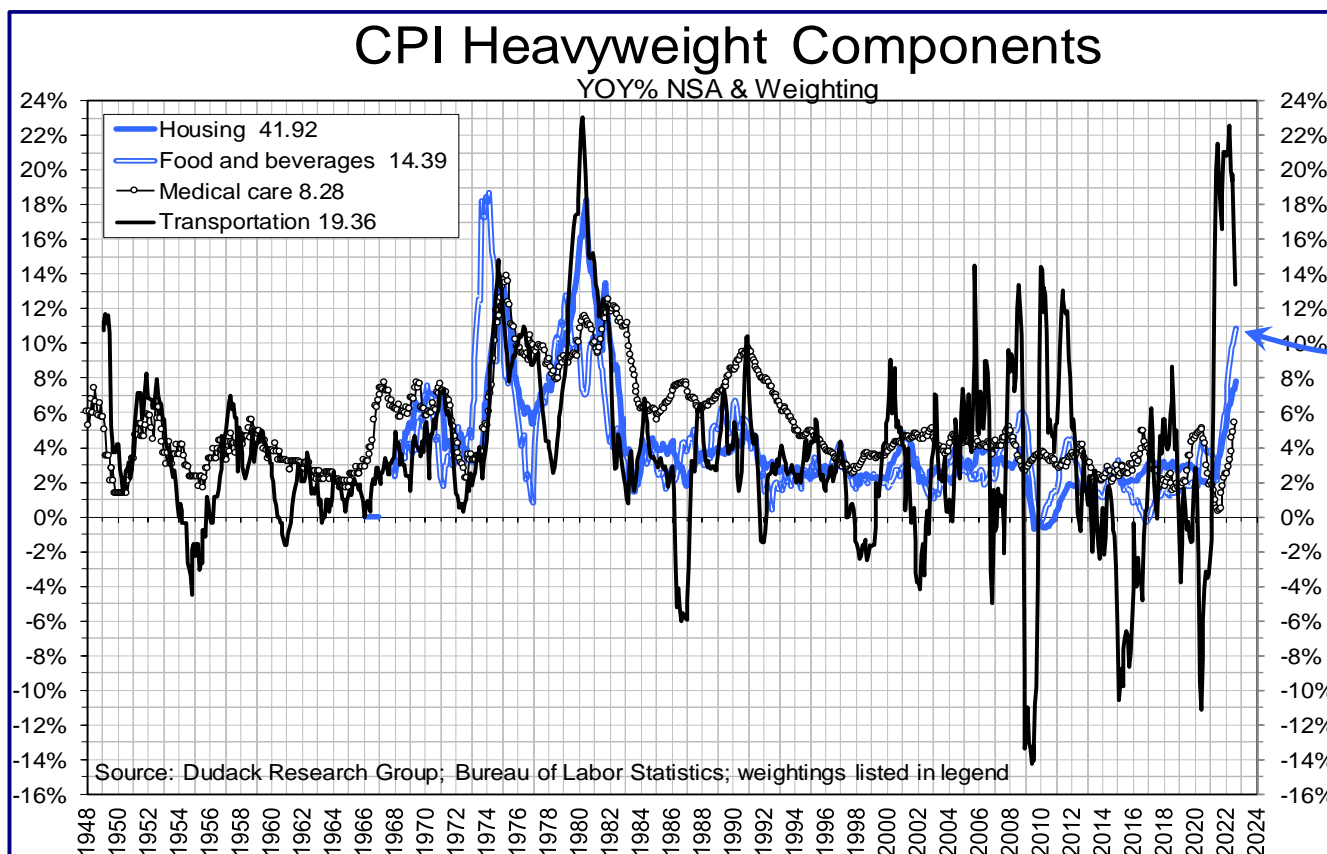
All of this was predictable for anyone who understands the concept of supply and demand and the composition of CPI. Note that all but one component of CPI is currently growing at multiples of the Fed's target rate of 2%. See page 5. This indicates the difficulty facing the FOMC in coming months. The US Treasury yield curve is not fully inverted, but it is inverted between the 1-year Treasury and the 10-year Treasury note. And even after a 75-basis point increase in the fed funds rate later this month, the effective fed funds rate would be 3.08% and would still be lower than the current 10-year Treasury yield of roughly 3.42%. Yet what concerns us is the historically large spread between the inflation rate and the 10-year Treasury yield. In the inflationary cycle of 1968 to 1982, inflation exceeded the Treasury yield, but was not broken until the Treasury yield matched the inflation rate – with a lag. Hopefully, it will be different this time and inflation will ease as interest rates rise. But the risk of recession remains high in most any scenario. See page 6.

There was some good news in sentiment indicators this week. AAll readings showed a decrease of 3.8% in bulls to 18.1% and an increase of 2.9% in bears to 53.3%. These results are in line with the five weeks of less than 20% bulls and more than 50% bears between April 27, 2022 and July 7, 2022. Equity prices tend to be higher in the next six and/or twelve months following such a reading. See page 14. In sum, we remain cautious, particularly in September, and remain focused on sectors and stocks with recession resistant earnings such as energy, utilities, staples, and defense stocks.

August CPI rose 0.1% on a seasonally adjusted month-to-month basis and was unchanged in a not-seasonally-adjusted basis. However, on a year-over-year basis, prices rose 8.3% in both series. Excluding food and energy, prices rose 6.3% YOY in both series. Investors were optimistic that inflation had cooled due to lower gasoline prices, however prices are rising in all areas of the economy particularly in housing, food, and medical care and this offset the small declines in gasoline.

CPI Components Heavy Weights - Not Seasonally Adjusted Data	Component Weight*	Fuel Weight	Price Chg YOY%	Price Chg MOM%
<b>Housing</b>	<b>41.9%</b>	<b>4.9%</b>	<b>7.8%</b>	<b>0.7%</b>
<i>Owners' equivalent rent of residences</i>	<i>23.7%</i>		6.3%	0.7%
<b>Fuels and utilities</b>	<b>4.9%</b>		<b>17.2%</b>	<b>1.3%</b>
<b>Transportation</b>	<b>19.4%</b>	<b>3.9%</b>	<b>13.4%</b>	<b>-3.1%</b>
<b>Food and beverages</b>	<b>14.4%</b>		10.9%	0.7%
<i>Food at home</i>	<i>8.4%</i>		13.5%	0.7%
<i>Food away from home</i>	<i>5.1%</i>		8.0%	0.9%
<i>Alcoholic beverages</i>	<i>0.9%</i>		4.3%	0.5%
<b>Medical care</b>	<b>8.3%</b>		<b>5.4%</b>	<b>0.7%</b>
<b>Education and communication</b>	<b>6.0%</b>		<b>0.5%</b>	<b>0.4%</b>
<b>Recreation</b>	<b>5.0%</b>		<b>4.1%</b>	<b>0.3%</b>
<b>Apparel</b>	<b>2.4%</b>		<b>5.1%</b>	<b>1.7%</b>
<b>Other goods and services</b>	<b>2.7%</b>		<b>6.6%</b>	<b>0.7%</b>
Special groups:				
Energy	8.8%		23.8%	-6.2%
All items less food and energy	77.7%		6.3%	0.5%
<b>All items</b>	<b>100.0%</b>		<b>8.26%</b>	<b>0.0%</b>

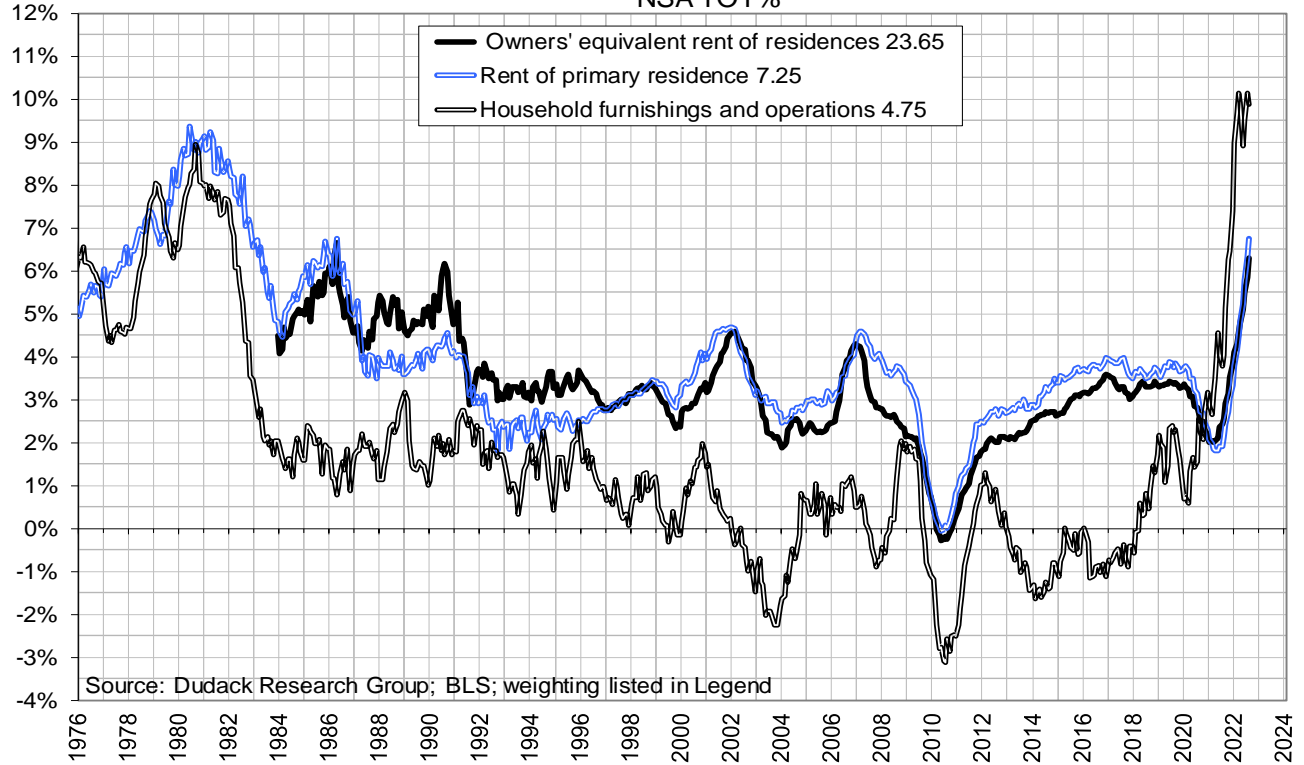
Source: Dudack Research Group; BLS; \*July 2022 weightings; Italics=sub-component; bold = headline; blue>headline



Owners' equivalent rent has a hefty 23.65% weighting in the CPI, and it tends to trend in line with housing prices, but with a multi-month lag. For this reason, we can expect housing to continue to add to inflation even as gas prices fall. Auto and lodging prices were rising less dramatically in August, but medical prices have switched from moderating inflation to adding to inflation. Note that medical insurance prices tend to rise annually in the fourth quarter.

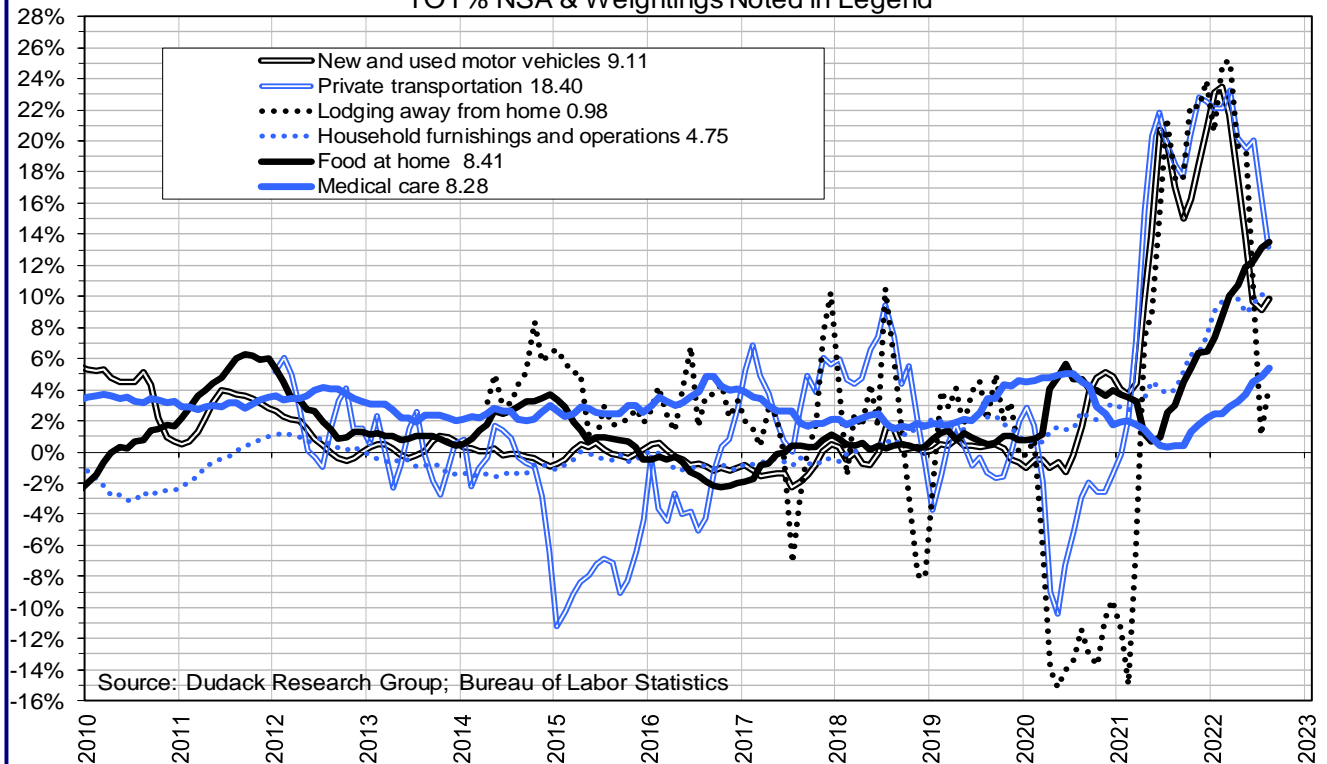
## CPI: Housing Components

NSA YOY%

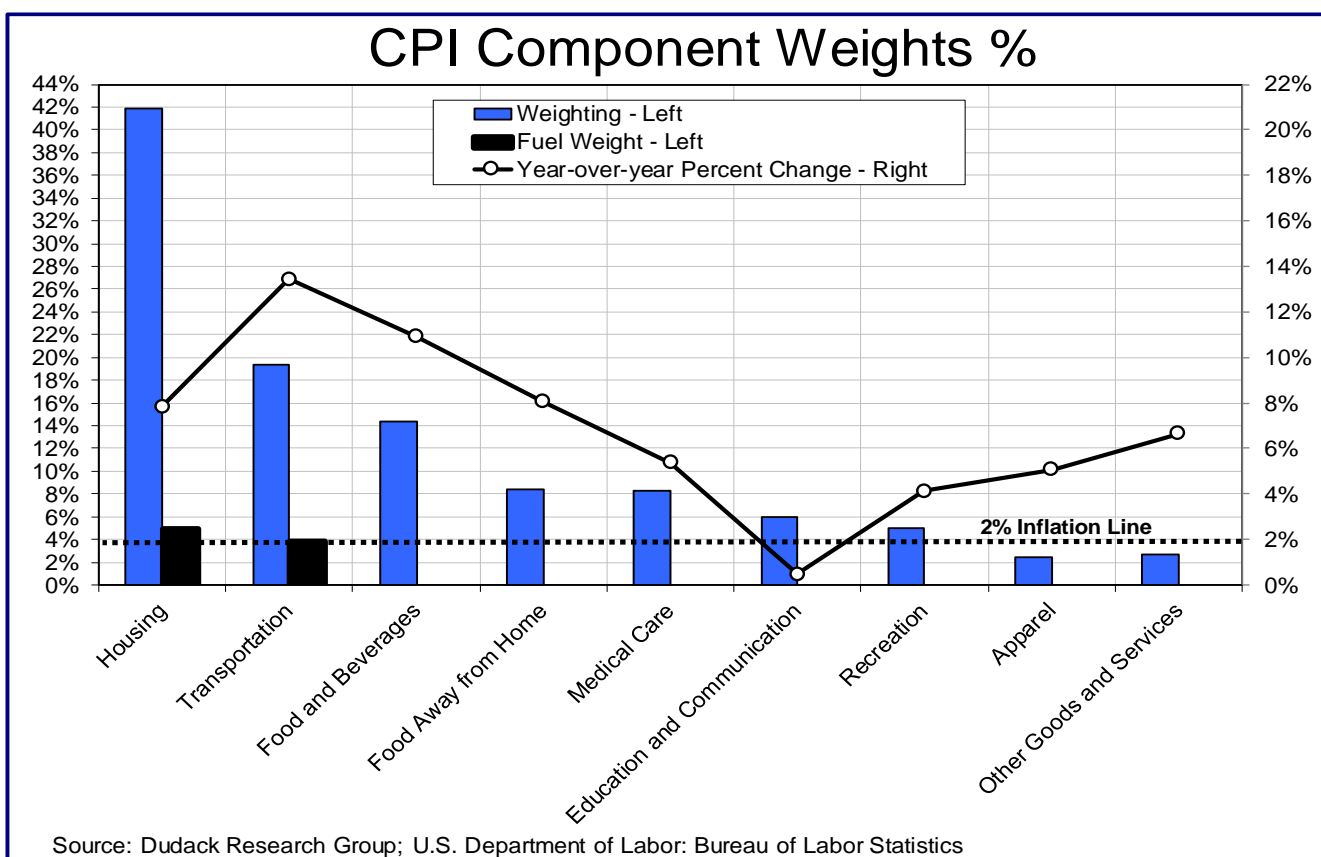
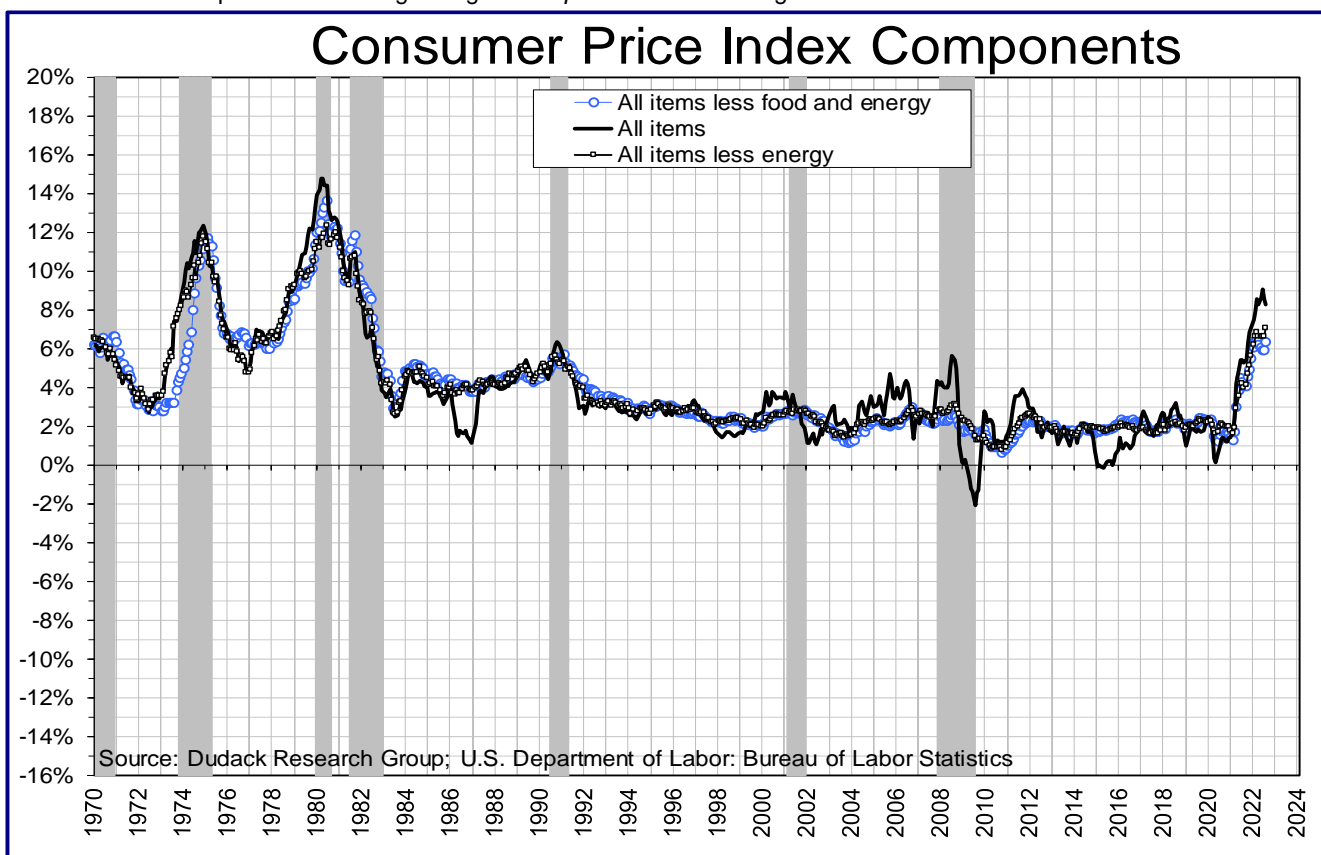


## CPI Components

YOY% NSA & Weightings Noted in Legend

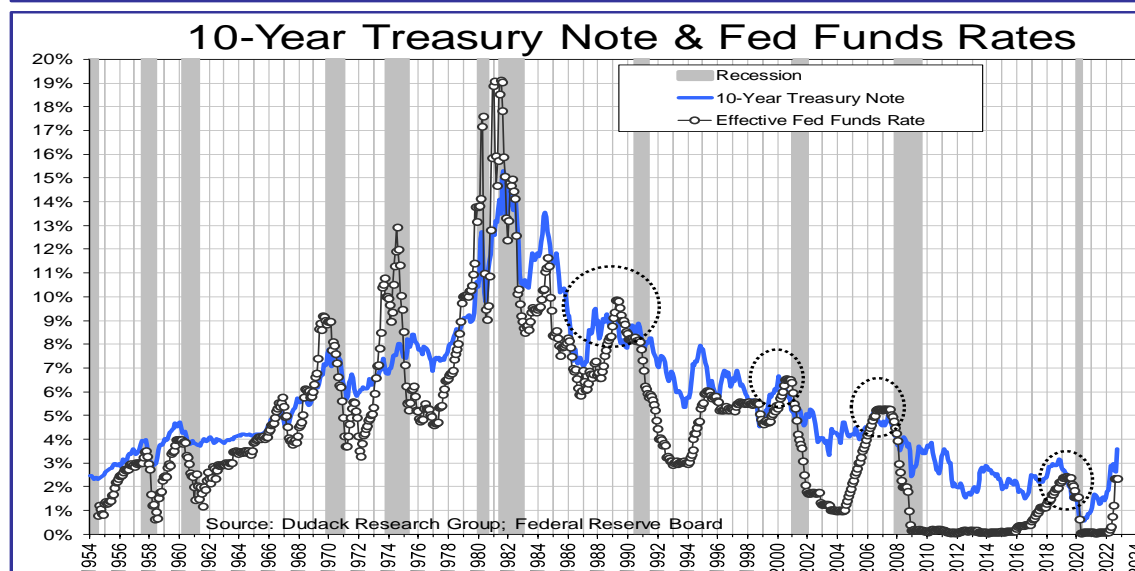
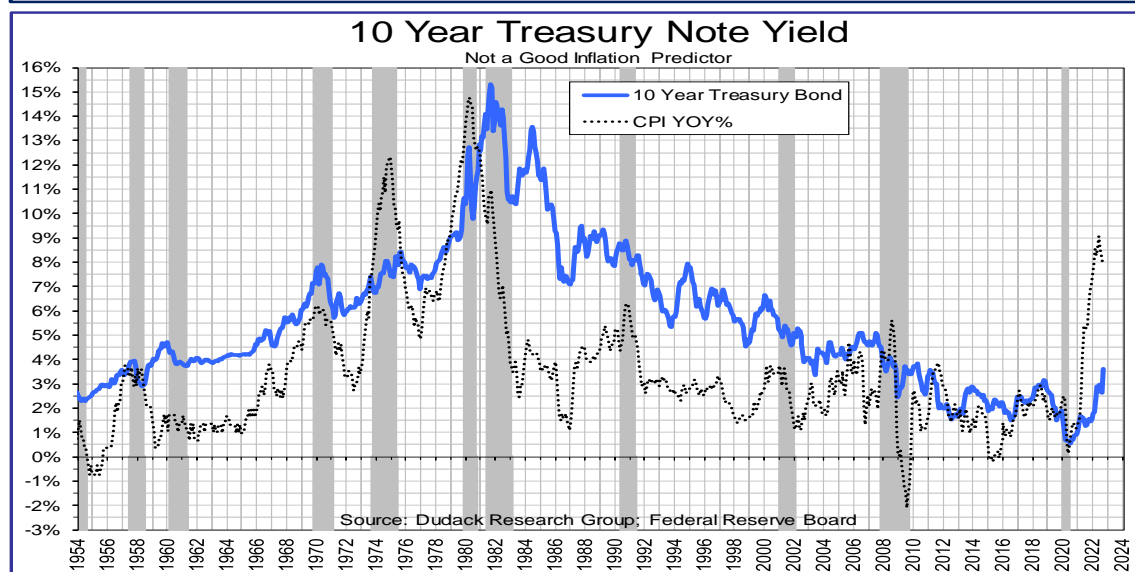
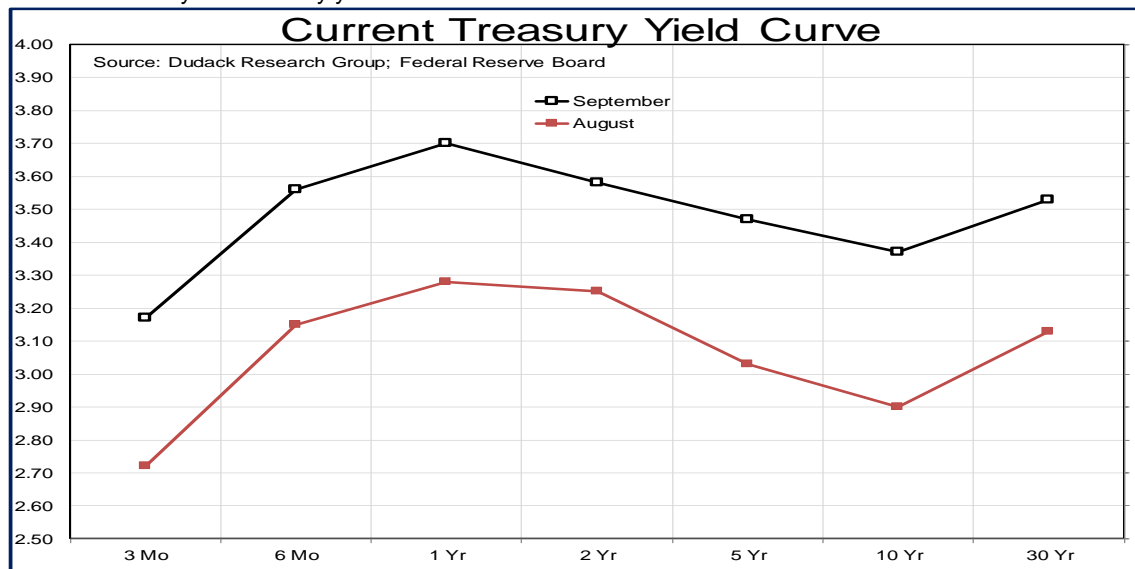


A broadening of inflation can be seen by the fact that while headline inflation fell from July's 8.5% YOY to August's 8.3% YOY, core inflation rose from July's 5.9% YOY to August's 6.3% YOY. This was predictable for anyone who understands the composition of CPI. Note that all but one component of CPI is growing at *multiples* of the Fed's target rate of 2%.

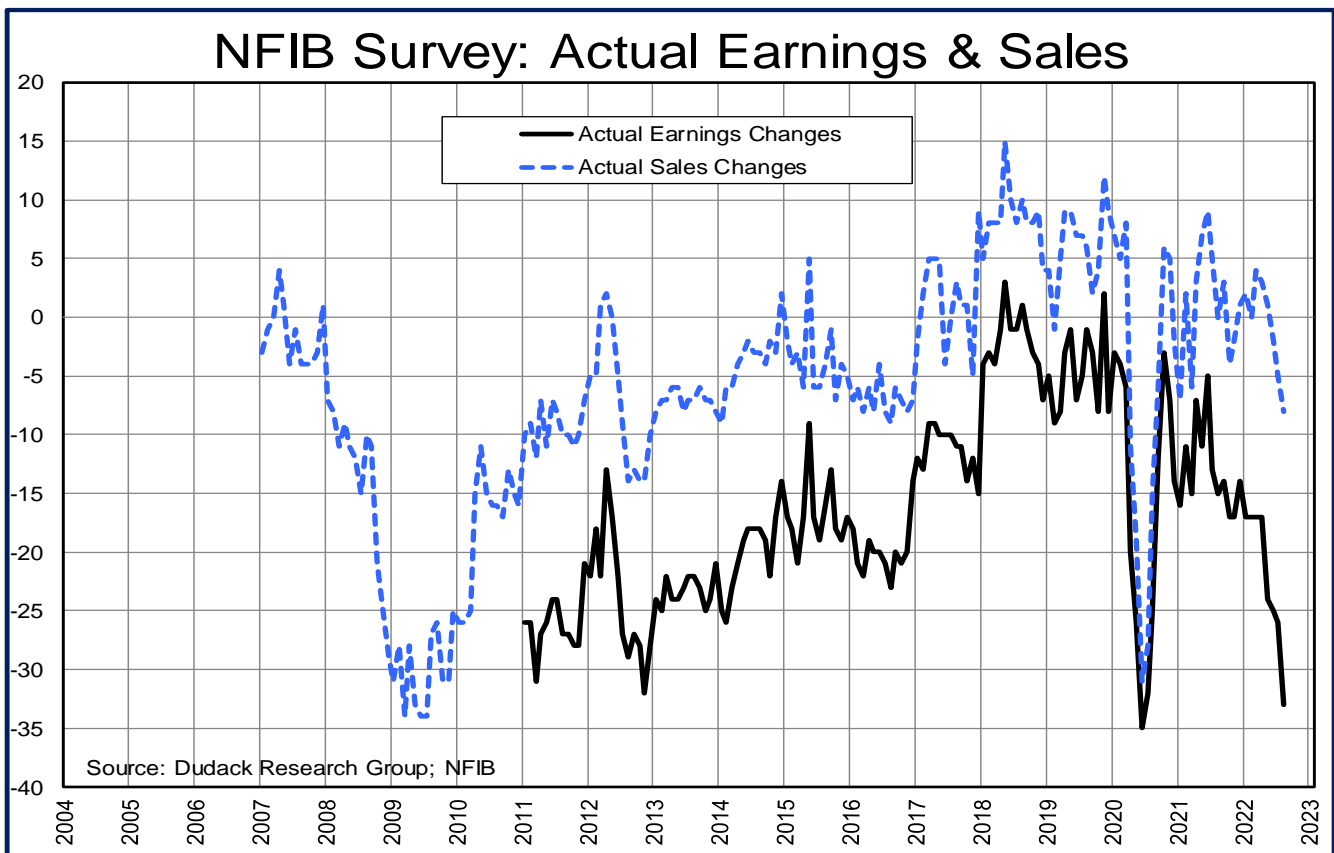
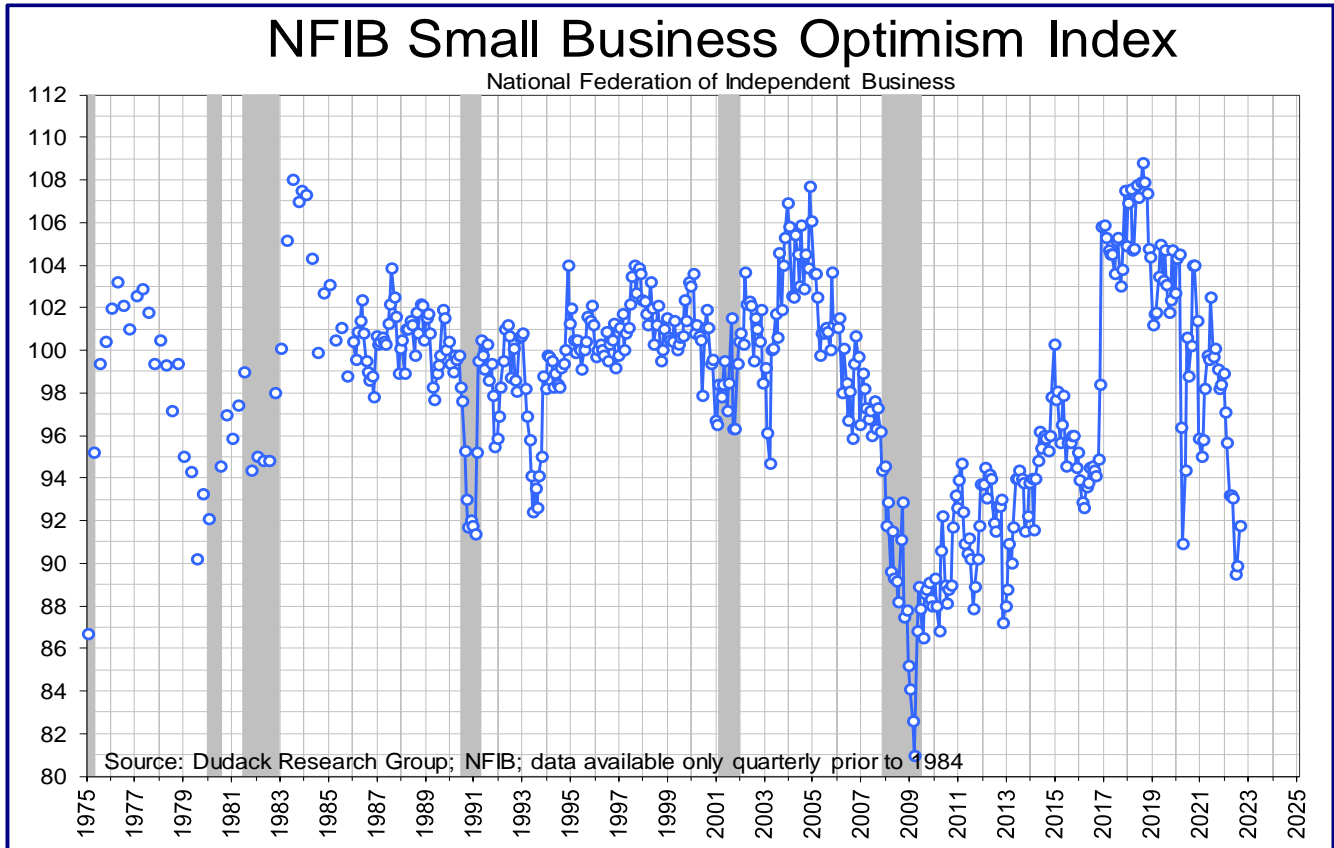




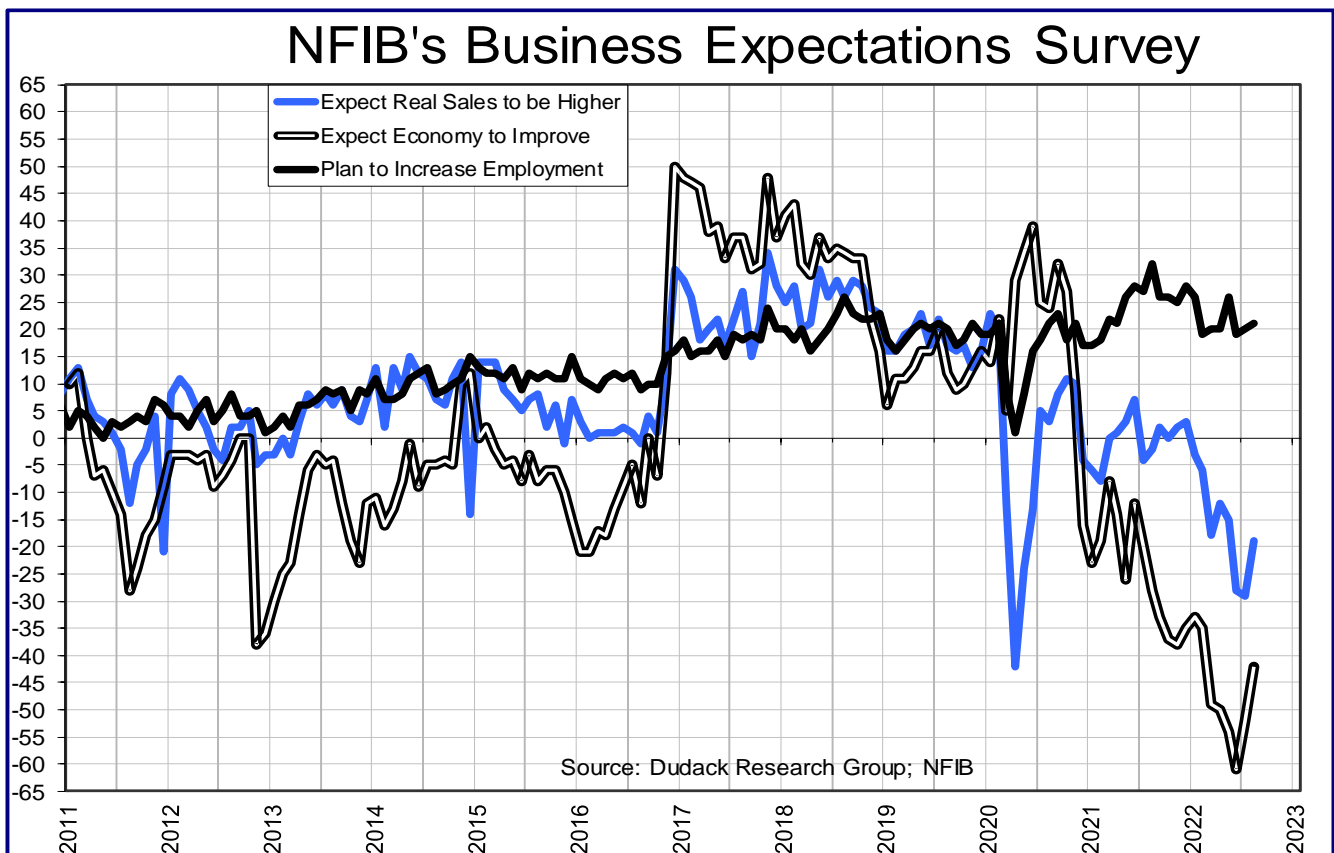
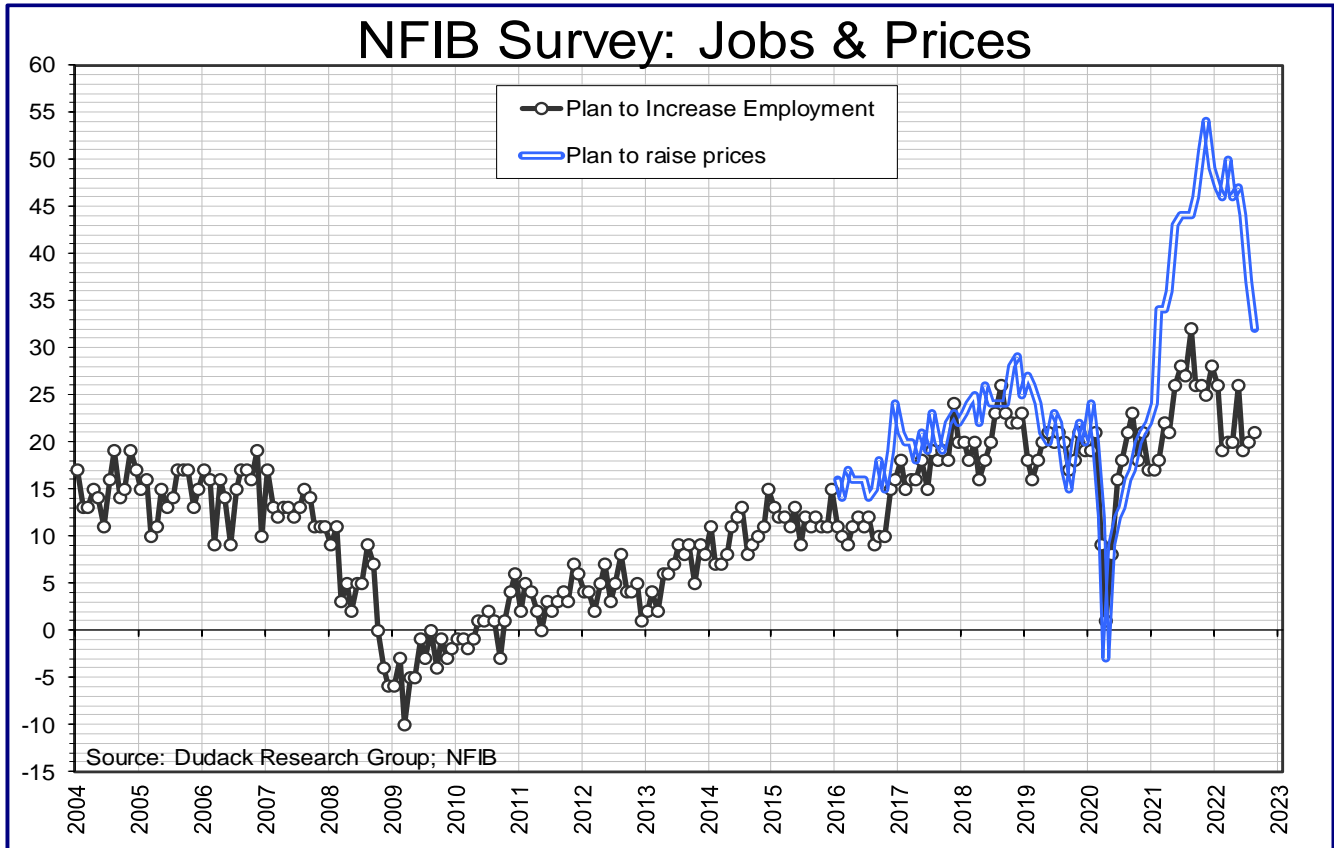
The US Treasury yield curve is not yet fully inverted, but it is inverted between the 1-year Treasury and the 10-year Treasury note. Notice that the current spread between the inflation rate and the 10-year Treasury yield is historically large and needs to narrow if inflation is to get under control. Even after a 75-basis point increase in the fed funds rate later this month, the effective fed funds rate would be 3.08% and lower than the current 10-year Treasury yield of ~3.42%.



The NFIB Optimism Index rose 1.9 points in August to 91.8, the 8<sup>th</sup> consecutive month below the 48-year average of 98. A net negative 8% of all owners reported higher nominal sales in the past 3 months, down 3 from July. A net 33% of owners reported positive profit trends down 7 points from July. Lower profits were blamed on rising cost of materials, weaker sales, and rising labor costs, in that order.



A net 21% of small business owners plan to increase employment in August, up 1% from July. And although high, the good news is that plans to raise prices fell 5 points in August to 32. Sales expectations also improved 10 point to negative 19 in August. After hitting a record low of negative 61 in June, the outlook for business conditions improved 10 points to negative 42 in August.



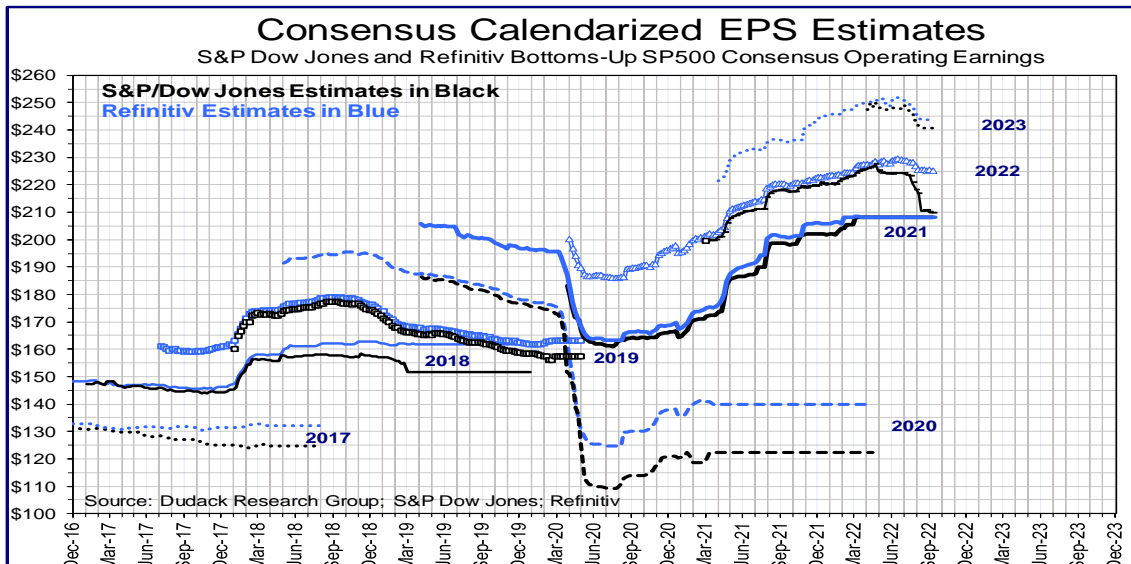
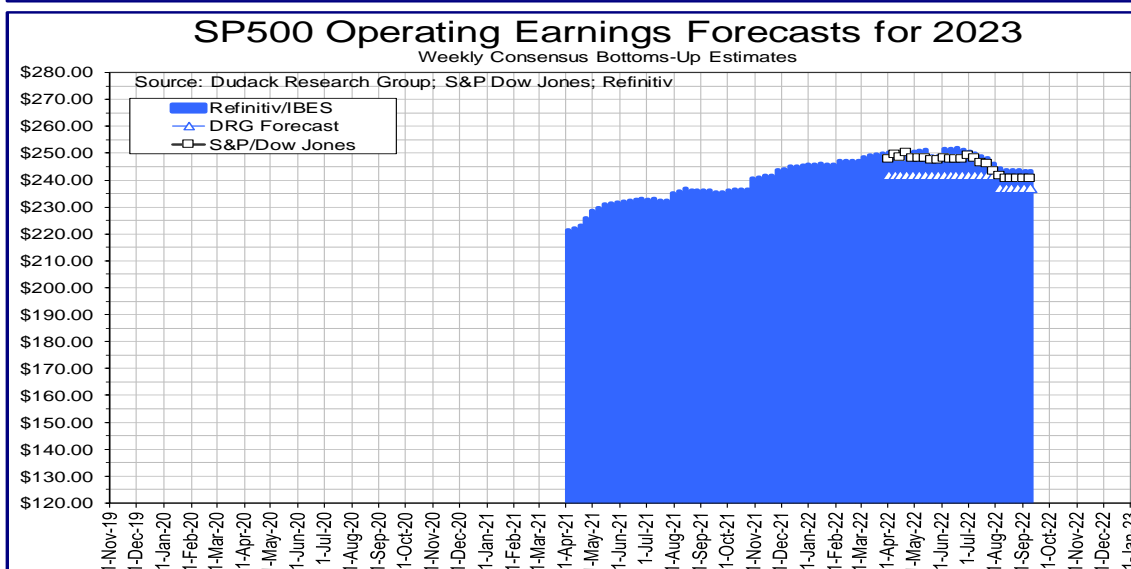
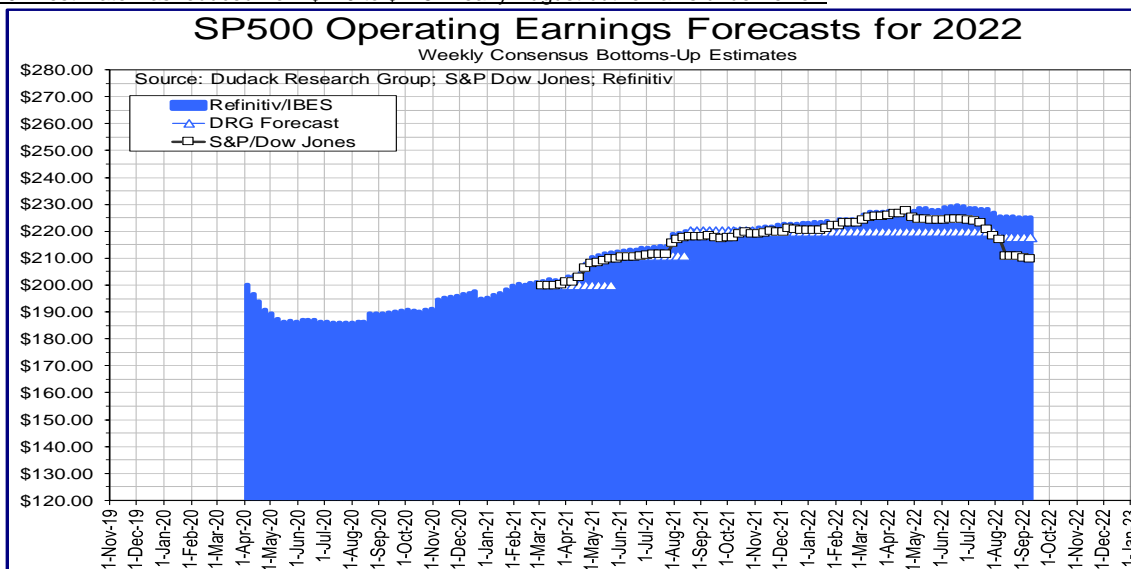


Crude oil prices continue to fall. The 10-year Treasury yield remains at, or near, 11-year highs and the dollar has reached its highest level since 2002, or in 21 years. This makes anything prices in dollars, like crude oil, more expensive for the rest of the world and it handicaps US exporters.

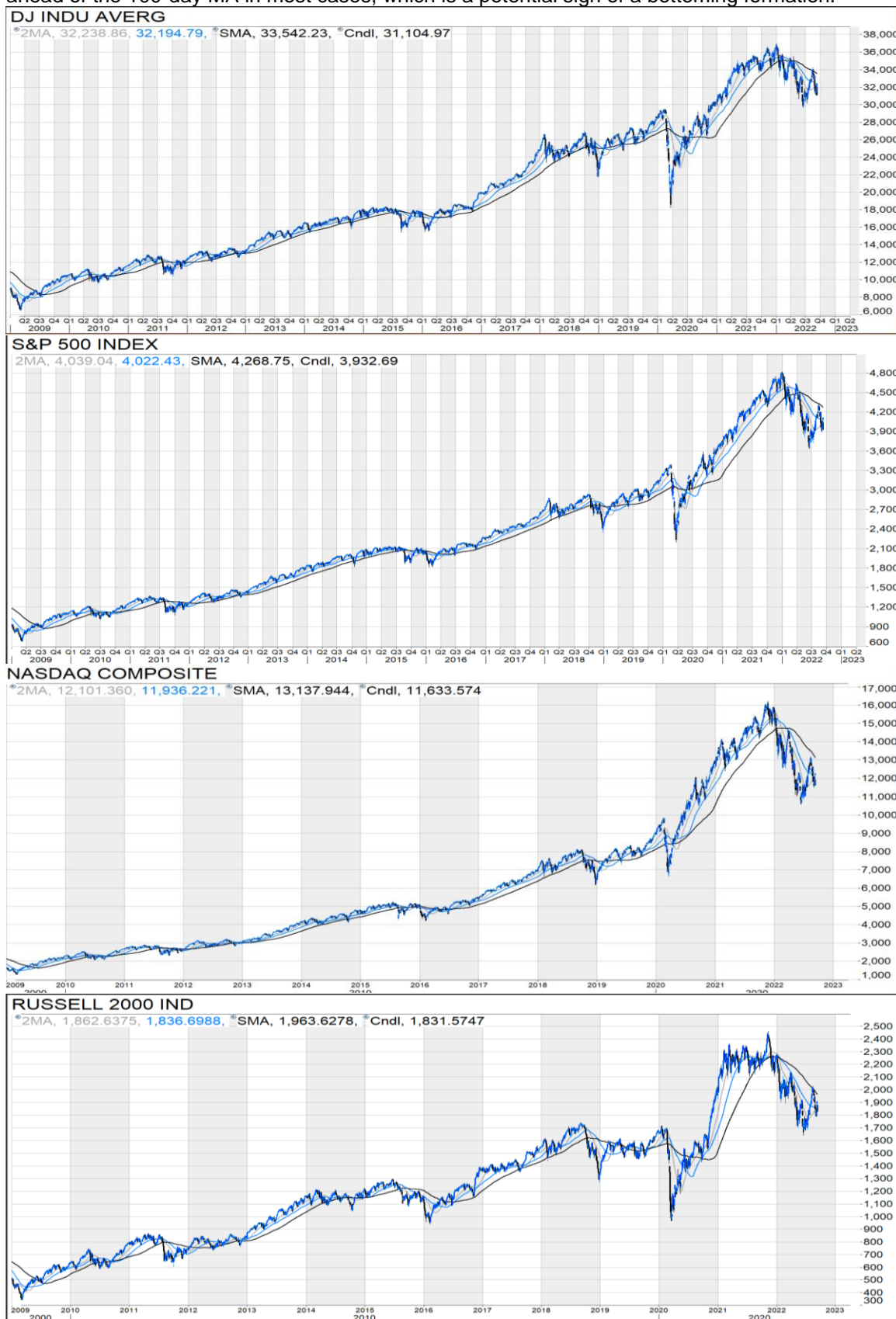


Source: Refinitiv

This week S&P Dow Jones consensus earnings estimates for 2022 fell \$0.23 and for 2023 rose \$0.03. Refinitiv IBES consensus earnings forecasts fell \$0.03 and fell \$0.02, respectively. The S&P consensus earnings estimate for 2022 declined to \$209.76 and IBES fell to \$225.34, bringing EPS growth rates for 2022 to 0.7% and 8.1%, respectively. (Note: consensus macro-EPS forecasts may differ from four quarter analysts' forecast sums seen on page 16.) Our DRG 2022 estimate was reduced from \$220 to \$218 in early August but remains under review.



The charts of the popular indices can be simplified by several observations. The 200-day moving averages proved to be significant resistance for all the indices and the 200-day MA is declining. This is bearish. However, the 50-day MA is rising and moving ahead of the 100-day MA in most cases, which is a potential sign of a bottoming formation.

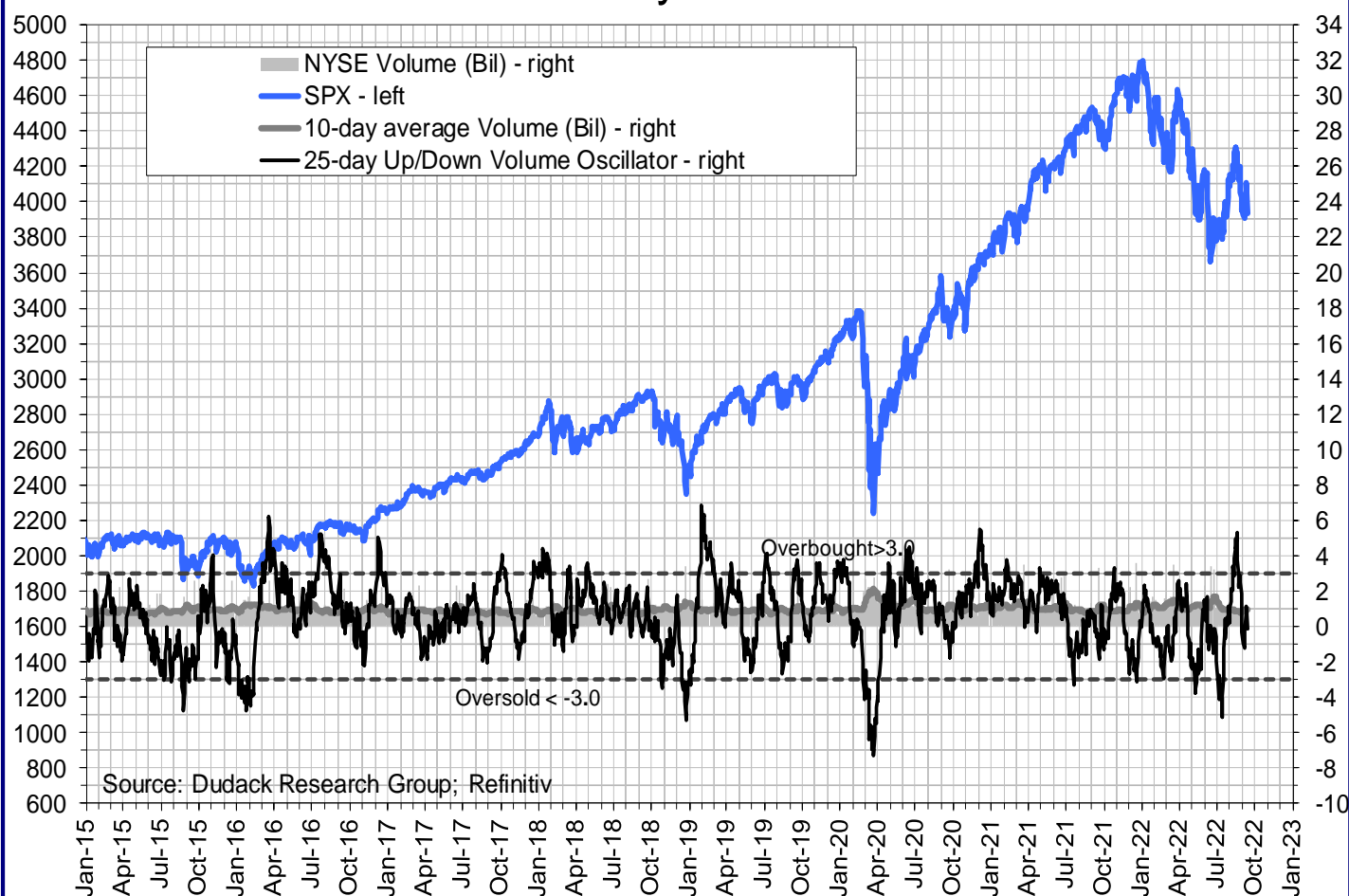


Source: Refinitiv

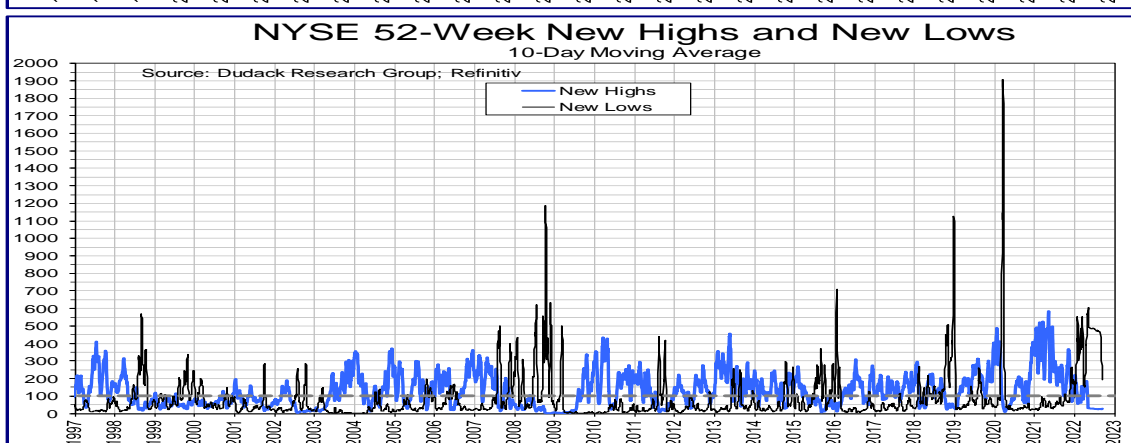
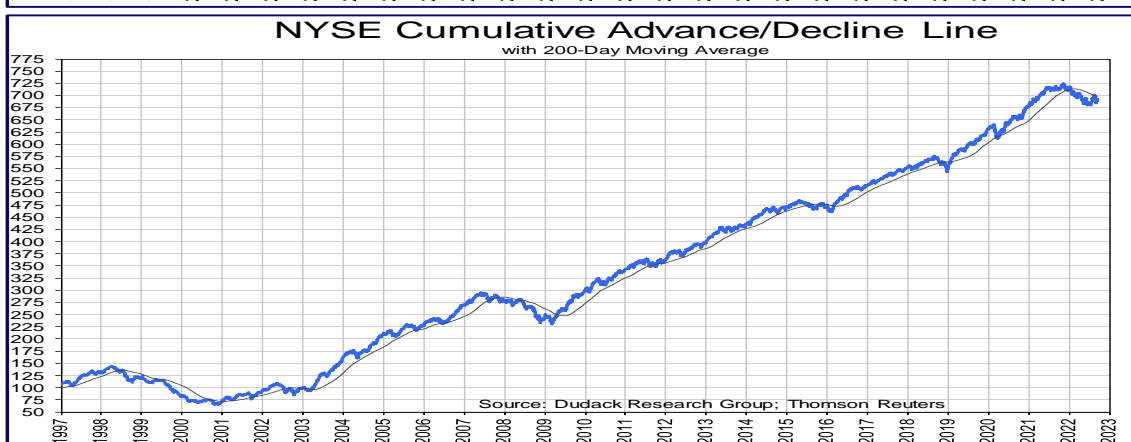
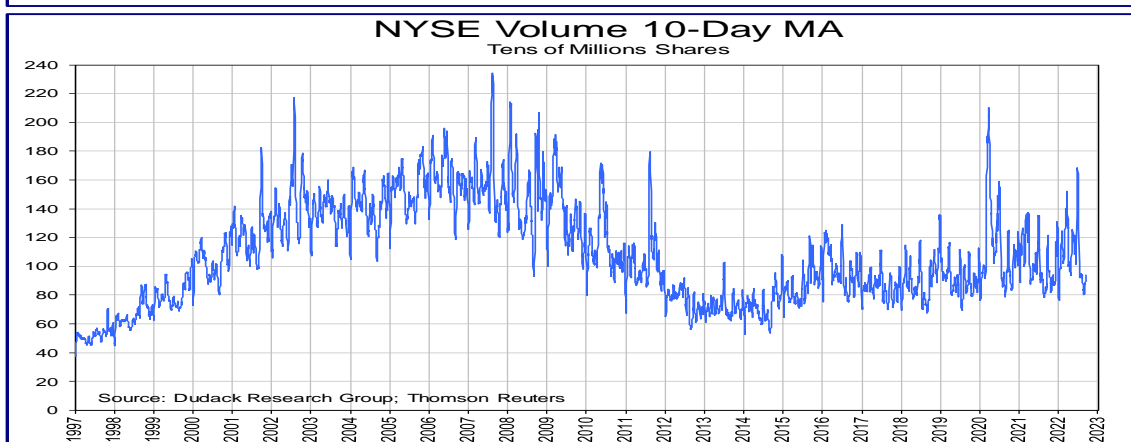
The key to a successful retest of a bear market low is whether or not a new low in price also generates a new low in breadth. A successful retest will show there is less selling pressure – a less severe oversold reading -- despite a lower low in price. We think this is a possibility in the final months of the year.

The 25-day up/down volume oscillator fell to negative 0.16 this week after a 90% up day on September 9 and a 95% down day on September 13. The oscillator had been overbought for seven of eight consecutive days between August 10<sup>th</sup> and August 19<sup>th</sup> and reached a peak overbought reading of 5.26 on August 18<sup>th</sup>, the highest overbought reading since December 10, 2020. This is important since extreme and/or long overbought readings are rare in a bear market and if they appear, the readings tend to be brief, or less than five consecutive trading days. The prior three 90% days were up days on July 19, 2022 (92%), August 10 (91%), and August 26 (91%), an indication that momentum could be shifting from bear to neutral. It is also a sign of a bottoming phase.

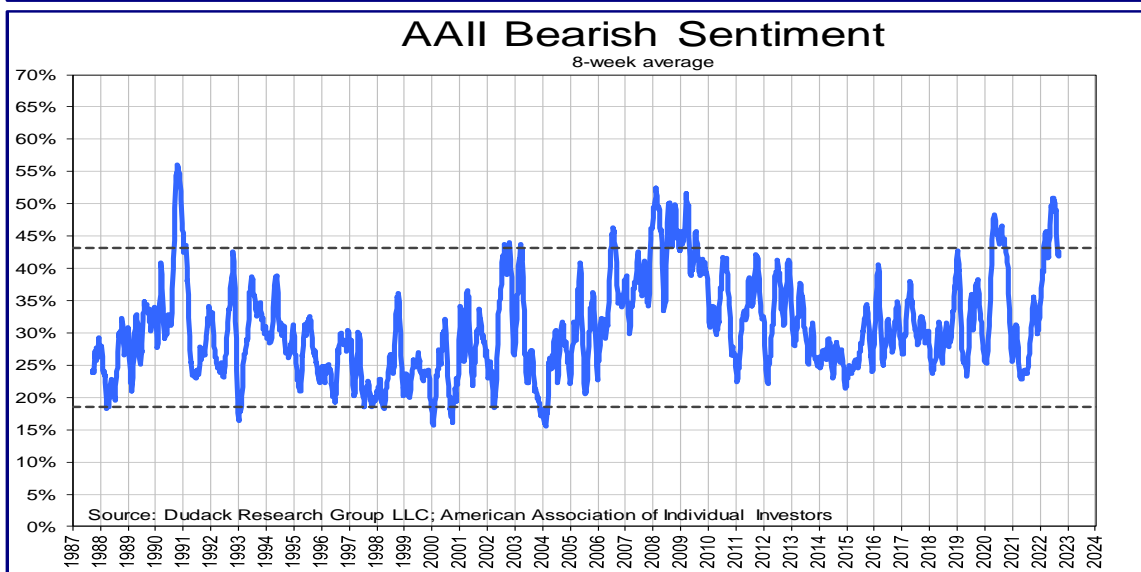
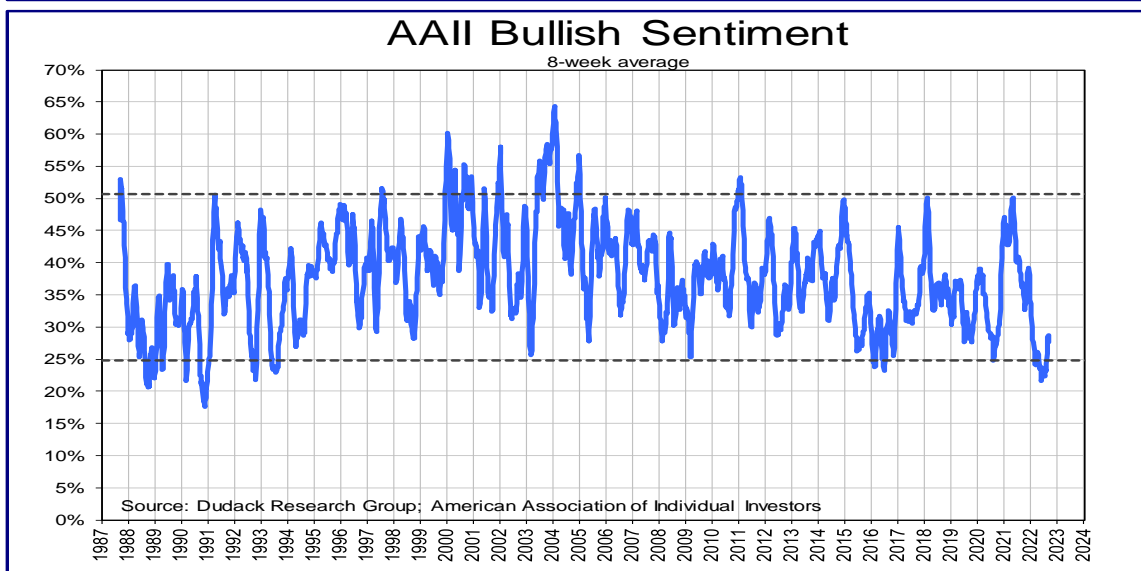
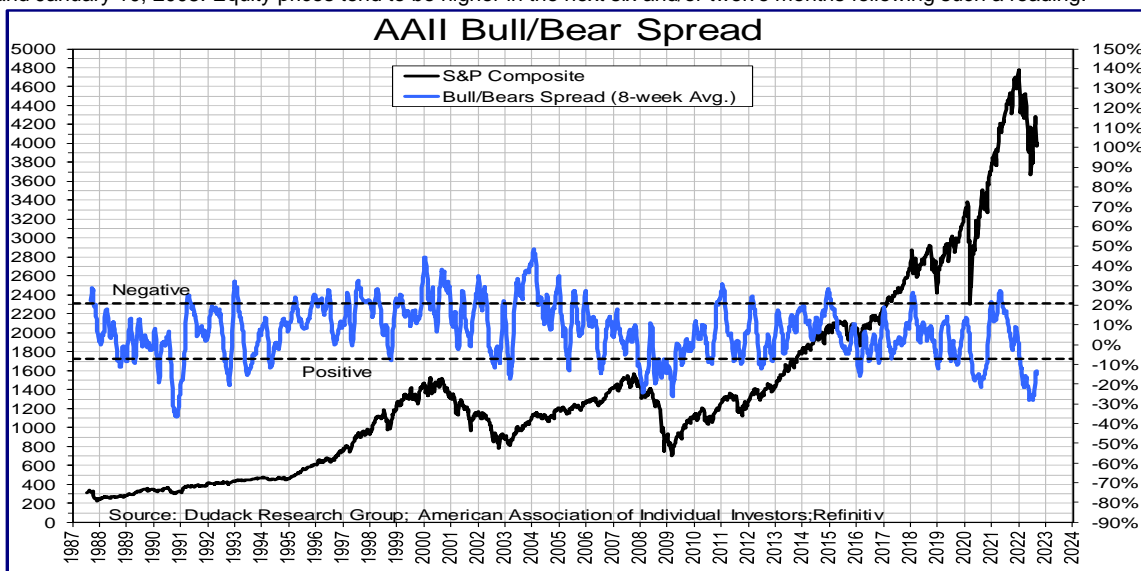
## SPX and 25-Day Volume Oscillator



The 10-day average of daily new highs is 27 this week and daily new lows are 193. This combination is negative with new highs below 100, and new lows above the 100 benchmark. However, note that the 10-day moving average of new lows peaked at 604 in early May. The advance/decline line's last record high was on November 8, 2021, and it is trading a net 35,474 issues below this level currently.



Last week's AAI readings showed a decrease of 3.8% in bulls to 18.1% and an increase of 2.9% in bears to 53.3%. These results add to the five weeks of less than 20% bulls and more than 50% bears between April 27, 2022 and July 7, 2022. Comparable single week bull/bear readings were last seen on April 11, 2013 and January 10, 2008. Equity prices tend to be higher in the next six and/or twelve months following such a reading.



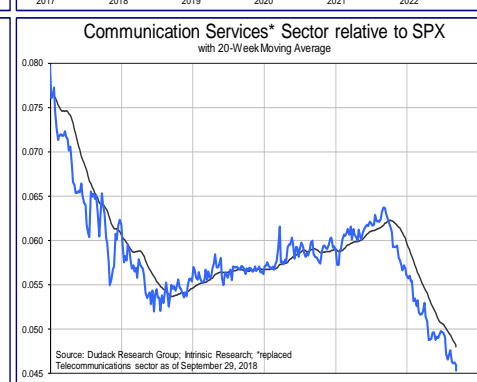
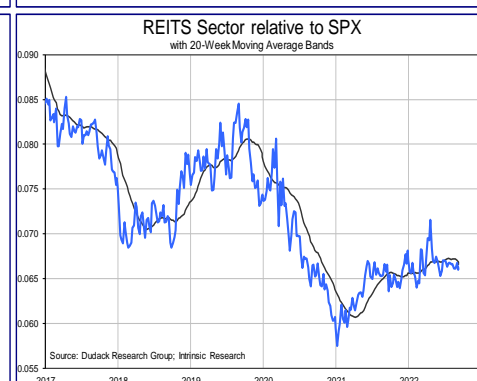
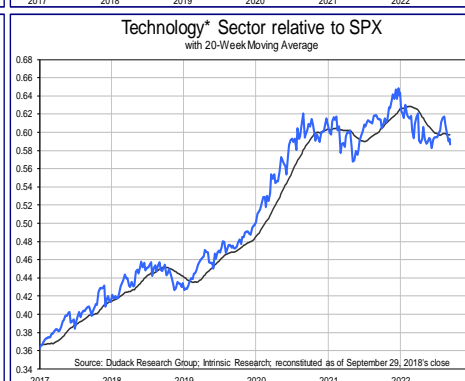
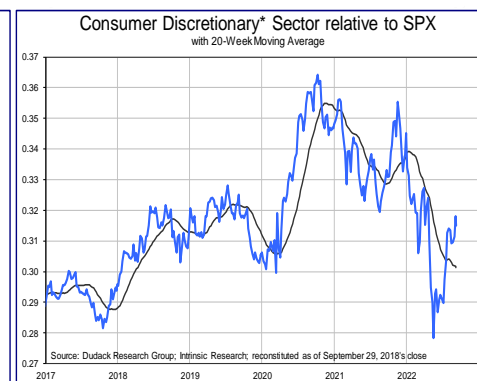
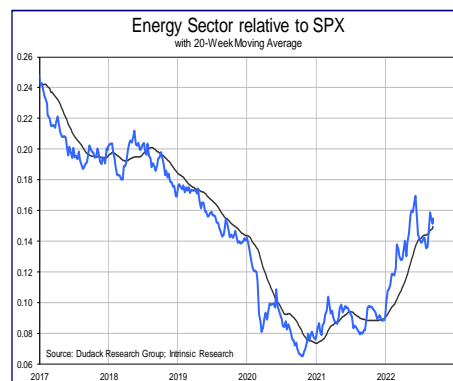


## SECTOR RELATIVE PERFORMANCE – RELATIVE OVER/UNDER/ PERFORMANCE TO S&P 500

### DRG Recommended Sector Weights

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

3/8/2022: Materials upgraded from underweight to neutral/communication service downgraded from neutral to underweight. 3/1/2022 Financials downgraded to neutral and Industrials upgraded to overweight.



2022 Performance - Ranked	
SP500 Sector	% Change
S&P ENERGY	43.8%
S&P UTILITIES	5.6%
S&P CONSUMER STAPLES	-7.3%
S&P HEALTH CARE	-10.2%
S&P INDUSTRIALS	-13.2%
S&P FINANCIAL	-15.0%
S&P MATERIALS	-16.4%
S&P 500	-17.5%
S&P REITS	-19.7%
S&P CONSUMER DISCRETIONARY	-23.1%
S&P INFORMATION TECH	-24.5%
S&P COMMUNICATIONS SERVICES	-33.3%

Source: Duda Research Group; Refinitiv; Monday closes

## GLOBAL MARKETS AND COMMODITIES - RANKED BY 2022 TRADING PERFORMANCE

Index/EFT	Symbol	Price	5-Day%	20-Day%	QTD%	YTD%
Energy Select Sector SPDR	XLE	80.01	1.0%	2.0%	11.9%	44.2%
United States Oil Fund, LP	USO	72.01	0.8%	-4.0%	-10.4%	32.5%
iShares DJ US Oil Eqpt & Services ETF	IEZ	16.48	1.2%	-0.6%	3.2%	27.9%
Oil Future	CLc1	87.31	0.5%	-5.2%	-17.4%	16.1%
iShares MSCI Brazil Capped ETF	EWZ	30.82	1.9%	-3.7%	12.5%	9.8%
Gold Future	GCc1	2388.10	0.2%	0.9%	2.2%	7.9%
Utilities Select Sector SPDR	XLU	76.04	1.7%	-0.9%	8.4%	6.2%
SPDR Communication Services ETF	XLC	56.15	0.0%	0.0%	0.0%	0.0%
iShares MSCI India ETF	INDA.K	43.50	1.4%	-0.5%	10.5%	-5.1%
Consumer Staples Select Sector SPDR	XLP	71.79	-0.5%	-4.9%	-0.5%	-6.9%
SPDR Gold Trust	GLD	158.54	0.1%	-5.6%	-5.9%	-7.3%
iShares MSCI Mexico Capped ETF	EWX	46.31	2.9%	-4.8%	-0.6%	-8.5%
Health Care Select Sect SPDR	XLV	127.03	1.5%	-4.9%	-0.9%	-9.8%
Shanghai Composite	.SSEC	3263.80	2.0%	-0.4%	-3.7%	-10.3%
iShares Russell 1000 Value ETF	IWD	150.22	1.2%	-6.3%	3.6%	-10.5%
iShares MSCI Canada ETF	EWC	34.26	2.9%	-5.5%	1.7%	-10.9%
SPDR S&P Bank ETF	KBE	47.81	3.3%	-7.4%	9.0%	-12.4%
iShares MSCI Malaysia ETF	EWM	21.93	-0.6%	-3.8%	-0.1%	-12.4%
Industrial Select Sector SPDR	XLI	92.25	-0.1%	-7.6%	5.6%	-12.8%
iShares MSCI United Kingdom ETF	EWU	28.87	0.7%	-7.7%	-3.6%	-12.9%
iShares MSCI Australia ETF	EWA	21.62	0.7%	-7.0%	1.9%	-12.9%
iShares Russell 2000 Value ETF	IWN	143.46	1.9%	-9.5%	5.4%	-13.6%
iShares MSCI Singapore ETF	EWS	18.36	2.3%	-7.1%	3.8%	-14.2%
SPDR DJIA ETF	DIA	311.73	-0.2%	-7.7%	1.3%	-14.2%
iShares MSCI Hong Kong ETF	EWH	19.89	-0.3%	-6.5%	-10.4%	-14.2%
DJIA	.DJI	31104.97	-0.1%	-7.9%	1.1%	-14.4%
Financial Select Sector SPDR	XLF	33.35	1.6%	-6.2%	6.0%	-14.6%
Materials Select Sector SPDR	XLB	75.99	2.5%	-6.3%	3.2%	-16.1%
iShares Silver Trust	SLV	18.62	7.9%	-7.0%	-4.4%	-16.9%
Silver Future	Slc1	19.39	9.0%	-6.2%	-4.4%	-16.9%
PowerShares Water Resources Portfolio	PHO	50.26	1.7%	-7.4%	8.7%	-17.4%
SP500	.SPX	3932.69	0.6%	-8.1%	3.9%	-17.5%
iShares Russell 1000 ETF	IWB	217.52	0.9%	-7.9%	4.7%	-17.7%
iShares Russell 2000 ETF	IWM	182.25	2.2%	-9.0%	7.6%	-18.1%
iShares US Real Estate ETF	IYR	94.53	0.3%	-7.9%	2.8%	-18.6%
iShares iBoxx \$ Invest Grade Corp Bond	LQD	107.36	0.4%	-6.0%	-2.4%	-19.0%
iShares Nasdaq Biotechnology ETF	IBB.O	122.84	2.8%	-7.3%	4.4%	-19.5%
Vanguard FTSE All-World ex-US ETF	VEU	48.74	1.0%	-7.5%	-2.4%	-20.5%
iShares MSCI Emerg Mkts ETF	EEM	38.36	0.2%	-6.6%	-4.3%	-21.5%
iShares MSCI BRIC ETF	BKF	34.97	0.6%	-3.5%	-5.4%	-21.9%
iShares China Large Cap ETF	FXI	28.50	-0.6%	-5.8%	-16.0%	-22.1%
iShares MSCI EAFE ETF	EFA	61.11	1.3%	-8.5%	-2.2%	-22.3%
Consumer Discretionary Select Sector SPDR	XLY	158.01	1.8%	-7.0%	14.9%	-22.7%
iShares Russell 2000 Growth ETF	IWO	226.39	2.4%	-8.6%	9.7%	-22.7%
iShares MSCI Japan ETF	EWJ	51.34	-0.4%	-10.0%	-2.8%	-23.3%
Technology Select Sector SPDR	XLK	132.00	0.0%	-12.4%	3.8%	-24.1%
iShares Russell 1000 Growth ETF	IWF	231.53	0.6%	-9.5%	5.9%	-24.2%
Nasdaq Composite Index Tracking Stock	ONEQ.O	45.62	0.8%	-10.8%	5.7%	-25.1%
NASDAQ 100	NDX	12033.62	0.2%	-11.3%	4.6%	-26.3%
iShares US Telecomm ETF	IYZ	23.94	-0.2%	-10.9%	-4.7%	-27.3%
iShares 20+ Year Treas Bond ETF	TLT	107.67	0.2%	-6.8%	-6.3%	-27.3%
iShares MSCI Taiwan ETF	EWT	47.78	-1.5%	-9.9%	-5.2%	-28.3%
SPDR S&P Retail ETF	XRT	63.27	1.4%	-11.4%	8.8%	-29.9%
iShares MSCI South Korea Capped ETF	EWY	54.50	-0.8%	-12.4%	-6.3%	-30.0%
iShares MSCI Austria Capped ETF	EWO	17.71	5.4%	-7.2%	-2.0%	-30.4%
SPDR Homebuilders ETF	XHB	58.96	0.3%	-11.6%	7.8%	-31.3%
SPDR S&P Semiconductor ETF	XSD	165.26	1.3%	-13.7%	8.9%	-32.0%
iShares MSCI Germany ETF	EWG	22.09	2.8%	-8.7%	-4.0%	-32.6%

Outperformed SP500

Underperformed SP500

Source: Dudack Research Group; Thomson Reuters

Priced as of September 13, 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 %
2005	1248.29	\$69.93	\$76.45	\$76.45	13.0%	\$76.28	13.7%	16.3X	1.8%	3.5%	\$1,108.90	9.7%
2006	1418.30	\$81.51	\$87.72	\$87.72	14.7%	\$88.18	15.6%	16.2X	1.8%	2.8%	\$1,216.10	9.7%
2007	1468.36	\$66.18	\$82.54	\$82.54	-5.9%	\$85.12	-3.5%	17.8X	1.8%	2.0%	\$1,141.40	-6.1%
2008	903.25	\$14.88	\$49.51	\$49.51	-40.0%	\$65.47	-23.1%	18.2X	2.5%	0.1%	\$1,029.90	-9.8%
2009	1115.10	\$50.97	\$56.86	\$56.86	14.8%	\$60.80	-7.1%	19.6X	2.6%	-2.6%	\$1,182.90	14.9%
2010	1257.64	\$77.35	\$83.77	\$83.77	47.3%	\$85.28	40.3%	15.0X	1.9%	2.7%	\$1,456.50	23.1%
2011	1257.60	\$86.95	\$96.44	\$96.44	15.1%	\$97.82	14.7%	13.0X	2.0%	1.5%	\$1,529.00	5.0%
2012	1426.19	\$86.51	\$96.82	\$96.82	0.4%	\$103.80	6.1%	14.7X	2.1%	2.3%	\$1,662.80	8.8%
2013	1848.36	\$100.20	\$107.30	\$107.30	10.8%	\$109.68	5.7%	17.2X	2.0%	1.8%	\$1,648.10	-0.9%
2014	2127.83	\$102.31	\$113.01	\$113.01	5.3%	\$118.78	8.3%	18.8X	2.2%	2.3%	\$1,713.10	3.9%
2015	2043.94	\$86.53	\$100.45	\$100.45	-11.1%	\$118.20	-0.5%	20.3X	2.1%	2.7%	\$1,664.20	-2.9%
2016	2238.83	\$94.55	\$106.26	\$96.82	-3.6%	\$118.10	-0.1%	21.1X	1.9%	1.7%	\$1,661.50	-0.2%
2017	2673.61	\$109.88	\$124.51	\$124.51	28.6%	\$132.00	11.8%	21.5X	1.8%	2.3%	\$1,816.60	9.3%
2018	2506.85	\$132.39	\$151.60	\$151.60	21.8%	\$161.93	22.7%	16.5X	1.9%	2.9%	\$2,023.40	11.4%
2019	3230.78	\$139.47	\$157.12	\$157.12	3.6%	\$162.93	0.6%	20.6X	1.8%	2.3%	\$2,065.60	2.1%
2020	3756.07	\$94.14	\$122.38	\$122.38	-22.1%	\$139.72	-14.2%	30.7X	1.6%	-3.4%	\$1,968.10	-4.7%
2021	4766.18	\$197.87	\$208.17	\$208.17	70.1%	\$208.12	49.0%	22.9X	1.3%	5.7%	\$2,424.60	23.2%
2022E	~~~~~	\$188.20	\$209.76	\$218.00	4.7%	\$225.34	8.3%	18.7X	NA	NA	NA	NA
2023E	~~~~~	\$212.91	\$240.68	\$237.00	8.7%	\$243.59	8.1%	16.3X	NA	NA	NA	NA
2015 1Q	2108.88	\$21.81	\$25.81	\$25.81	-5.5%	\$28.60	1.5%	18.9	2.0%	3.3%	\$1,706.90	9.2%
2015 2Q	2166.05	\$22.80	\$26.14	\$26.14	-10.9%	\$30.09	0.1%	20.0	2.0%	2.3%	\$1,689.20	-1.4%
2015 3Q	1920.03	\$23.22	\$25.44	\$25.44	-14.1%	\$29.99	-0.2%	18.4	2.2%	1.3%	\$1,675.60	-6.6%
2015 4Q	2043.94	\$18.70	\$23.06	\$23.06	-13.8%	\$29.52	-3.3%	20.3	2.1%	0.6%	\$1,585.20	-11.1%
2016 1Q	2059.74	\$21.72	\$23.97	\$23.97	-7.1%	\$26.96	-5.7%	20.9	2.1%	2.4%	\$1,664.90	-2.5%
2016 2Q	2098.86	\$23.28	\$25.70	\$25.70	-1.7%	\$29.61	-1.6%	21.4	2.1%	1.2%	\$1,624.20	-3.8%
2016 3Q	2168.27	\$25.39	\$28.69	\$28.69	12.8%	\$31.21	4.1%	21.4	2.1%	2.4%	\$1,649.90	-1.5%
2016 4Q	2238.83	\$24.16	\$27.90	\$27.90	21.0%	\$31.30	6.0%	21.1	2.0%	2.0%	\$1,707.00	7.7%
2017 1Q	2362.72	\$27.46	\$28.82	\$28.82	20.2%	\$30.90	14.6%	21.3	2.0%	1.9%	\$1,772.60	6.5%
2017 2Q	2423.41	\$27.01	\$30.51	\$30.51	18.7%	\$32.58	10.0%	20.9	1.9%	2.3%	\$1,789.20	10.2%
2017 3Q	2519.36	\$28.45	\$31.33	\$31.33	9.2%	\$33.45	7.2%	21.2	1.9%	2.9%	\$1,829.30	10.9%
2017 4Q	2673.61	\$26.96	\$33.85	\$33.85	21.3%	\$36.02	15.1%	21.5	1.8%	3.8%	\$1,875.10	9.8%
2018 1Q	2640.87	\$33.02	\$36.54	\$36.54	26.8%	\$38.07	23.2%	20.0	1.9%	3.1%	\$1,983.30	11.9%
2018 2Q	2718.37	\$34.05	\$38.65	\$38.65	26.7%	\$41.00	25.8%	19.4	1.9%	3.4%	\$1,981.40	10.7%
2018 3Q	2913.98	\$36.36	\$41.38	\$41.38	32.1%	\$42.66	27.5%	19.4	1.8%	1.9%	\$2,033.10	11.1%
2018 4Q	2506.85	\$28.96	\$35.03	\$35.03	3.5%	\$41.18	14.3%	16.5	2.1%	0.9%	\$2,095.90	11.8%
2019 1Q	2834.40	\$35.02	\$37.99	\$37.99	4.0%	\$39.15	2.8%	18.5	1.9%	2.4%	\$1,999.80	0.8%
2019 2Q	2941.76	\$34.93	\$40.14	\$40.14	3.9%	\$41.31	0.8%	19.0	1.9%	3.2%	\$2,083.20	5.1%
2019 3Q	2976.74	\$33.99	\$39.81	\$39.81	-3.8%	\$42.14	-1.2%	19.5	1.9%	2.8%	\$2,090.30	2.8%
2019 4Q	3230.78	\$35.53	\$39.18	\$39.18	11.8%	\$41.98	1.9%	20.6	1.8%	1.9%	\$2,089.20	-0.3%
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	-3.8%
2020 2Q	4397.35	\$17.83	\$26.79	\$26.79	-33.3%	\$27.98	-32.3%	35.1	1.9%	-31.2%	\$1,701.50	-18.3%
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	2.1%
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	1.1%
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	\$52.03	94.2%	\$52.58	87.9%	24.5	1.3%	6.7%	\$2,440.60	43.4%
2021 3Q	4307.54	\$49.59	\$52.02	\$52.02	37.3%	\$53.72	38.8%	22.7	1.4%	2.3%	\$2,522.70	18.2%
2021 4Q	4766.18	\$53.94	\$56.71	\$56.71	48.5%	\$53.95	26.7%	22.9	1.3%	6.9%	\$2,527.40	19.7%
2022 1QP	4530.41	\$45.99	\$49.36	\$49.36	4.1%	\$54.80	11.5%	21.6	1.4%	-1.6%	\$2,402.90	8.8%
2022 2QE	3785.38	\$42.71	\$46.87	\$52.04	0.0%	\$57.95	10.2%	18.5	1.7%	-0.6%	\$2,620.40	7.4%
2022 3QE*	3932.69	\$48.61	\$55.75	\$57.60	10.7%	\$56.19	4.6%	18.8	NA	NA	NA	NA
2022 4QE		\$50.88	\$57.78	\$59.00	4.0%	\$58.39	8.2%	18.7	NA	NA	NA	NA

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

9/13/2022

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Dudack Research Group a division of Wellington Shields & Co. LLC.

**Main Office:**

Wellington Shields & Co. LLC

140 Broadway

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