



Dudack Research Group

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DJIA: 31145.30

SPX: 3908.19

NASDAQ: 11544.91

US Strategy Weekly

Canary in the Coal Mine

Right after the G-7 agreed to implement a price cap on Russian oil, Russia indicated it would halt gas supplies through Gazprom's Nord Stream 1 pipeline, Europe's major supply route, for an indefinite period of time. This was done under the ruse that Siemens Energy (ENR.TI – \$14.14), needed to repair faulty equipment. Siemens Energy, which is headquartered in Munich, Germany, said it did not understand Gazprom's presentation of the situation because it was not currently commissioned by Gazprom to do maintenance work on the turbine with the reported leak, nevertheless, the company would be on standby. This is just one example of how Russia is using energy as a weapon against Europe.

And the Nord Stream pipeline is important because all of Europe is facing a deepening energy crisis which could also become a financial and humanitarian disaster. The humanitarian element of this crisis will hopefully be avoided, but it will play out as cold weather hits Europe and fuel becomes both scarce and expensive.

CANARY IN THE COAL MINE

On the financial side, we see a number of worrisome developments for Europe which are linked to energy. Finland's Fortum Oyj (FORTUM.HE – 9.2 euro) recently signed a bridge financing arrangement with the Finnish government for 2.35 billion euros (\$2.34 billion). Fortum Oyj is a Finnish state-owned energy company that operates power plants and generates and sells electricity and heat throughout Europe. The loan, which carries a steep 14.2% interest rate, was made to cover soaring collateral needs in the Nordic power derivatives market. Over the weekend, the Finnish government had already announced a 10-billion-euro package of credit for the Finnish power industry. CNBC recently discussed the fact that eurozone may require as much as \$1.2 trillion in backing for the EU energy derivatives markets as the energy industry faces immense challenges. In short, it is possible that the energy derivatives market may be the canary in the coal mine for a financial crisis in the next twelve months. It is worth monitoring. Meanwhile, it is very clear that European countries are creating major programs that will increase sovereign debt.

Another example is the newly installed UK Prime Minister Liz Truss, who ran on a program to cap energy costs in Great Britain at a cost of \$116 billion to the government. Closer to home and totally separate from Europe's energy predicament, President Joe Biden signed a \$1.2 trillion Infrastructure Investment and Jobs Act bill on November 15, 2021 and combined with his \$1.85 trillion Build Back Better Act, which became the Inflation Reduction Act of 2022, requires Congress to invest over \$3 trillion in national infrastructure and social programs. The impact of these bills on the US deficit is debatable and unknown. Nonetheless, it is no surprise that interest rates are on the rise.

The US Treasury yield curve is not yet fully inverted, but it has been inverted between the 1-year Treasury and the 10-year Treasury note for a few months and this is a warning of an impending **For important disclosures and analyst certification please refer to the last page of this report.**

recession. But in the last week interest rates have been rising as much as 30 basis points along the curve. This is apt to continue as the Fed increases rates and sovereigns continue to increase debt. See page 3.

ECONOMIC ROUNDUP

The ISM manufacturing index was unchanged in August at 52.8 and the non-manufacturing index rose 0.2 to 56.9. Both indices are well below their 2021 peaks. The best component in both surveys was new orders, which rose from 48.0 to 51.3 in manufacturing and from 59.9 to 61.8 in the non-manufacturing survey. Employment was 54.2 in manufacturing and 50.2 in non-manufacturing, and both above 50 for the first time since March. In sum, these were slight improvements. See page 4.

Many feel that the August payroll report was the perfect combination for the Federal Reserve of “not too hot, not too cold” with a job gain of 315,000 and an unemployment rate that ratcheted up to 3.7%. But in our opinion, job growth has been subpar for a while. For the first time in this economic “expansion,” the seasonally adjusted level of employment in the establishment survey exceeded the peak employment level reached in February 2020, but only by a modest level of 240,000. Still, as seen on page 5, the not-seasonally-adjusted level of employment was 152.57 million in August and remained below the November 2019 peak level of 153.1 million.

In short, the monthly numbers do not tell the whole story. There has not been job “*growth*” in this expansion, in reality, there has barely been a job catch-up to pre-COVID levels. We see this as a critical weakness of the post-pandemic expansion. A normal economic expansion will see new peaks in employment and an accompanying increase in household income and consumption; but in fact, there are fewer people employed today than prior to the COVID shutdown. See page 5. We also noticed that there is a declining trend in the number of people who are “not in the labor force and do not want a job” and a corresponding rising trend in those “not in the labor force but want a job.” See page 6. This desire to return to work may be a sign of financial pressure in many households as the combination of inflation and rising taxes erodes purchasing power.

SEPTEMBER

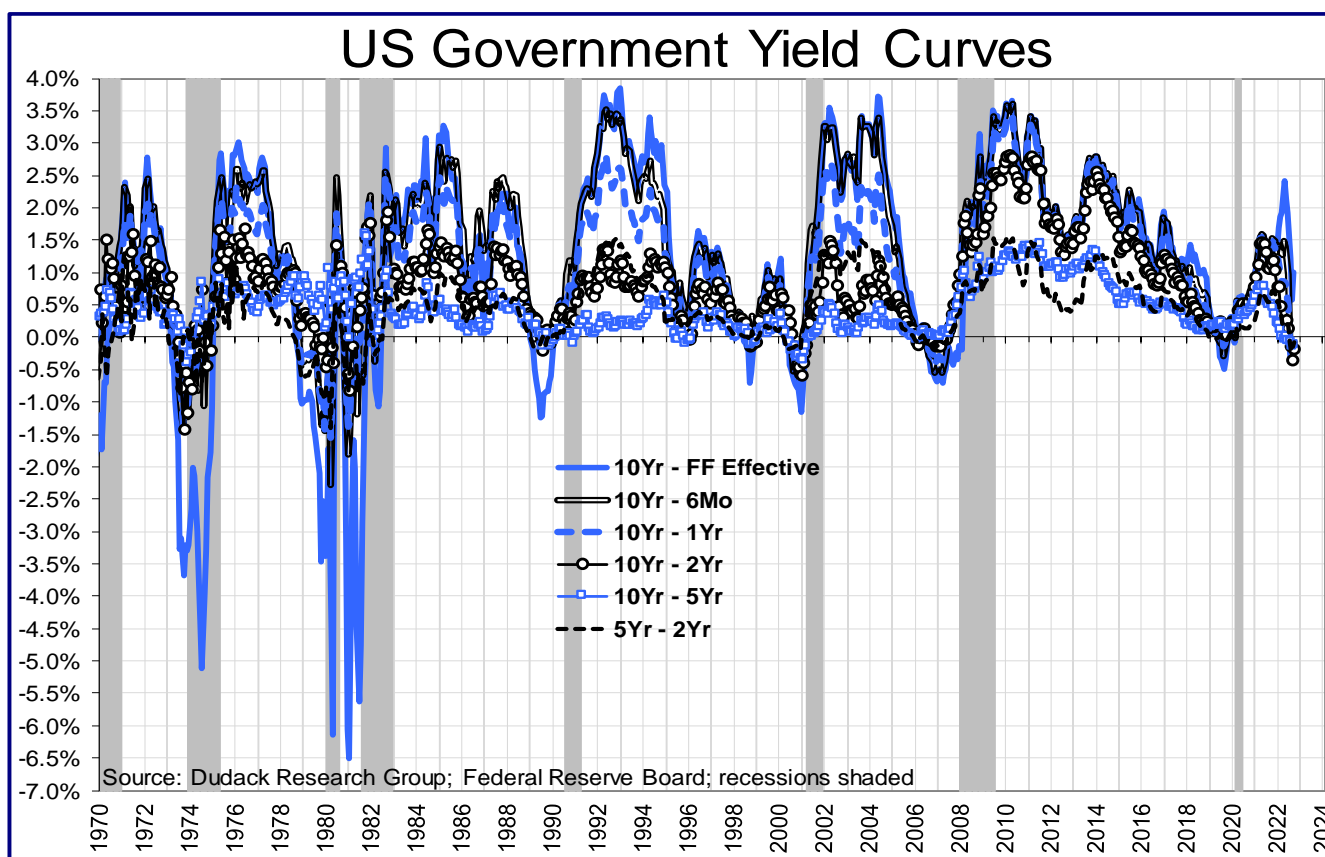
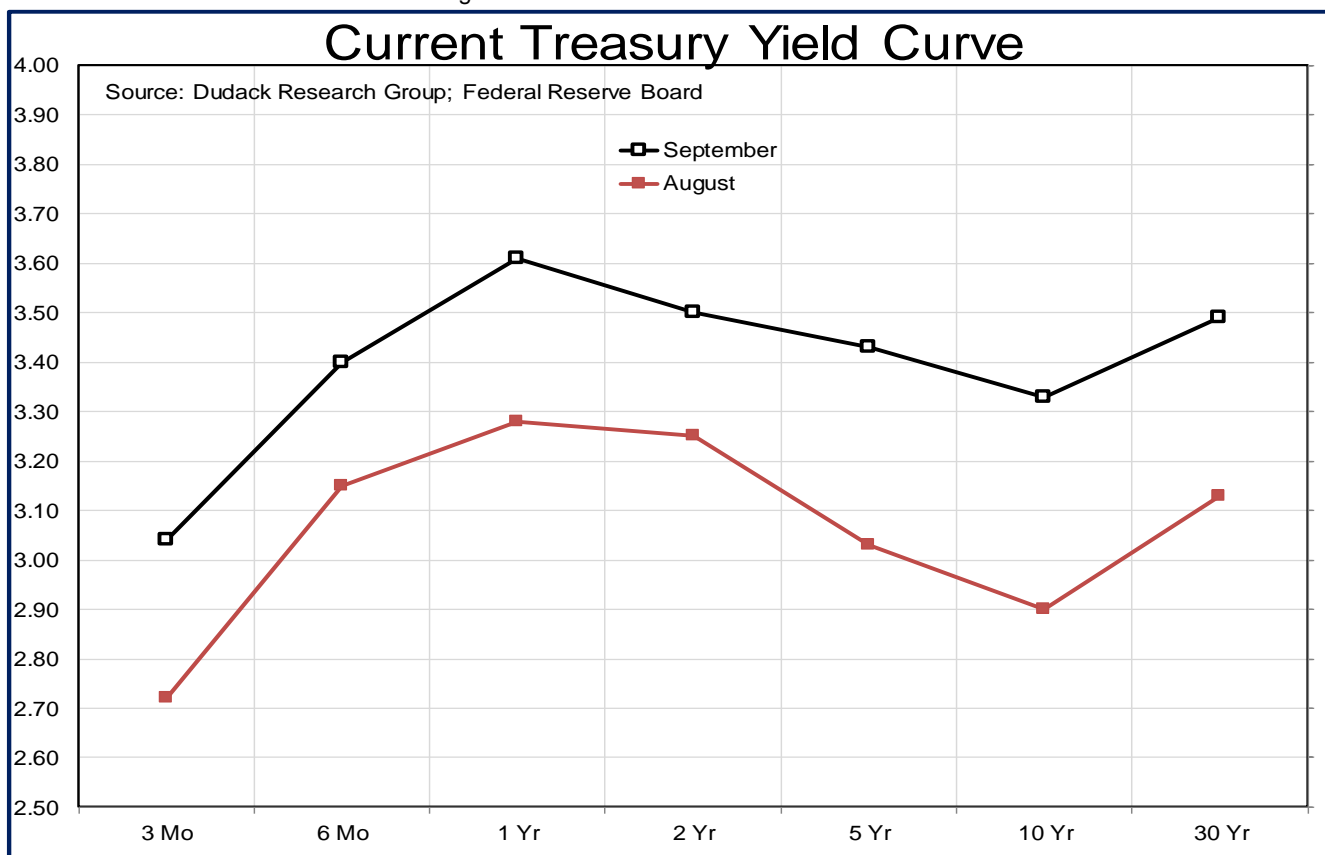
September is a great month in many ways, but it has a long history of poor stock market performance. Since 1950, the month is the weakest of all 12 months averaging a loss of 0.4%. Data going back to 1931, shows September to be the weakest month with an average loss of 0.9%. Either way, seasonality suggests September is a time to be cautious, particularly since it will include another Fed funds rate hike, earnings warning season, and dollar strength increases the cost of energy for all non-US entities and intensifies the pressure on the European economy.

TECHNICALS

Once the rally encountered resistance at the 200-day moving averages, the indices all plunged below all other shorter moving averages. It is a sign that the lows are apt to be tested in the near term. And keep in mind that it is not unusual for a test of bear market lows to generate a new low in price. In our opinion, it is the FANG-type stocks and the stay-at-home stocks that look the weakest currently. This is in line with the fact that 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. See page 13.

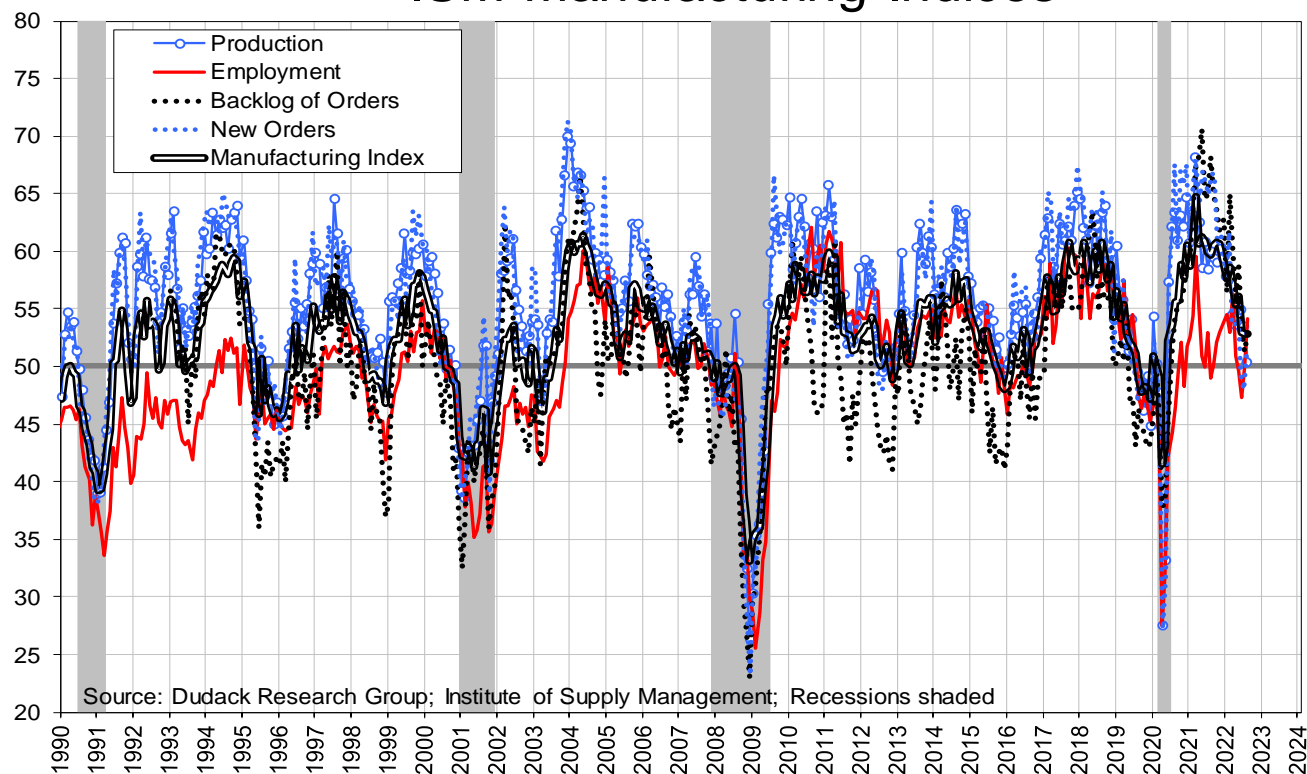
Since we believe there could be disappointments in September in terms of monetary policy, earnings, and a festering energy crisis/recession in Europe, and these risks have not been fully priced into equities, portfolios should be concentrated in sectors where earnings are most predictable and are both inflation and recession resistant. These include areas such as energy, utilities, defense-related stocks, staples, and select healthcare.

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. And this is a warning of an impending recession. Also note that interest rates are rising rather uniformly in recent weeks and could continue to do so as the Fed increases rates and sovereigns continue to increase debt.

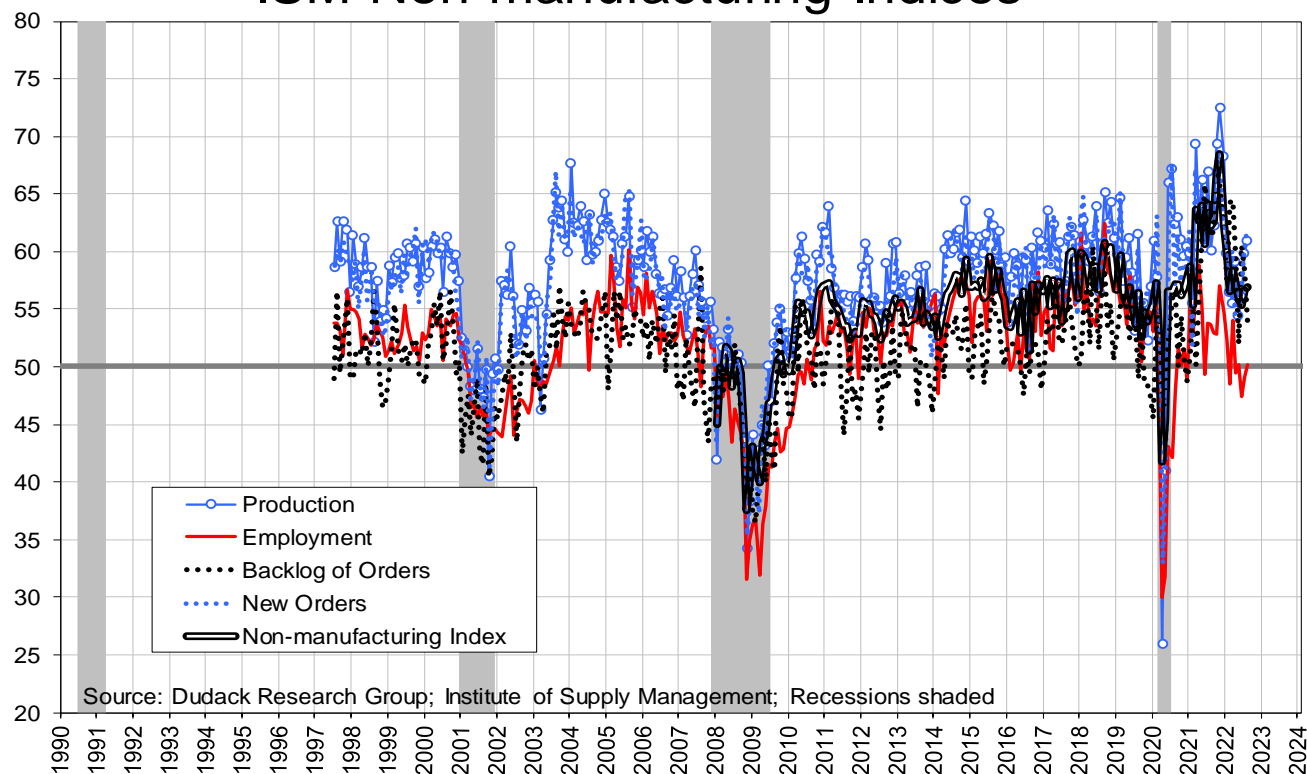


The ISM manufacturing index was unchanged at 52.8 in August and the non-manufacturing index rose 0.2 to 56.9. Both indices are well below their 2021 peaks. The best component in both surveys was new orders, which rose from 48.0 to 51.3 in manufacturing and from 59.9 to 61.8 in the non-manufacturing survey. Employment was 54.2 in manufacturing and 50.2 in non-manufacturing, and both above 50 for the first time since March.

ISM Manufacturing Indices



ISM Non-manufacturing Indices

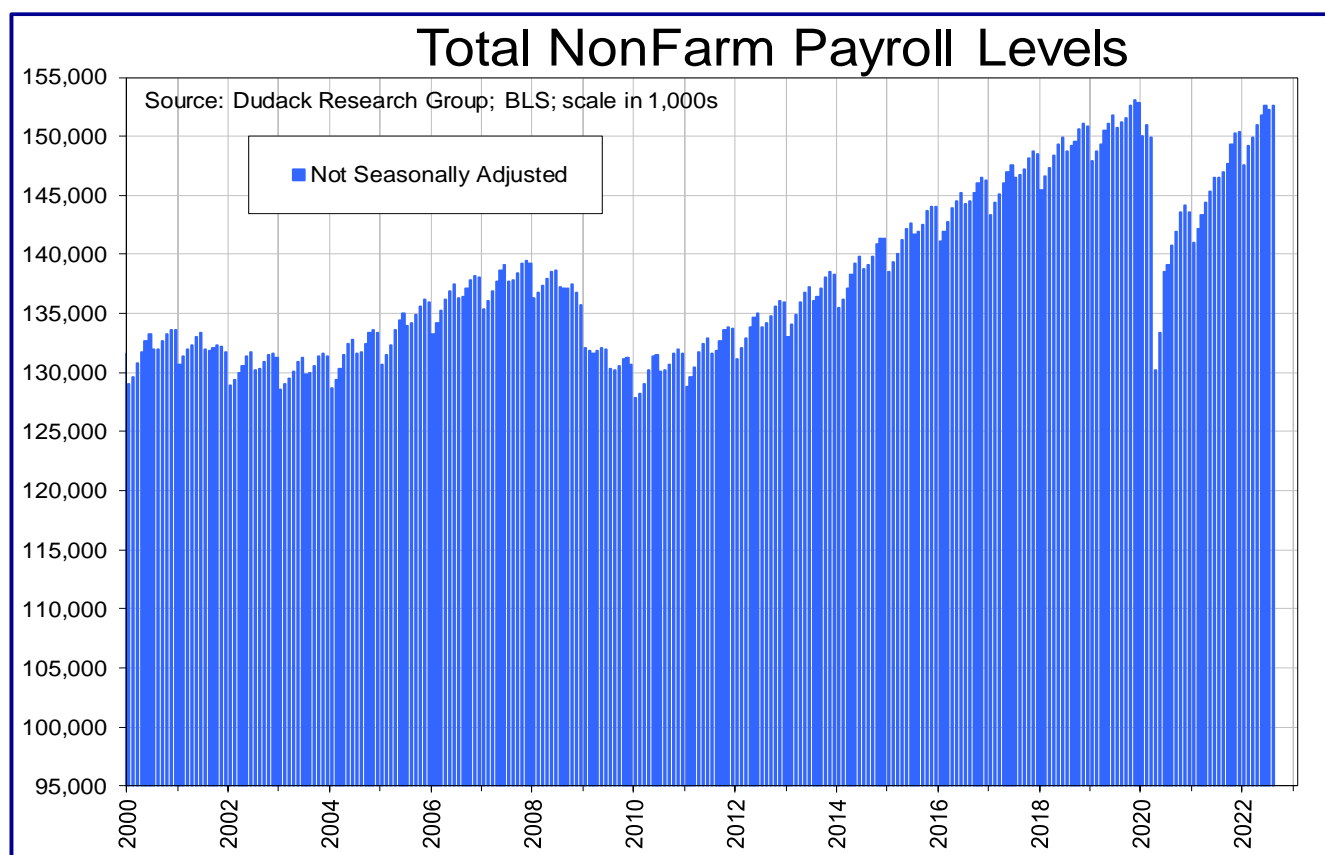


Many feel that the August payroll report was the perfect combination of “not too hot, not too cold” with a job gain of 315,000 and an unemployment rate that ratcheted up to 3.7%. For the first time in this economic “expansion” the seasonally adjusted level of employment in the establishment survey exceeded the peak employment of February 2020 by 240,000.

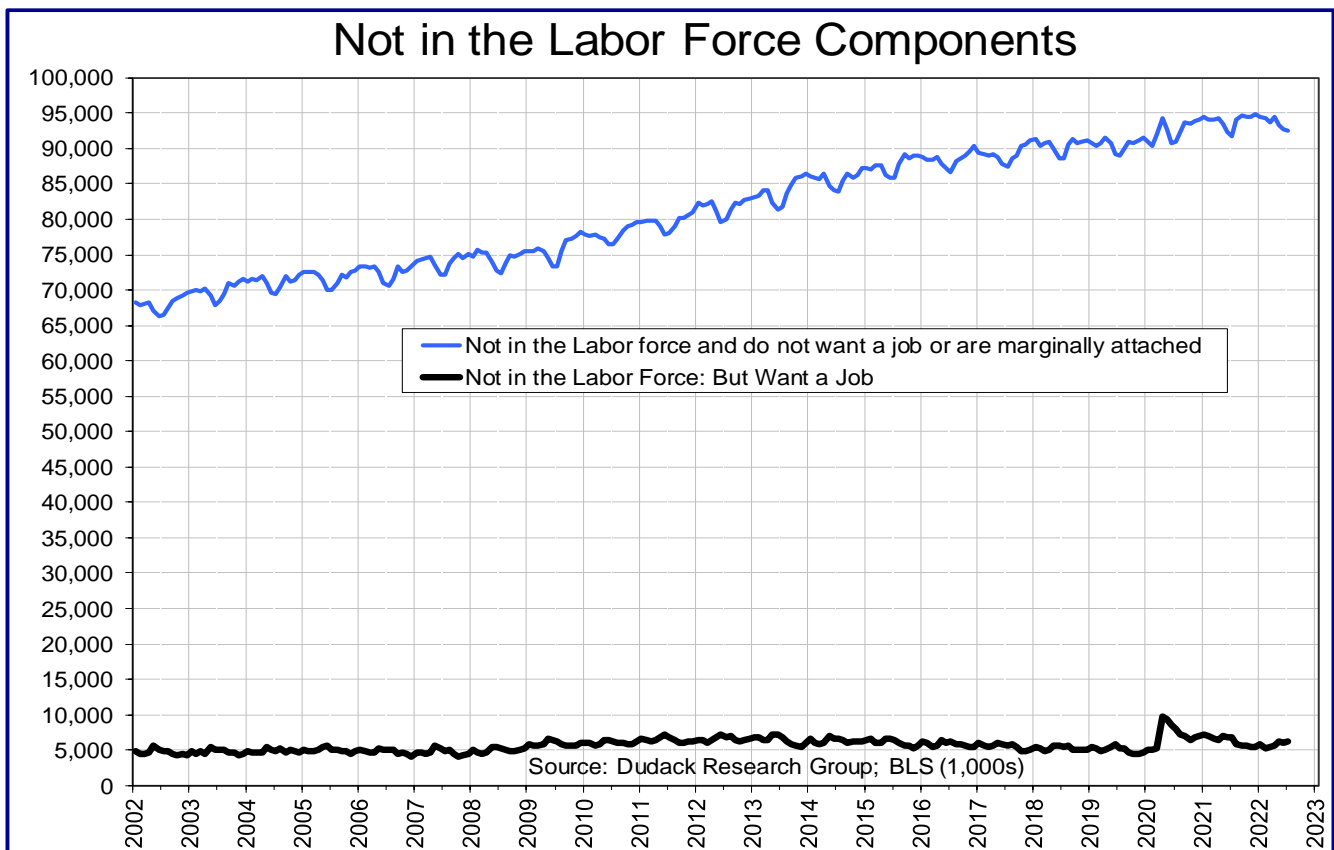
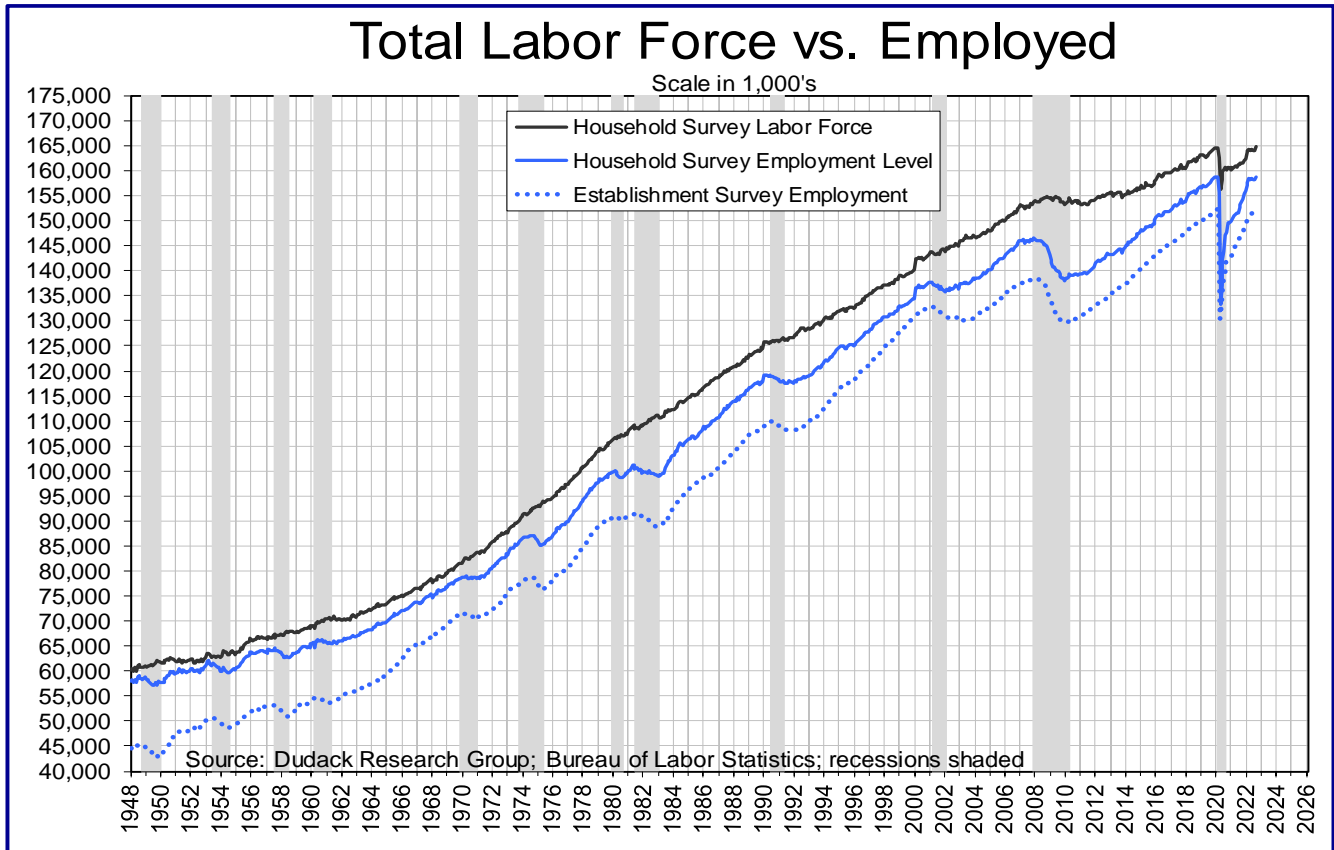
Employment Surveys (1,000s SA)	Aug-22	Jul-22	Change	Aug-21	Yr/Yr
Establishment Survey: NonFarm Payrolls	152,744	152,429	315	146,904	5,840
Household Survey Data (1,000s)					
Employed (A)	158,732	158,290	442	153,167	5,565
Unemployed (B)	6,014	5,670	344	8,339	(2,325)
Civilian labor force [A+B]	164,746	163,960	786	161,506	3,240
Unemployment rate [B/(A+B)]	3.7%	3.5%	0.19%	5.2%	-1.5%
U6 Unemployment rate	7.0%	6.7%	0.3%	8.8%	-1.8%
Civilian noninstitutional population (C)	264,184	264,012	172	261,611	2,573
Participation rate [(A+B)/C]	62.4	62.1	0.3	61.7	0.7
Employment-population ratio [A/C]	60.1	60.0	0.1	58.5	1.6
Not in labor force	99,438	100,051	-613	100,106	-668

Source: Bureau of Labor Statistics

However, as seen in the chart below, the not-seasonally-adjusted level of 152.57 million employed in August was still below the November 2019 peak level of 153.1 million. In our view, this is a clear example of the weakness of the post-pandemic expansion. There are fewer people employed today than prior to COVID. A normal economic expansion will see new peaks in employment and an accompanying increase in income and consumption.



According to the household survey, the total labor force in August was 164.7 million, just slightly above the pre-COVID level of 164.1 million, but employment, which matched the 159.1 million recorded in November 2019 in July, fell to 158.7 million in August. We noticed a declining trend in the number of people who are not in the labor force and do not want a job and a corresponding increasing trend in those not in the labor force but want a job.



SPX Peaks & Troughs (Using 10% as a Minimum Decline)								
SPX Peaks			SPX Troughs			Peak to Trough	Trough to Peak	Trough to Trough
Date	Price	% Increase	Date	Price	% Decline	Months	Months	Months
Feb 24, 1931	18.17	17.5%	Jan 19, 1931	15.46	-4.7%			
Nov 9, 1931	11.52	30.6%	Oct 5, 1931	8.82	-51.5% *	7.3	1.2	8.5
Sep 7, 1932	9.31	111.6%	Jun 1, 1932	4.40	-61.8% *	6.7	1.2	7.9
Mar 16, 1933	6.93	25.3%	Feb 27, 1933	5.53	-40.6%	5.7	3.2	8.9
Jun 12, 1933	10.89	86.2%	Mar 31, 1933	5.85	-15.6%	0.5	0.6	1.1
Jul 18, 1933	12.20	25.3%	Jun 15, 1933	9.74	-10.6%	0.1	2.4	2.5
Aug 25, 1933	11.28	16.9%	Jul 21, 1933	9.65	-20.9% *	0.1	1.1	1.2
Feb 6, 1934	11.82	37.9%	Oct 21, 1933	8.57	-24.0% *	1.9	1.2	3.0
Jun 18, 1934	10.37	10.9%	Jun 2, 1934	9.35	-20.9%	3.8	3.6	7.4
Apr 6, 1936	15.51	92.4%	Mar 14, 1935	8.06	-22.3% *	8.8	0.5	9.4
Mar 6, 1937	18.68	91.8%	Apr 29, 1936	13.53	-12.8%	0.8	12.8	13.5
Nov 9, 1938	13.79	42.9%	Mar 31, 1938	8.50	-54.5% *	12.8	10.2	23.0
Nov 9, 1940	11.40	33.0%	Jun 10, 1940	8.99	-34.8%	19.0	7.3	26.4
Jul 14, 1943	12.64	35.2%	Apr 28, 1942	7.47	-60.0% *	17.6	5.0	22.6
Feb 2, 1946	18.71	150.5%	Nov 29, 1943	10.99	-20.3%	4.5	14.5	19.1
May 29, 1946	19.25	14.5%	Feb 26, 1946	16.81	-10.2%	0.8	26.2	27.0
Jun 12, 1950	19.40	43.2%	Jun 13, 1949	13.55	-29.6% *	36.5	3.0	39.6
Jan 5, 1953	26.66	59.8%	Jul 17, 1950	16.68	-14.0%	1.2	12.0	13.1
Sep 23, 1955	45.63	100.9%	Sep 14, 1953	22.71	-14.8%	8.3	29.7	38.0
Aug 2, 1956	49.74	21.9%	Oct 11, 1955	40.80	-10.6%	0.6	24.3	24.9
Aug 3, 1959	60.71	55.7%	Oct 22, 1957	38.98	-21.6% *	14.7	9.7	24.4
Dec 12, 1961	72.64	38.9%	Oct 25, 1960	52.30	-13.9%	14.8	21.4	36.1
Feb 9, 1966	94.06	79.8%	Jun 26, 1962	52.32	-28.0%	6.4	13.6	20.0
Sep 25, 1967	97.59	33.3%	Oct 7, 1966	73.20	-22.2%	7.9	43.5	51.4
Nov 29, 1968	108.37	23.5%	Mar 5, 1968	87.72	-10.1%	5.3	11.6	16.9
Apr 28, 1971	104.77	51.2%	May 26, 1970	69.29	-36.1% *	17.9	8.8	26.7
Jan 11, 1973	120.24	33.4%	Nov 23, 1971	90.16	-13.9%	6.9	11.1	18.0
Sep 21, 1976	107.83	73.1%	Oct 3, 1974	62.28	-48.2% *	20.7	13.6	34.4
Feb 13, 1980	118.44	36.3%	Mar 6, 1978	86.90	-19.4%	17.5	23.6	41.1
Nov 28, 1980	140.52	125.6%	Mar 27, 1980	98.22	-17.1%	1.4	23.3	24.7
Oct 10, 1983	172.65	68.6%	Aug 12, 1982	102.42	-27.1%	20.4	8.1	28.5
Aug 25, 1987	336.78	127.8%	Jul 24, 1984	147.82	-14.4%	9.5	13.9	23.4
Oct 9, 1989	359.81	60.7%	Dec 4, 1987	223.91	-33.5%	3.3	37.1	40.4
Jul 16, 1990	368.94	14.2%	Jan 30, 1990	322.97	-10.2%	3.7	22.2	25.9
Oct 7, 1997	983.12	232.7%	Oct 11, 1990	295.47	-19.9% *	2.9	5.5	8.4
Jul 17, 1998	1186.75	35.3%	Oct 27, 1997	876.99	-10.8%	0.7	83.9	84.6
Jul 16, 1999	1418.78	48.2%	Aug 31, 1998	957.28	-19.3%	1.5	8.6	10.1
Mar 24, 2000	1527.46	22.5%	Oct 15, 1999	1247.41	-12.1%	3.0	10.5	13.5
Apr 16, 2002	1128.37	16.8%	Sep 21, 2001	965.80	-36.8% *	18.0	5.3	23.2
Oct 9, 2007	1565.15	101.5%	Oct 9, 2002	776.76	-31.2% *	5.8	6.8	12.6
Apr 23, 2010	1217.28	79.9%	Mar 9, 2009	676.53	-56.8% *	17.0	60.0	77.0
Apr 29, 2011	1363.61	33.3%	Jul 2, 2010	1022.58	-16.0%	2.3	13.5	15.8
Apr 2, 2012	1419.04	29.1%	Oct 3, 2011	1099.23	-19.4%	5.2	9.9	15.1
May 21, 2015	2130.82	66.7%	Jun 1, 2012	1278.04	-9.9%	2.0	6.0	8.0
Jan 26, 2018	2872.87	57.1%	Feb 11, 2016	1829.08	-14.2%	8.7	35.6	44.4
Sep 20, 2018	2930.75	13.6%	Feb 8, 2018	2581.00	-10.2%	0.4	23.5	23.9
Feb 19, 2020	3386.15	44.0%	Dec 24, 2018	2351.10	-19.8%	3.1	7.4	10.5
Jan 3, 2022	4796.56	114.4%	Mar 23, 2020	2237.40	-33.9%	1.1	13.9	15.0
			Jun 16, 2022	3666.77	-23.6%	5.4	21.4	26.8
Average		57.6%			-24.2%	7.6	15.3	22.9
Median		43.0%			-19.9%	5.4	10.8	21.3
Minimum		10.9%			-61.8%	0.1	0.5	1.1
Maximum		232.7%			-9.9%	36.5	83.9	84.6

Source: Dudack Research Group; Thomson Reuters *Trough lower than previous trough

Blue peaks= highest of cycle; Yellow highlight= low is below previous trough; Green = October lows

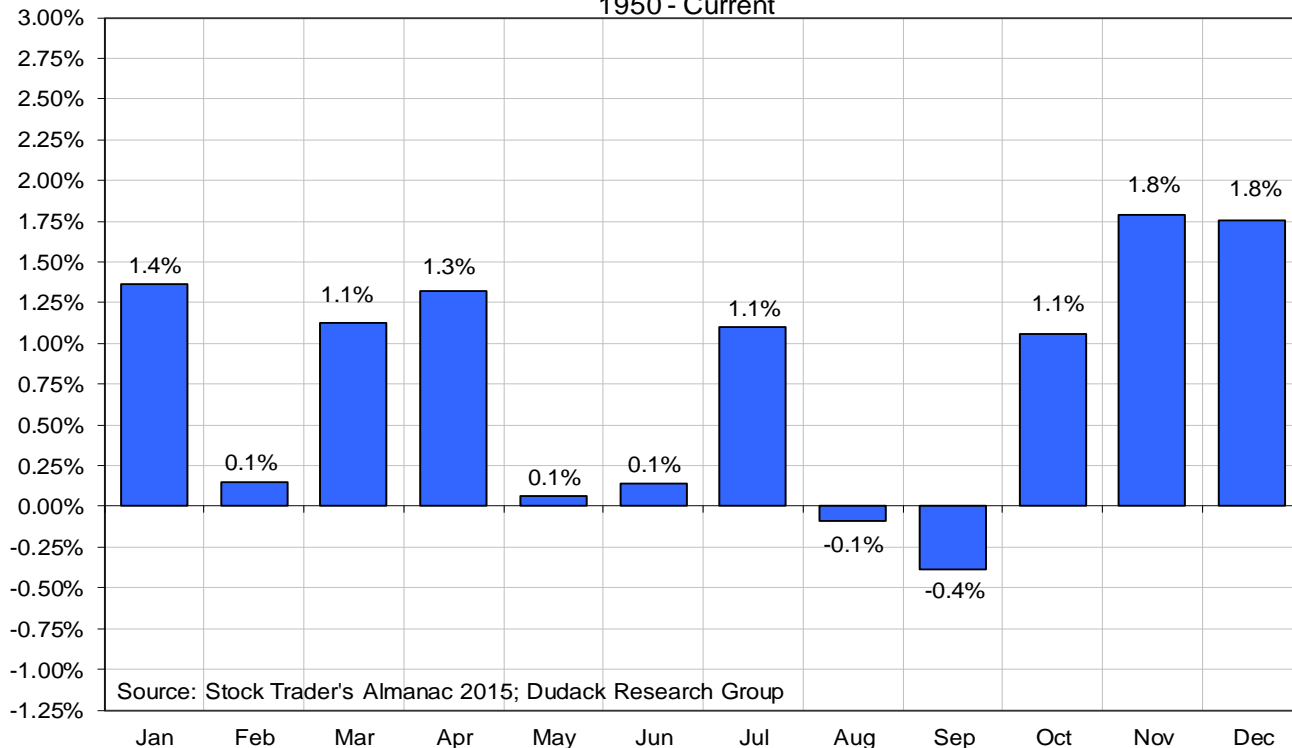
DJIA Peaks & Troughs - Using 10% as a Minimum Decline								
DJIA Peaks			DJIA Troughs			Peak to Trough	Trough to Peak	Trough to Trough
Date	Price	Increase	Date	Price	Decline	Months	Months	Months
Mar 20, 1923	105.38	64.9%	Aug 24, 1921	63.90	-46.6%		18.8	
Sep 3, 1929	381.17	344.5%	Oct 27, 1923	85.76	-18.6%	7.3	70.3	26.1
Apr 17, 1930	294.07	48.0%	Nov 13, 1929	198.69	-47.9%	2.3	5.1	72.6
Sep 7, 1932	79.93	93.9%	Jul 8, 1932	41.22	-86.0%*	34.2	2.0	31.8
Feb 5, 1934	110.74	120.8%	Feb 27, 1933	50.16	-37.2%	5.7	11.3	7.7
Mar 10, 1937	194.40	127.3%	Jul 26, 1934	85.51	-22.8%	5.6	31.5	16.9
Nov 12, 1938	158.41	60.1%	Mar 31, 1938	98.95	-49.1%	12.7	7.4	44.2
Sep 12, 1939	155.92	28.4%	Apr 8, 1939	121.44	-23.3%	4.8	5.2	12.3
May 29, 1946	212.50	128.7%	Apr 28, 1942	92.92	-40.4%*	31.5	49.1	36.7
Jun 15, 1948	193.16	18.4%	May 17, 1947	163.21	-23.2%	11.6	13.0	60.7
Jan 5, 1953	293.79	81.8%	Jun 13, 1949	161.60	-16.3%*	11.9	42.8	24.9
Apr 6, 1956	521.05	103.9%	Sep 14, 1953	255.49	-13.0%	8.3	30.7	51.1
Jan 5, 1960	685.47	63.3%	Oct 22, 1957	419.79	-19.4%	18.5	26.5	49.3
Dec 13, 1961	734.91	29.8%	Oct 25, 1960	566.05	-17.4%	9.7	13.6	36.1
Feb 9, 1966	995.15	85.7%	Jun 26, 1962	535.76	-27.1%*	6.4	43.5	20.0
Nov 29, 1968	985.08	32.3%	Oct 7, 1966	744.32	-25.2%	7.9	25.8	51.4
Apr 28, 1971	950.82	50.6%	May 26, 1970	631.16	-35.9%*	17.9	11.1	43.6
Jan 11, 1973	1,051.70	31.8%	Nov 23, 1971	797.97	-16.1%	6.9	13.6	18.0
Sep 21, 1976	1,014.79	75.7%	Dec 6, 1974	577.60	-45.1%*	22.8	21.5	36.5
Sep 8, 1978	907.74	22.3%	Feb 28, 1978	742.12	-26.9%	17.3	6.3	38.8
Apr 27, 1981	1,024.05	38.0%	Apr 21, 1980	759.13	-16.4%	19.4	12.2	25.7
Nov 29, 1983	1,287.20	65.7%	Aug 12, 1982	776.92	-24.1%	15.5	15.6	27.7
Aug 25, 1987	2,722.42	250.4%	Jul 24, 1984	1,086.57	-15.6%	7.8	37.1	23.4
Jul 16, 1990	2,999.75	72.5%	Oct 19, 1987	1,738.74	-36.1%	1.8	32.9	38.9
Jul 17, 1998	9,337.96	294.8%	Oct 11, 1990	2,365.10	-21.2%	2.9	93.2	35.8
Jan 14, 2000	11,722.98	55.5%	Aug 31, 1998	7,539.07	-19.3%	1.5	16.5	94.7
Nov 27, 2002	8,931.68	22.6%	Oct 9, 2002	7,286.27	-37.8%*	32.8	1.6	49.3
Oct 9, 2007	14,164.53	88.3%	Mar 11, 2003	7,524.06	-15.8%	3.4	55.0	5.0
Apr 23, 2010	11,204.28	71.1%	Mar 9, 2009	6,547.05	-53.8%*	17.0	13.5	72.0
Apr 29, 2011	12,810.54	31.6%	Jul 1, 2010	9,732.53	-13.1%	2.3	9.9	15.7
May 19, 2015	18,312.39	71.9%	<i>Oct 3, 2011</i>	<i>10,655.30</i>	<i>-16.8%</i>	5.2	43.5	15.1
Jan 26, 2018	26,616.71	70.0%	<i>Feb 11, 2016</i>	<i>15,660.18</i>	<i>-14.5%</i>	8.8	23.5	52.3
Oct 3, 2018	26,828.39	12.4%	<i>Feb 8, 2018</i>	<i>23,860.46</i>	<i>-10.4%</i>	0.4	7.8	23.9
Feb 12, 2020	29,551.42	35.6%	Dec 24, 2018	21,792.20	-18.8%	2.7	13.6	10.5
Jan 4, 2022	36,799.65	97.9%	Mar 23, 2020	18,591.93	-37.1%	1.3	21.4	15.0
			Jun 16, 2022	29,927.07	-18.7%	5.4		26.8
Average		82.1%	Average		-27.7%	10.8	24.3	34.8
Median		65.3%	Median		-23.0%	7.9	16.0	33.8
Minimum		12.4%	Minimum		-10.4%	0.4	1.6	5.0
Maximum		344.5%	Maximum		-86.0%	34.2	93.2	94.7
Selected Average		97.7%	Selected Average		-32.1%			

Source: Dudack Research Group; Thomson Reuters *Trough lower than previous trough
 Selected peaks & troughs = levels noted by other strategists as bull/bear turning points

September has a history of poor performance. Since 1950, the month is the weakest of all 12 months averaging a loss of 0.4%. Data going back to 1931, shows September to be the weakest month with an average loss of 0.9%. Either way, seasonality suggests September is a time to be cautious.

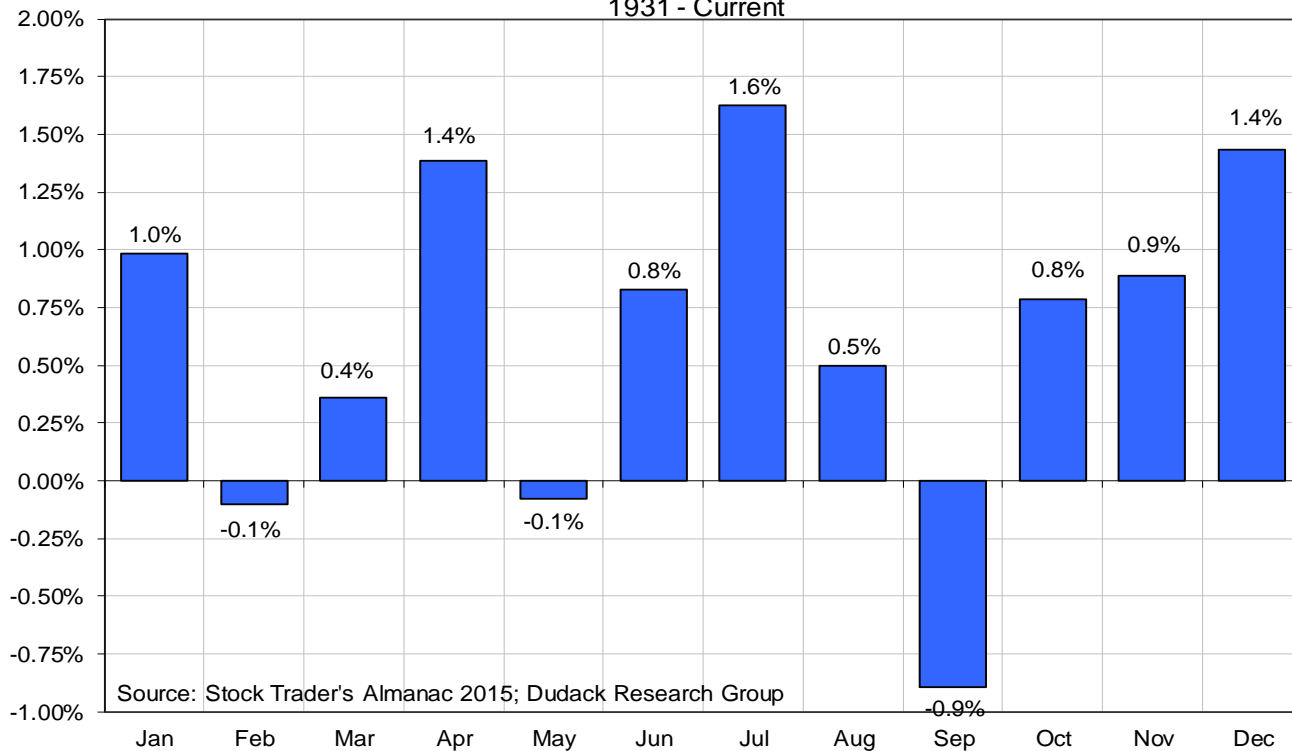
SP500 Monthly % Performance

1950 - Current

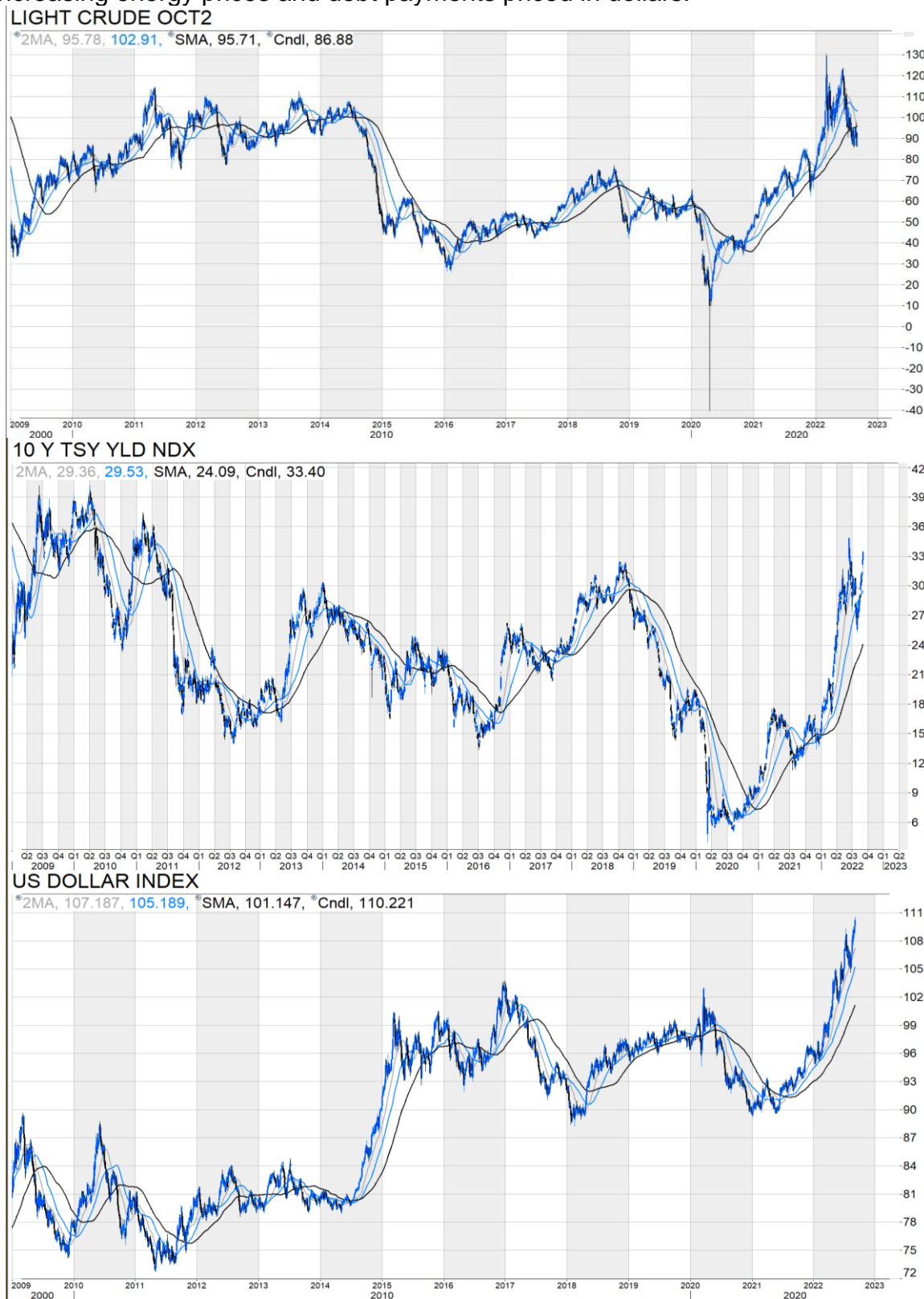


SP500 Monthly % Performance

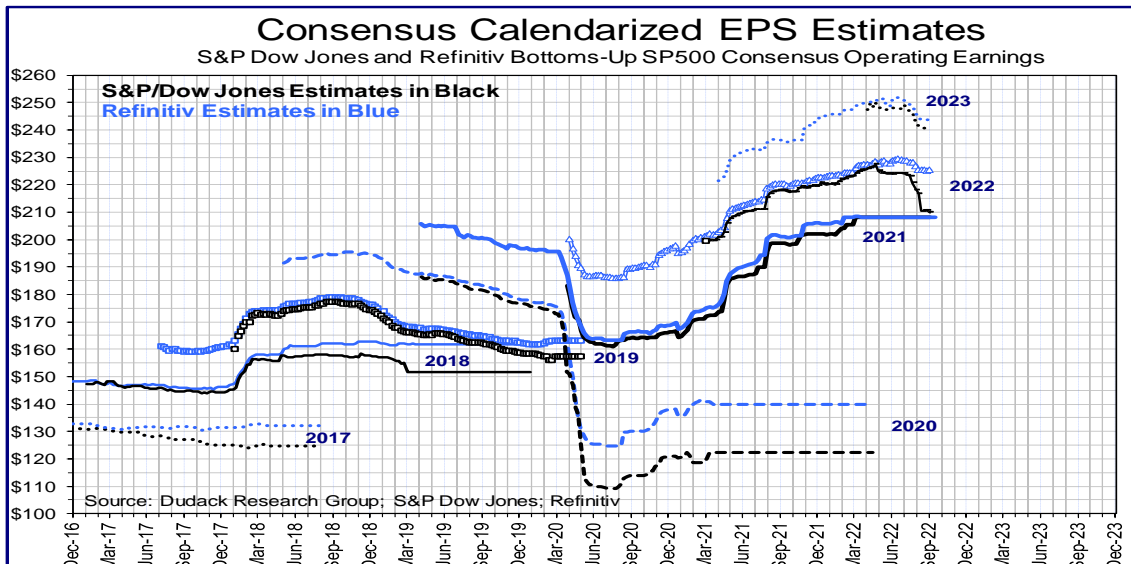
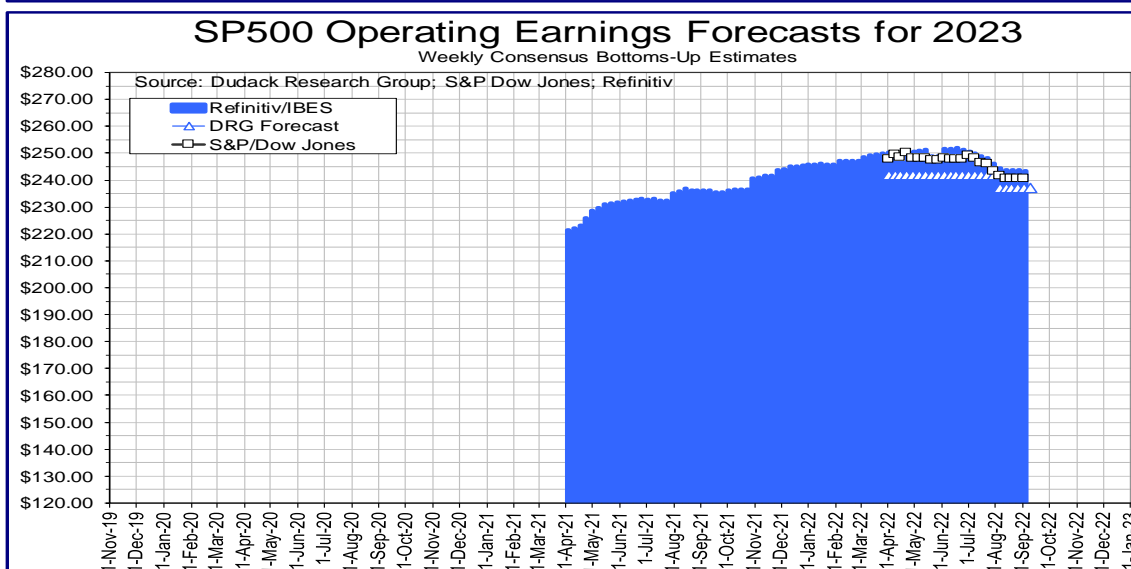
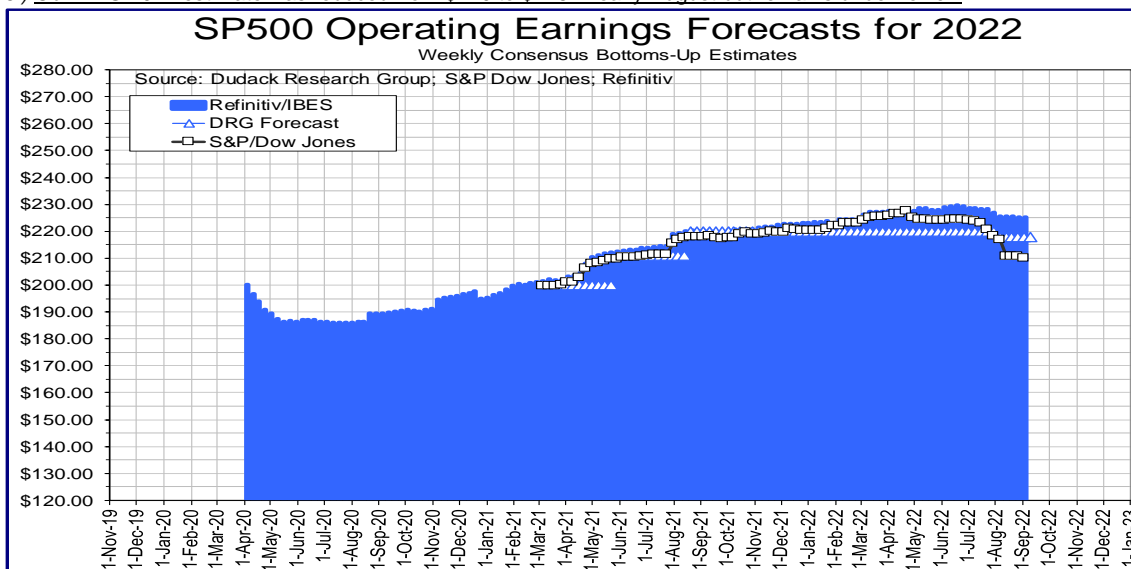
1931 - Current



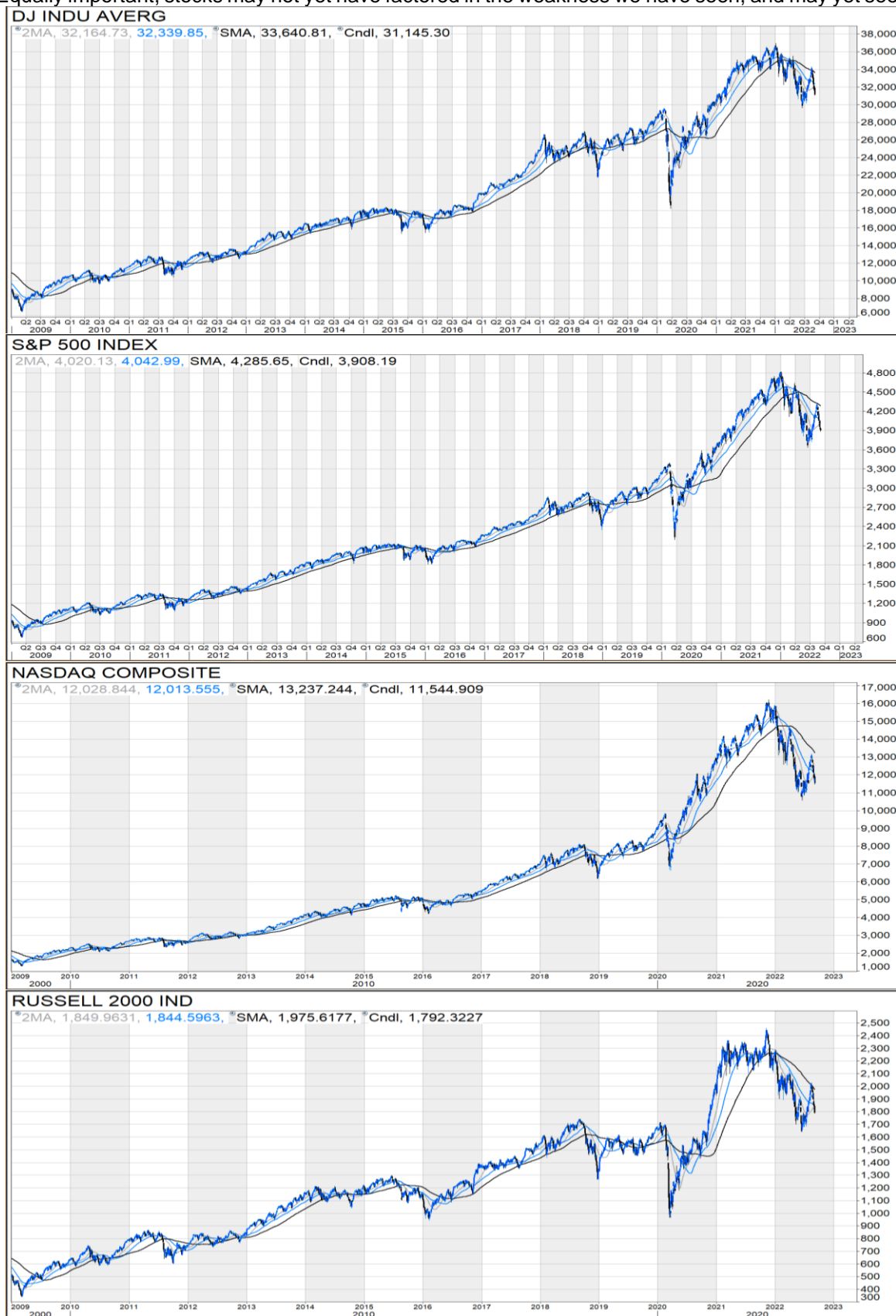
Crude oil prices fell even though Russia shut down natural gas supplies to Europe. Price declines may prove to be temporary. Meanwhile, the 10-year Treasury yield jumped to 3.34%, but the 1-year yield soared to 3.6%, inverting the curve. Most disturbing is the rise in the dollar which could reverberate globally, increasing energy prices and debt payments priced in dollars.



This week S&P Dow Jones consensus earnings estimates for 2022 fell \$0.57 and for 2023 rose \$0.09. Refinitiv IBES consensus earnings forecasts rose \$0.01 and fell \$0.03, respectively. The S&P consensus earnings estimate for 2022 declined to \$209.99 and IBES was unchanged at \$225.37, bringing EPS growth rates for 2022 to 0.9% 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 200-day moving averages proved to be significant resistance for all the indices and prices have since plummeted through all underlying moving averages quickly. This turnaround makes sense since the discussion regarding a “Fed pivot” was naïve. Equally important, stocks may not yet have factored in the weakness we have seen, and may yet see, in earnings.

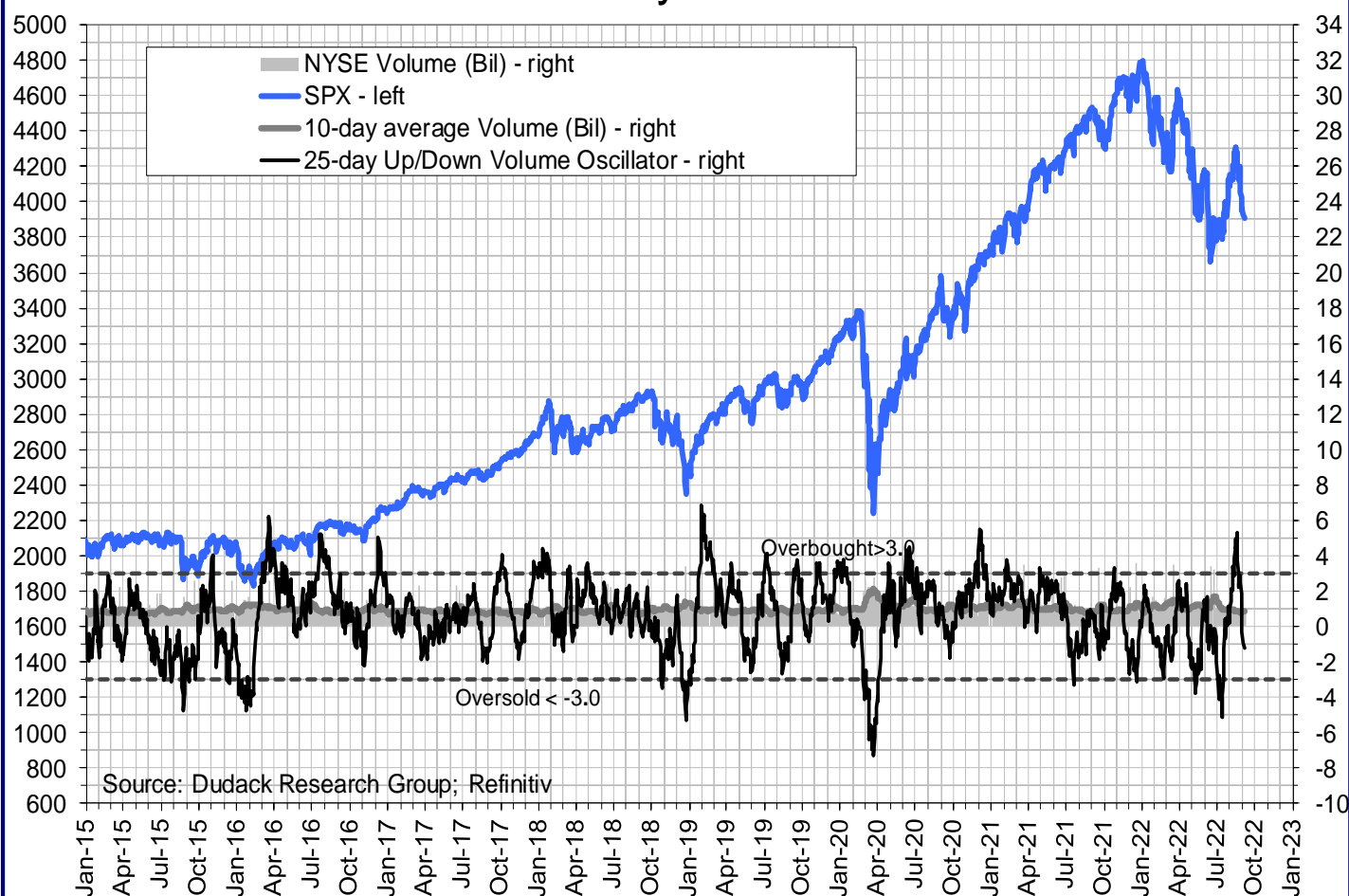


Source: Refinitiv

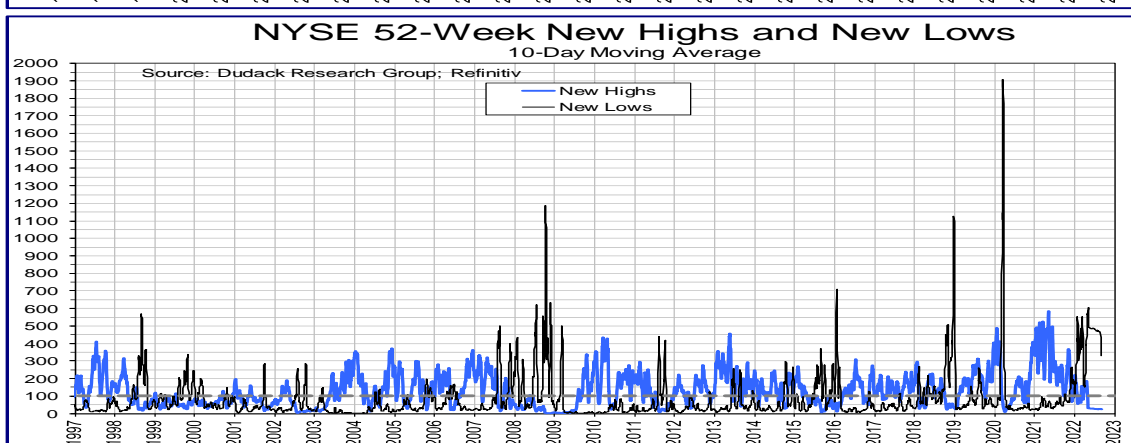
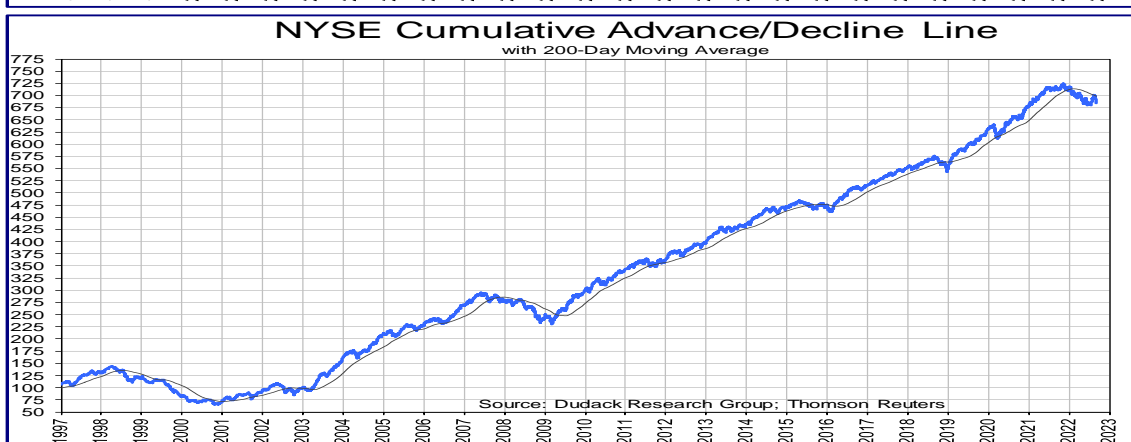
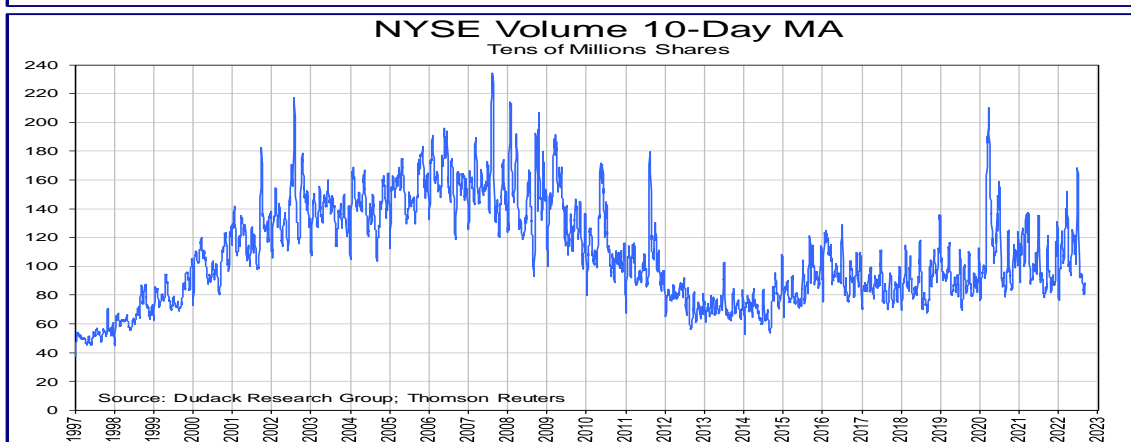
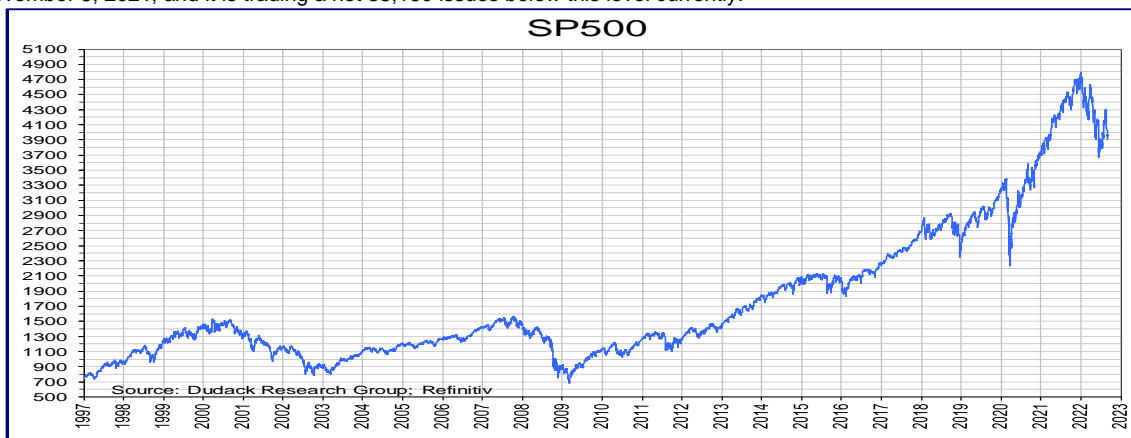
The key to a successful retest of a bear market low is whether or not a new low in price also generates a new low in breadth. A successful retest will show there is less selling pressure – a less severe oversold reading -- despite a lower low in price. We think this is a possibility in the final months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

The 25-day up/down volume oscillator fell to negative 1.22 this week but was overbought for seven of eight consecutive days between August 10th and August 19th. It also reached a peak overbought reading of 5.26 on August 18th, 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 last two 90% days were up days on July 19, 2022 (92%) and August 10 (91%), an indication that momentum could be shifting from bear to at worst neutral. However, the August 26 session was a 91% down day coupled with a 1,008-point decline in the DJIA, indicating that the bottoming process is still ongoing.

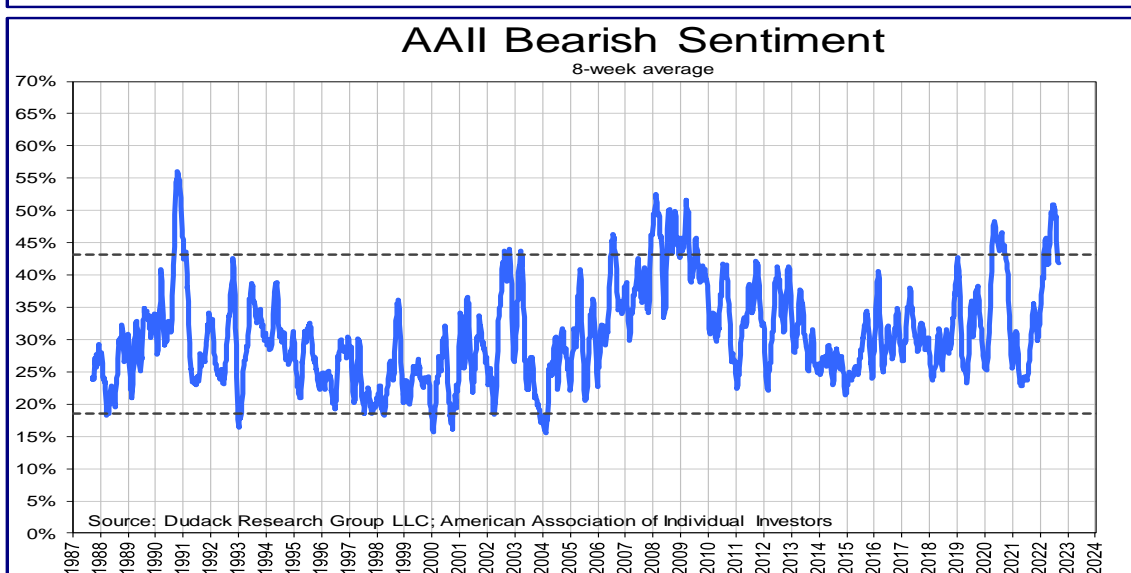
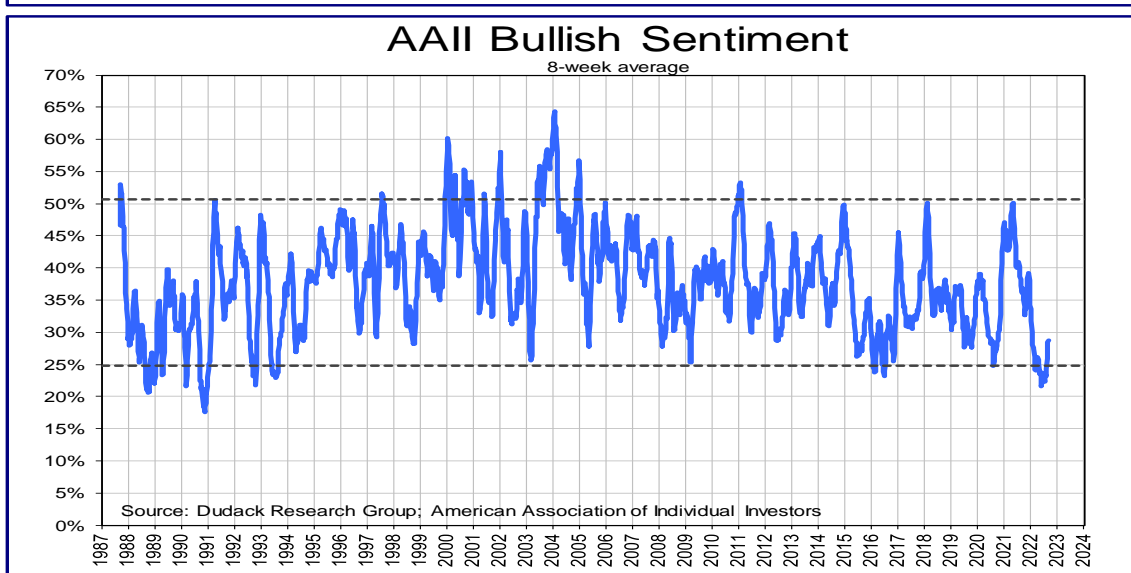
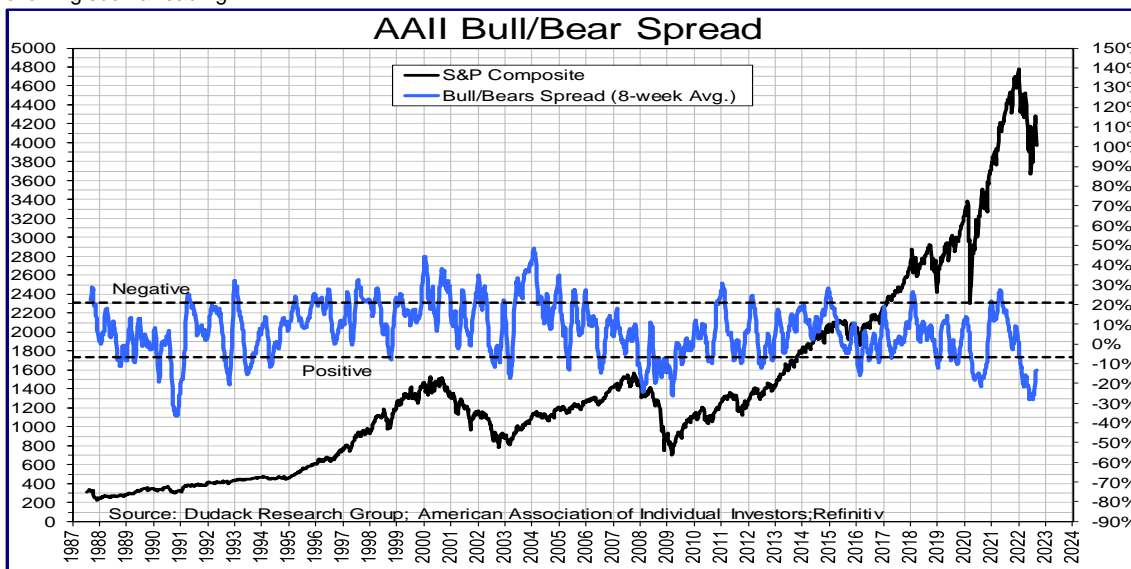
SPX and 25-Day Volume Oscillator



The 10-day average of daily new highs is 24 this week and daily new lows are 323. 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 38,160 issues below this level currently.



Last week's AAI readings showed a decrease of 5.8% in bulls to 21.9% and an increase of 8.0% in bears to 50.4%. These results reset optimism below average and pessimism above average. There were 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.

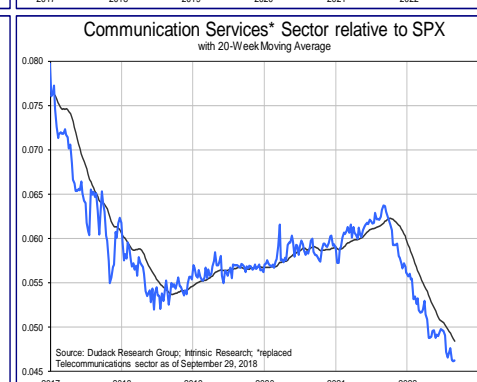
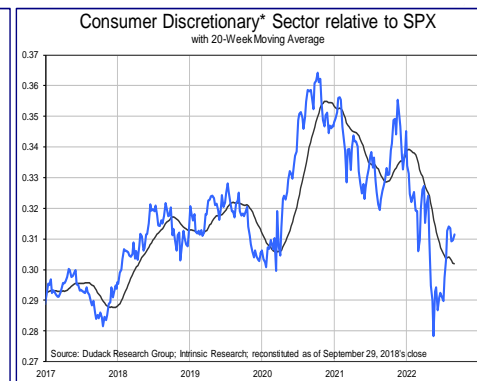
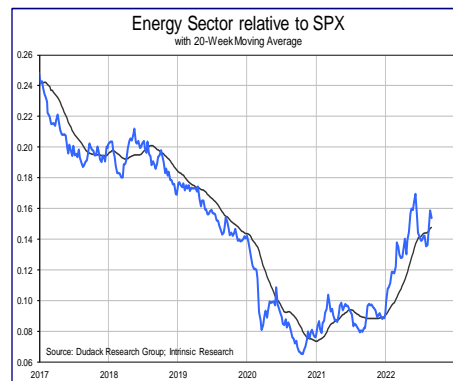


SECTOR RELATIVE PERFORMANCE – RELATIVE OVER/UNDER/ PERFORMANCE TO S&P 500

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	42.4%
S&P UTILITIES	3.9%
S&P CONSUMER STAPLES	-6.9%
S&P HEALTH CARE	-11.5%
S&P INDUSTRIALS	-13.1%
S&P FINANCIAL	-16.4%
S&P 500	-18.0%
S&P MATERIALS	-18.4%
S&P REITS	-19.7%
S&P CONSUMER DISCRETIONARY	-24.4%
S&P INFORMATION TECH	-24.5%
S&P COMMUNICATIONS SERVICES	-32.5%

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	79.22	-2.5%	8.4%	10.8%	42.7%
United States Oil Fund, LP	USO	71.42	-5.4%	-0.2%	-11.1%	31.4%
iShares DJ US Oil Eqpt & Services ETF	IEZ	16.28	-1.7%	5.4%	1.9%	26.3%
Oil Future	CLc1	86.87	-3.0%	-4.3%	-17.9%	15.5%
iShares MSCI Brazil Capped ETF	EWZ	30.25	-3.1%	1.7%	10.4%	7.8%
Gold Future	GCc1	2383.10	0.2%	0.9%	2.0%	7.7%
Utilities Select Sector SPDR	XLU	74.79	-0.1%	0.8%	6.6%	4.5%
SPDR Communication Services ETF	XLC	56.15	0.0%	0.0%	0.0%	0.0%
iShares MSCI India ETF	INDA.K	42.91	-0.8%	0.2%	9.0%	-6.4%
Consumer Staples Select Sector SPDR	XLP	72.15	-1.9%	-3.3%	0.0%	-6.4%
SPDR Gold Trust	GLD	158.33	-1.4%	-4.2%	-6.0%	-7.4%
Shanghai Composite	.SSEC	3243.45	1.3%	0.5%	-4.3%	-10.9%
iShares MSCI Mexico Capped ETF	EWX	45.00	-0.4%	-0.7%	-3.4%	-11.1%
Health Care Select Sect SPDR	XLV	125.11	-0.4%	-4.8%	-2.4%	-11.2%
iShares Russell 1000 Value ETF	IWD	148.47	-1.7%	-3.7%	2.4%	-11.6%
iShares MSCI Malaysia ETF	EWM	22.06	-1.6%	-2.3%	0.5%	-11.9%
Industrial Select Sector SPDR	XLI	92.31	-1.5%	-4.0%	5.7%	-12.8%
iShares MSCI Canada ETF	EWG	33.28	-2.5%	-4.3%	-1.2%	-13.4%
iShares MSCI United Kingdom ETF	EWU	28.66	-2.2%	-6.5%	-4.3%	-13.5%
iShares MSCI Australia ETF	EWA	21.47	-2.6%	-4.1%	1.2%	-13.5%
iShares MSCI Hong Kong ETF	EWH	19.94	-2.1%	-5.4%	-10.2%	-14.0%
SPDR DJIA ETF	DIA	312.20	-1.8%	-4.8%	1.4%	-14.1%
DJIA	.DJI	31145.30	-2.0%	-5.1%	1.2%	-14.3%
SPDR S&P Bank ETF	KBE	46.27	-3.6%	-5.2%	5.4%	-15.2%
iShares Russell 2000 Value ETF	IWN	140.75	-3.4%	-6.6%	3.4%	-15.2%
Financial Select Sector SPDR	XLF	32.81	-1.5%	-2.6%	4.3%	-16.0%
iShares MSCI Singapore ETF	EWS	17.94	-1.6%	-7.5%	1.5%	-16.1%
SP500	.SPX	3908.19	-2.0%	-5.7%	3.2%	-18.0%
Materials Select Sector SPDR	XLB	74.12	-2.9%	-3.9%	0.7%	-18.2%
iShares Russell 1000 ETF	IWB	215.51	-2.0%	-5.7%	3.7%	-18.5%
PowerShares Water Resources Portfolio	PHO	49.44	-1.4%	-5.6%	7.0%	-18.7%
iShares US Real Estate ETF	IYR	94.28	-0.4%	-4.3%	2.5%	-18.8%
iShares iBoxx \$ Invest Grade Corp Bond	LQD	106.92	-3.2%	-5.4%	-2.8%	-19.3%
iShares Russell 2000 ETF	IWM	178.31	-3.4%	-6.5%	5.3%	-19.8%
Vanguard FTSE All-World ex-US ETF	VEU	48.25	-2.7%	-5.8%	-3.4%	-21.3%
iShares China Large Cap ETF	FXI	28.68	-3.1%	-4.8%	-15.4%	-21.6%
iShares MSCI Emerg Mkts ETF	EEM	38.30	-2.5%	-4.4%	-4.5%	-21.6%
iShares Nasdaq Biotechnology ETF	IBB.O	119.54	-1.3%	-9.1%	1.6%	-21.7%
iShares MSCI BRIC ETF	BKF	34.76	-2.1%	-2.2%	-6.0%	-22.3%
iShares Silver Trust	SLV	17.25	-2.6%	-9.8%	-11.4%	-23.0%
iShares MSCI Japan ETF	EWJ	51.55	-4.2%	-6.8%	-2.4%	-23.0%
iShares MSCI EAFE ETF	EFA	60.32	-2.9%	-7.2%	-3.5%	-23.3%
Silver Future	Slc1	17.80	-2.0%	-10.2%	-12.3%	-23.7%
Technology Select Sector SPDR	XLK	131.97	-3.4%	-10.2%	3.8%	-24.1%
Consumer Discretionary Select Sector SPDR	XLY	155.17	-1.2%	-5.6%	12.9%	-24.1%
iShares Russell 2000 Growth ETF	IWO	221.02	-3.3%	-6.5%	7.1%	-24.6%
iShares Russell 1000 Growth ETF	IWF	230.14	-2.3%	-7.5%	5.2%	-24.7%
Nasdaq Composite Index Tracking Stock	ONEQ.O	45.27	-2.7%	-8.7%	4.9%	-25.7%
NASDAQ 100	NDX	12011.31	-2.7%	-9.1%	4.4%	-26.4%
iShares US Telecomm ETF	IYZ	23.98	-3.6%	-8.2%	-4.6%	-27.1%
iShares MSCI Taiwan ETF	EWT	48.53	-2.6%	-5.7%	-3.7%	-27.1%
iShares 20+ Year Treas Bond ETF	TLT	107.49	-4.8%	-7.7%	-6.4%	-27.5%
iShares MSCI South Korea Capped ETF	EWY	54.96	-4.0%	-9.5%	-5.6%	-29.4%
SPDR S&P Retail ETF	XRT	62.37	-3.4%	-6.8%	7.2%	-30.9%
SPDR Homebuilders ETF	XHB	58.77	-2.9%	-8.3%	7.4%	-31.5%
SPDR S&P Semiconductor ETF	XSD	163.10	-6.0%	-13.2%	7.5%	-32.9%
iShares MSCI Austria Capped ETF	EWO	16.80	-2.9%	-9.4%	-7.0%	-34.0%
iShares MSCI Germany ETF	EWG	21.49	-2.0%	-9.0%	-6.6%	-34.4%

Outperformed SP500

Underperformed SP500

Source: Dudack Research Group; Thomson Reuters

Priced as of September 6, 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	~~~~~	\$188.15	\$209.99	\$218.00	4.7%	\$225.37	8.3%	18.6X	NA	NA	NA	NA
2023E	~~~~~	\$212.86	\$240.66	\$237.00	8.7%	\$243.61	8.1%	16.2X	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	\$42.65	\$46.97	\$52.04	0.0%	\$57.94	10.2%	18.5	1.7%	-0.6%	\$2,620.40	7.4%
2022 3QE*	3908.19	\$48.65	\$55.82	\$57.60	10.7%	\$56.23	4.7%	18.7	NA	NA	NA	NA
2022 4QE		\$50.86	\$57.84	\$59.00	4.0%	\$58.40	8.2%	18.6	NA	NA	NA	NA

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

9/6/2022

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.

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

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