Dudack Research Group
A Division of Wellington Shields & Co. LLC Member NYSE, FINRA & SIPC
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DJIA: 33136.37
SPX: 3824.14
NASDAQ: 10386.99

US Strategy Weekly

Historic Guidelines

History may not repeat itself exactly, but there is always something to learn from past economic cycles. In 2022, inflation was the highest in 40 years and there is much to be learned from this. In fact, whenever inflation has been greater than one standard deviation above the norm, a recession has followed. In fact, <u>very high inflation has usually been followed by a series of recessions over a period of years</u>.

Looking for a Recession

We believe Chairman Jerome Powell knows this part of history very well and it explains why we believe he will keep interest rates higher for longer than most forecasters expect. In previous cycles the Fed lowered interest rates at the first sign of a recession, only to see inflation reappear 12 to 18 months later. Discussions today center on when investors believe the Fed will "pivot" and most expect weakness in the economy will be the catalyst for easier monetary policy. <u>In our view, although the Fed may not speak of it publicly, it expects a recession and is unlikely to be frightened at the first signs of economic weakness. It will, however, keep its eye on its goal, which is to get inflation down to, or close to 2% YOY.</u> Some believe a Fed pivot will begin with inflation at 4% YOY but we disagree. Inflation at that level is still above the long-term average of 3.4% and is debilitating to consumers and businesses.

Another reason we believe the economy will slip into a recession is the weakness we see in the consumer. The savings rate was 2.4% in November which ranks among the lowest rates in history. We are not surprised that savings are falling, because real purchasing power has been negative most of last year. Personal income rose 4.7% in November, but after taxes and inflation, real personal disposable income fell 2.5% YOY. And for many Americans, the numbers are even worse. Proprietors' income rose 3.7% in November, well below the 4.7% headline level; and non-farm proprietors' income rose a measly 1.3% YOY. This is just one example of how small businesses are struggling in the current inflationary environment. The CPI decreased to 7.1% YOY in November, but it continues to destroy purchasing power. This is just one example of why inflation of 4% is still too high.

Some parts of the economy are already in recession. The residential housing market is a prime example. Pending home sales decreased to 73.9 in November and have been falling steadily since the October 2021 peak of 122.4. November's reading is just slightly above the historic low of 71.6 recorded in April 2020 during the pandemic shutdown. Most consumer and business confidence indices were lower in November, yet they remain above the cyclical lows reported in June. Confidence levels bear watching since they can be good lead indicators of recessions and recession lows.

History of Negative Performances

Several market commentators have noted that it is rare to get broad-based back-to-back price declines in the equity averages. This is true, but it is possible. Annual losses were seen in the periods inclusive of 1929-1932, 1939-1941, 1973-1974, and 2000-2002. What each of these bear market periods have in common is that they were either the aftermath and unwinding of a stock market bubble, or in the case of 1939-1941 it was the prelude to the US being drawn into a major world war. See page 4.

This may explain why we are seeing major declines in the FAANG components, meme stocks, cryptocurrencies and the "Covid-shutdown" beneficiaries, where speculation was most extreme in the previous advance. In short, the bubbles in these areas are unwinding.

The good news is that the declines in 2022, particularly in high PE stocks, appear to be a major step in terms of wringing out excess and moving toward value in the US equity market. Still, we are not convinced that investors have discounted an actual decline in earnings in 2023. Many analysts are talking about a recession but have not factored it into earnings forecasts. In fact, we have heard some strategists suggest it is time to look across the valley of earnings and focus on an earnings rebound. This would have been true if we had already seen earnings forecasts turn negative, but they have not. At this juncture we do not know how deep, or how long, the valley in earnings may be.

Last year the S&P 500 Composite index fell 19.4%, and according to S&P Dow Jones consensus, earnings are expected to have declined 3.8% for the year. See page 3. But there are two caveats to this earnings decline. First, the fourth quarter earnings season will begin in several weeks, and in the last three reporting seasons estimates have declined significantly as quarterly earnings reports were released. In short, the estimate for 2022 may still be too high. Second, the S&P Dow Jones consensus earnings forecast for 2022 may be negative, but 2023 shows a growth rate of 13%. It is very likely that earnings will decline again in 2023, so this implies earnings disappointments are ahead. And do not forget that the S&P's earnings decline in 2022 was muted by the outsized earnings gains seen in the energy sector. Most corporations had difficult comparisons in 2022 due to stimulus-boosted gains in 2020 and corporate margin pressure from higher raw material prices, soaring transportation costs and wage increases. The challenge in 2023 in our view, will be a lack of revenue growth. For this reason, we would focus on necessities and companies with reliable earnings streams such as energy, utilities, staples, aerospace & defense, and health insurance companies.

Santa Baby

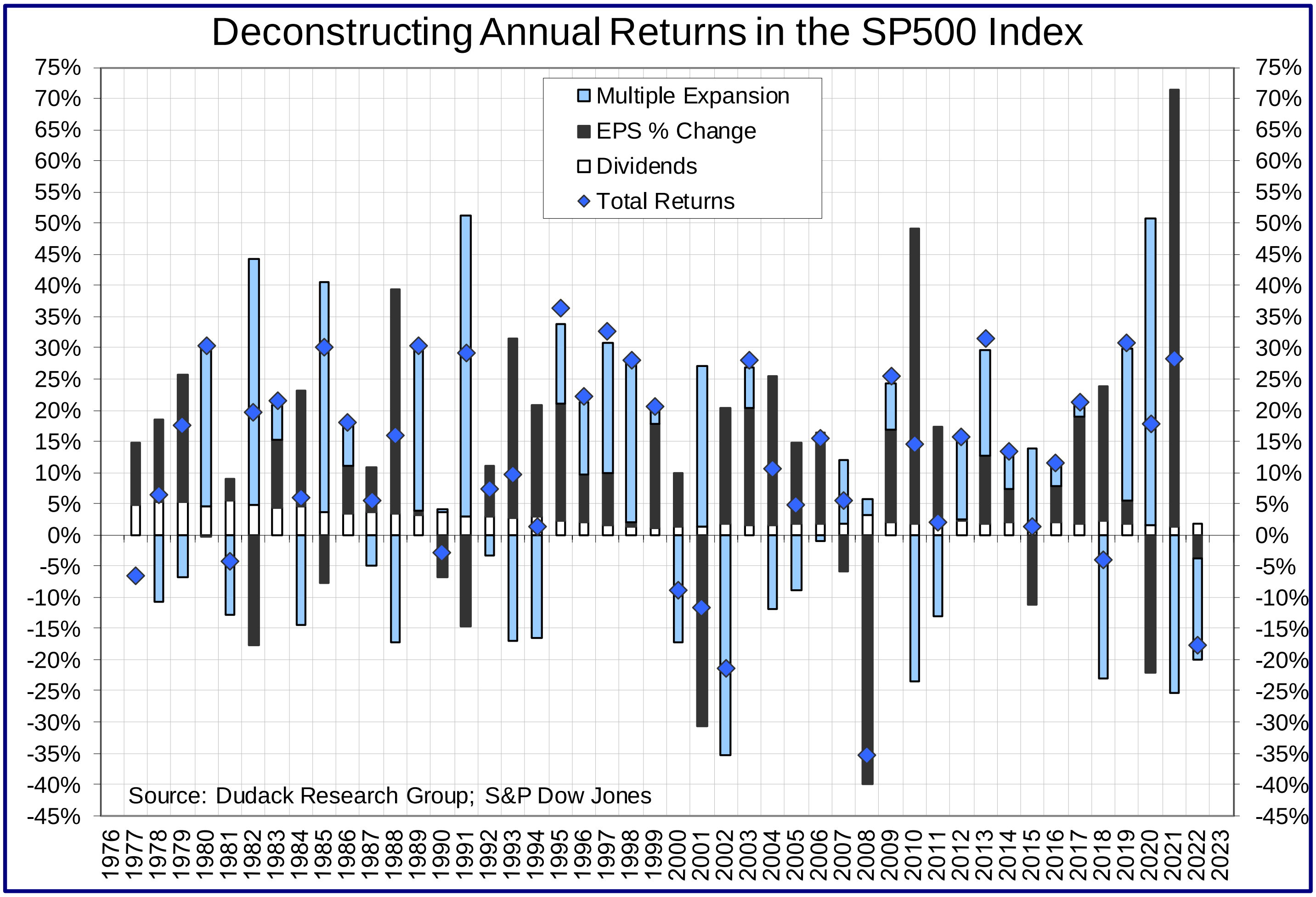
There has been much discussion about a Santa Claus rally this year, including controversy about its timing and effectiveness. For the record, Yale Hirsch of the Stock Trader's Almanac monitored this phenomenon over the years and the Santa Claus rally is composed of the last five trading sessions of the year and the first two trading days of the new year; however, some analysts have added an extra day at either end of this period. Either way, a Santa Claus rally has materialized in seven of the last nine years. See page 5.

But that is not the real significance of the Santa Claus rally. The adage is: *If Santa Claus should fail to call, bears may come to Broad and Wall.* In short, it is not simply that a year-end rally tends to materialize, but that a rally, or the lack thereof, has some predictive value. We believe the tendency for a year-end rally arises from the fact that the last few days of the year often have a positive tilt from waning tax-loss selling, free cash as a result of tax-loss selling, rebalancing of mutual funds, pension fund inflows at the end of the year, and employee bonuses and Christmas money. In short, liquidity should be better than average at the very end of each year and should produce positive results in stocks. If not, it could be that either investor pessimism is high, or liquidity is below average. Neither would be a positive sign. As noted, rallies have appeared in seven of the last nine years and in each of the last six years. Four of these six years ended with double-digit gains in the S&P (66% accuracy) and two years ended with losses, including 2022.

We do not put a lot of credence into year-end performances, but to date, the 2022-2023 Santa Claus rally has a 0.07% gain. It will be interesting to see if the market can hold on to this gain. See page 5. What has more predictive value in our view, is the January Barometer. See page 6.

The S&P 500 Composite index fell 19.4% in 2022, and according to S&P Dow Jones consensus, earnings are expected to decline 3.8% for the year. The S&P's earnings decline was actually muted by the outsized earnings gains realized by the energy sector; nevertheless, most corporations had difficult comparisons from stimulus-boosted gains in 2020 coupled with corporate margin pressure materializing from higher raw material prices, soaring transportation costs and wages increases.

The S&P 500 PE multiple also fell 16% from the 2021 closing multiple of 22.9 times to the 2022 estimated PE of 19.2 times. The only positive accruing to investors in 2022 was the dividend yield of 1.85%.



Market commentators are noting that it is rare to get broad-based back-to-back price declines in the equity averages. But annual losses were seen in the periods inclusive of 1929-1932, 1939-1941, 1973-1974, and 2000-2002. What each of these periods have in common is that they were either the aftermath of a stock market bubble, or in the case of 1939-1941 were the prelude to the US being drawn into a major world war. See page 4.

The post-bubble price declines may help explain why we are seeing major declines in the FAANG components, meme stocks, cryptocurrencies and the "Covid-shutdown" beneficiaries, where speculation was most extreme.

In our view, the declines in 2022 were a major step in terms of bringing value back to the US equity market; however, we are not convinced that investors have yet discounted a decline in corporate earnings in 2023. Most commentators are still too willing to look across the valley, without noting how deep, or long, the valley may be.

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	-8.8%	-19.4%	-33.1%
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

There has been considerable discussion about the Santa Claus rally this year, and a surprising amount of controversy about its timing and effectiveness. For the record, Yale Hirsch of the Stock Trader's Almanac has monitored this phenomenon over the years and the last nine years of history are listed in the table below, along with two bubble peaks. Originally, the Santa Claus rally period included the last five trading sessions of the year and the first two trading days of the new year; however, some analysts have added an extra day at either end of this period. Either way, a Santa Claus rally has materialized in seven of the last nine years.

However, today's analysts have lost the real significance of the Santa Claus rally. The original adage is: *If Santa Claus should fail to call, bears may come to Broad and Wall.* In short, it is not simply that a year-end rally tends to materialize, but that a rally, or the lack thereof, has some predictive value. We believe the tendency for a year-end rally arises from the fact that the last few days of the year often have a positive tilt due to waning tax-loss selling, free cash as a result of tax-loss selling, rebalancing of mutual funds, pension fund inflows at the end of the year, and employee bonuses and Christmas money that finds its way into the stock market. In short, liquidity should be better than average at the very end of each year. This liquidity should produce positive results in stocks. If not, it could be a warning that either investor pessimism is high, or liquidity is below average. Neither would be a positive.

Rallies have appeared in seven of the last nine years and in each of the last six years. Four of these six years ended with double digit gains in the S&P (66% accuracy) and two years ended with losses, including 2022.

We do not put a lot of credence into year-end performances, but to date, the 2022-2023 Santa Claus rally has a 0.07% gain. It will be interesting to see if the market can hold on to this gain.

"If Santa Claus should fail to call, Bears may come to Broad and Wall"

Santa Claus Rally - Daily Changes in the SPX at Year End											
	Trading Days Before Year End						First Days in January			Rally	Year %
	6	5	4	3	2	1	1	2	3	7-day	
1999-20	1.60	(0.10)	0.04	0.40	0.10	0.30	(1.00)	(3.80)	0.20	(4.06)	**-10.1%**
2007-08	1.70	0.80	0.10	(1.40)	0.10	(0.70)	(1.40)	0.00	(2.50)	(2.50)	**-38.5%**
2013-14	0.50	0.30	0.50	(0.03)	(0.02)	0.40	(0.90)	(0.03)	(0.30)	0.22	**11.4%**
2014-15	0.20	(0.01)	0.30	0.10	(0.50)	(1.00)	(0.03)	(1.80)	(0.90)	(2.94)	**-0.7%**
2015-16	1.20	(0.20)	(0.20)	1.10	(0.70)	(0.90)	(1.50)	0.20	(1.30)	(2.20)	9.5%
2016-17	(0.20)	0.10	0.20	(0.80)	(0.03)	(0.50)	0.90	0.60	(0.10)	0.47	**19.4%**
2017-18	0.20	(0.05)	(0.10)	0.10	0.20	(0.50)	0.80	0.60	0.40	1.05	-6.2%
2018-19	(2.06)	(2.71)	4.96	0.86	(0.12)	0.85	0.13	(2.48)	3.43	1.48	**28.9%**
2019-20	0.09	(0.02)	0.51	0.00	(0.58)	0.29	0.84	(0.71)	0.35	0.35	**16.3%**
2020-21	0.07	0.35	0.87	(0.22)	0.13	0.64	(1.48)	0.71	0.57	1.01	**26.9%**
2021-22	0.62	1.38	(0.10)	0.14	(0.30)	(0.26)	0.64	(0.06)	(1.94)	1.44	-19.4%
2022-23	(1.45)	0.59	(0.40)	(1.20)	1.75	(0.25)	(0.40)			0.07	
Average*	0.36	(0.01)	0.64	0.02	(0.16)	(0.12)	(0.27)	(0.62)	(0.19)	(0.52)	3.4%

Source: Stock Traders Almanac; Refinitiv; * since 1950; correct in 8 of last 11 years or 73%

On page 6, we show the history of the first five-day performances of each year as well as the performance of the month of January. This has a much stronger history than the Santa Rally. Last year, an early January and month of January loss accurately predicted the full year's loss. The statistics on the January Barometer are much stronger when the month produces a gain; and this has accurately predicted a full year gain with 84% accuracy.

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 arebolded; pre-election years are blue

DJIA Declines - Early January

1950 - 2016	1st Five Days % Performance	January % Performance	Year % Performance
1971	-0.2%	3.5%	6.1%
2022	-0.3%	-3.32%	-8.78%
2007	-0.4%	1.3%	6.4%
2009	-0.4%	-8.8%	18.8%
1953	-0.5%	-0.7%	-3.8%
1960	-0.5%	-8.4%	-9.3%
2014	-0.7%	-5.3%	7.5%
1982	-1.0%	-0.4%	19.6%
1957	-1.1%	-4.1%	-12.8%
1986	-1.3%	1.6%	22.6%
1998	-1.3%	0.0%	16.1%
1988	-1.4%	1.0%	11.8%
1993	-1.5%	0.3%	13.7%
2001	-1.5%	0.9%	-7.1%
1985	-1.6%	6.2%	27.7%
2005	-1.7%	-2.7%	-0.6%
1956	-1.8%	-3.6%	2.3%
1977	-2.1%	-5.0%	-17.3%
1955	-2.2%	1.1%	20.8%
1969	-2.4%	0.2%	-15.2%
1962	-3.0%	-4.3%	-10.8%
1991	-4.7%	3.9%	20.3%
2008	-5.1%	-4.6%	-33.8%
1978	-5.6%	-7.4%	-3.1%
2016	-6.2%	-5.5%	13.4%
Down	25	15	11
Average	-1.9%	-1.8%	3.4%
Min	-6.2%	-8.8%	-33.8%
Max	-0.2%	6.2%	27.7%

Source: Stock Trader's Almanac; Refinitiv

January Barometer Statistics

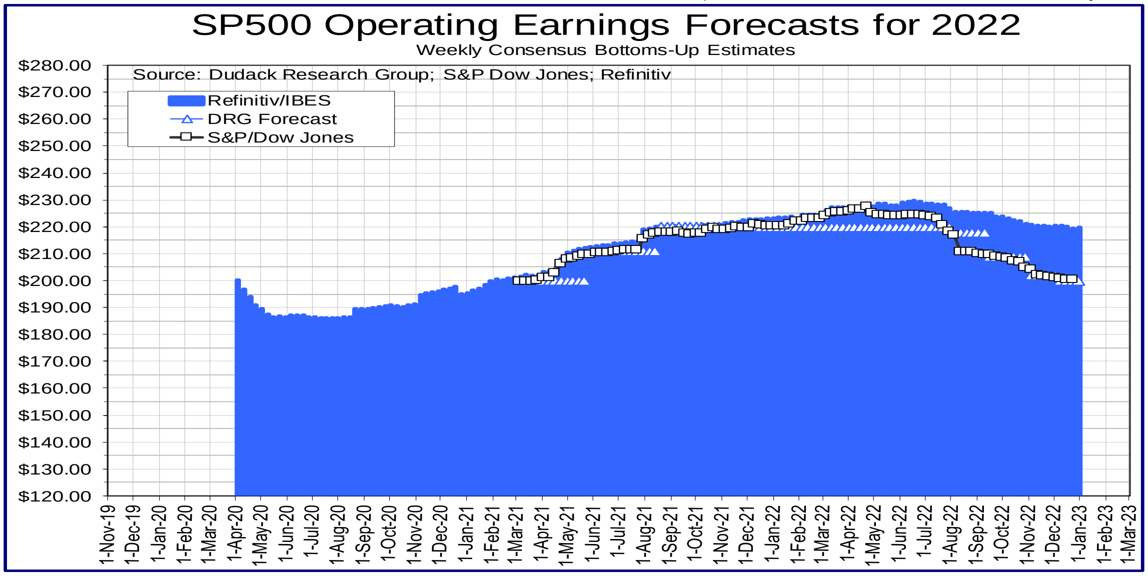
79% Early January Gain Predicts the Year's Action

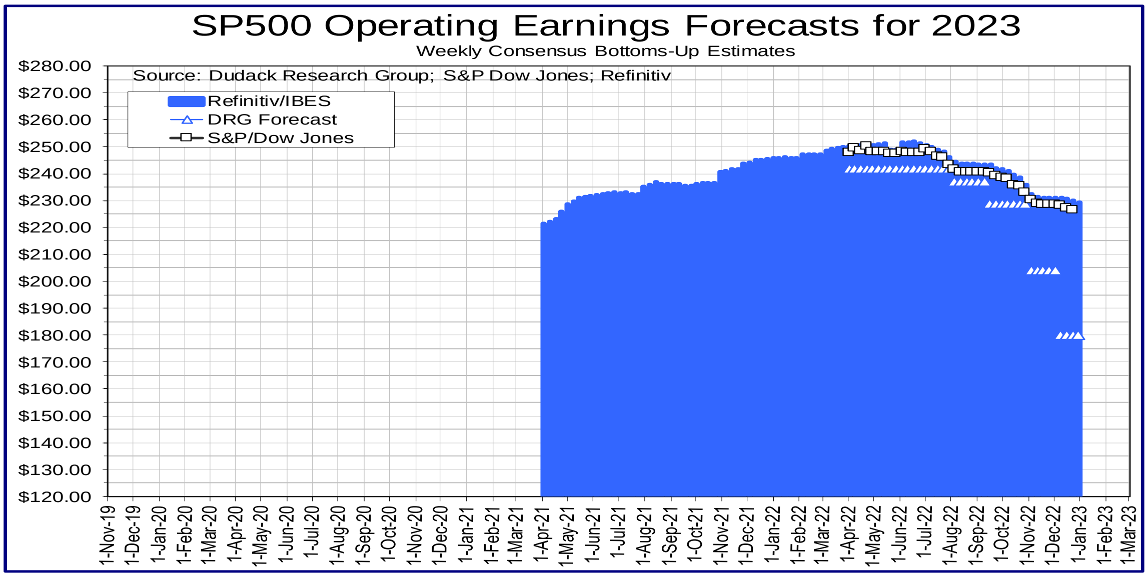
84% January Gain Predicts the Year's Action

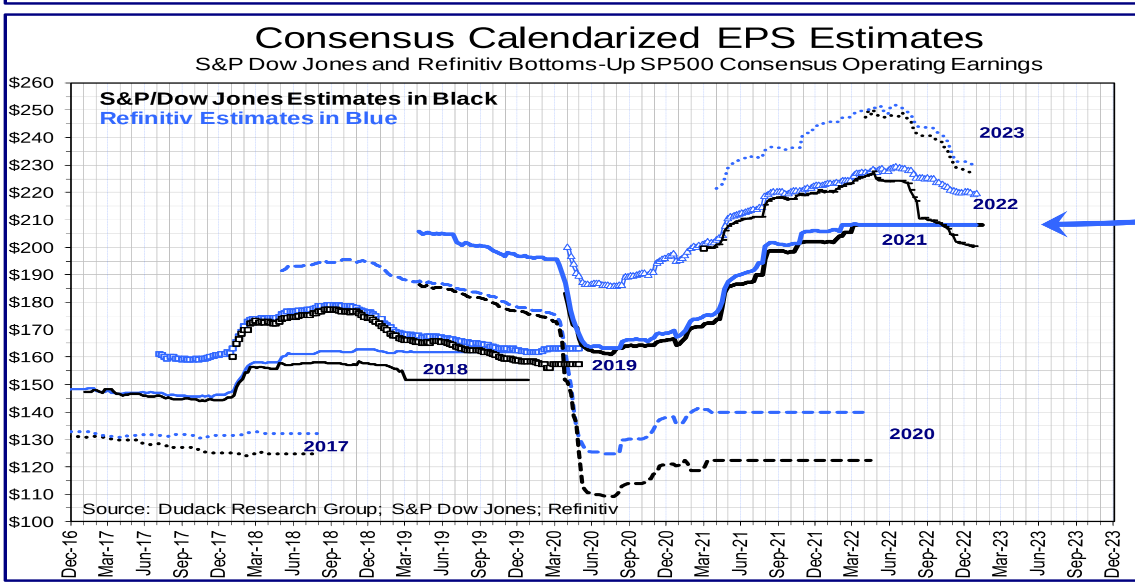
36% Early January Loss Predicts the Year's Action

60% January Loss Predicts the Year's Action

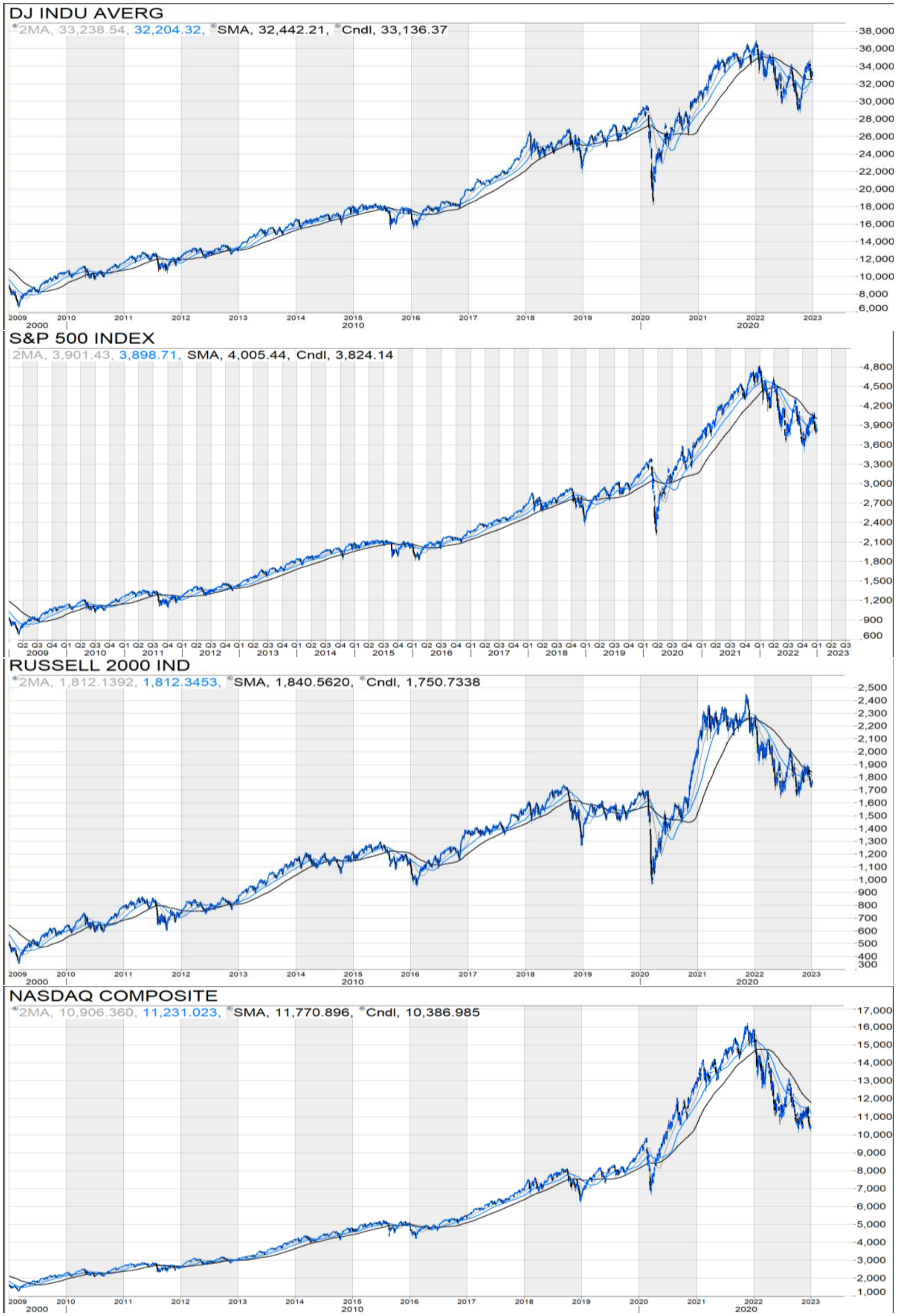
S&P Dow Jones earnings estimates for 2022 and 2023 were not updated this week. Refinitiv IBES consensus earnings forecasts rose $0.28 and fell $0.43, respectively, leaving estimates at $200.19/$219.80 and $226.51/$229.52, respectively. EPS growth rates for 2022 are (3.9%) and 5.6%, respectively. *(Note: consensus macro-EPS forecasts may differ from four quarter analysts' forecast sums seen on page 16.)* <u>DRG's 2022 and 2023 estimates are lowered this week to $200 and $180 to reflect the weakness seen in 2022 EPS and the impact of Fed rate hikes on 2023's economy.</u>







Of all the charts below, we believe the Russell 2000 index has the most promising pattern. It has tested the 1,650 support level twice in the last six months and as a result, could be forming a base pattern. This will be the most interesting index to watch in coming months, particularly, if the market falls to new lows. Should the RUT hold at the 1,650 level while the SPX and DJIA fall to new lows, it would be favorable.

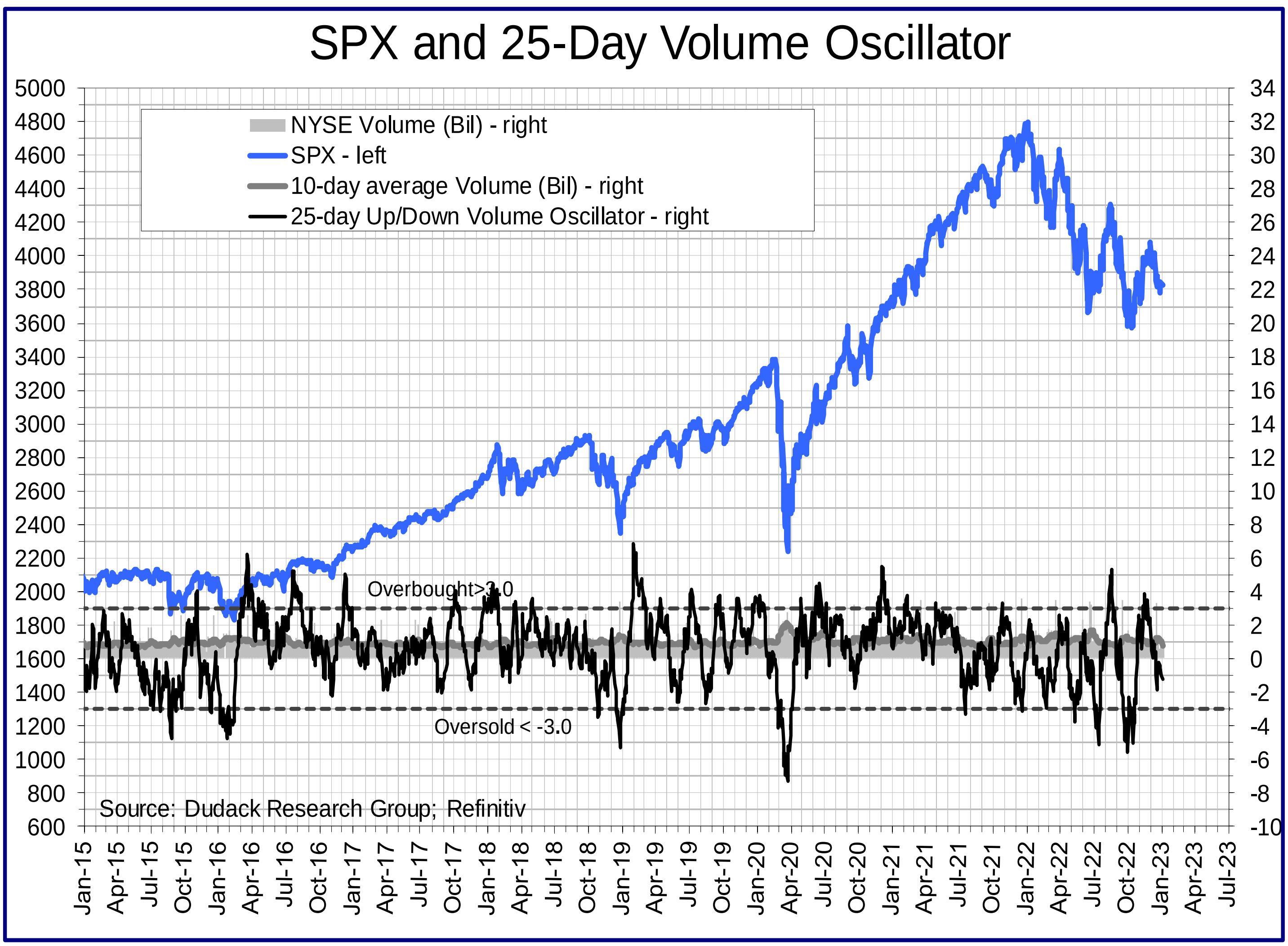


Source: Refinitiv

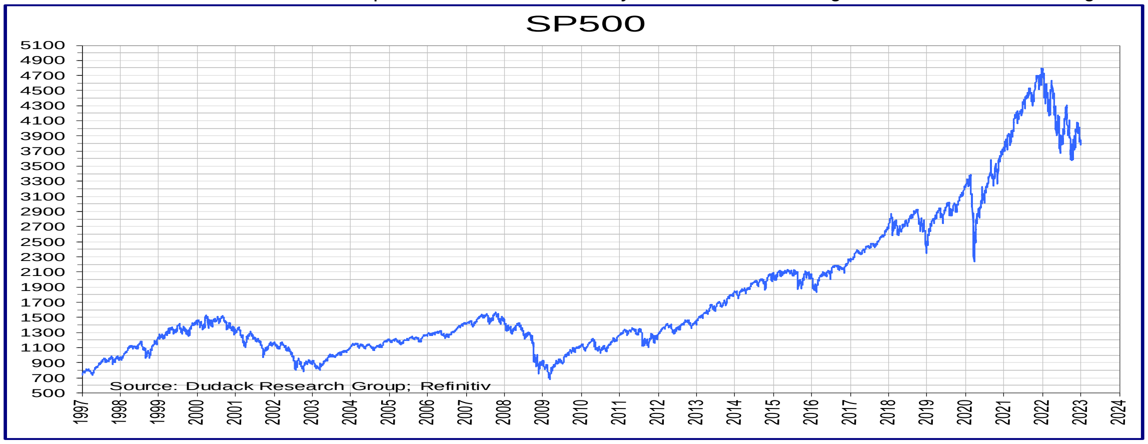
The 25-day up/down volume oscillator is currently neutral with a reading of negative 1.25, after being in overbought territory for seven of 10 trading days in November. However, it was not overbought for five consecutive trading days, which is a minimum requirement for a positive signal. This action is significant since bear markets rarely reach overbought territory but if they do the reading is brief. A true overbought reading typically persists for at least five to ten consecutive trading days -- hopefully reaching a new overbought high reading -- to be significant. Nevertheless, this will be a key indicator to monitor in the coming weeks to assess the strength of any advance in prices.

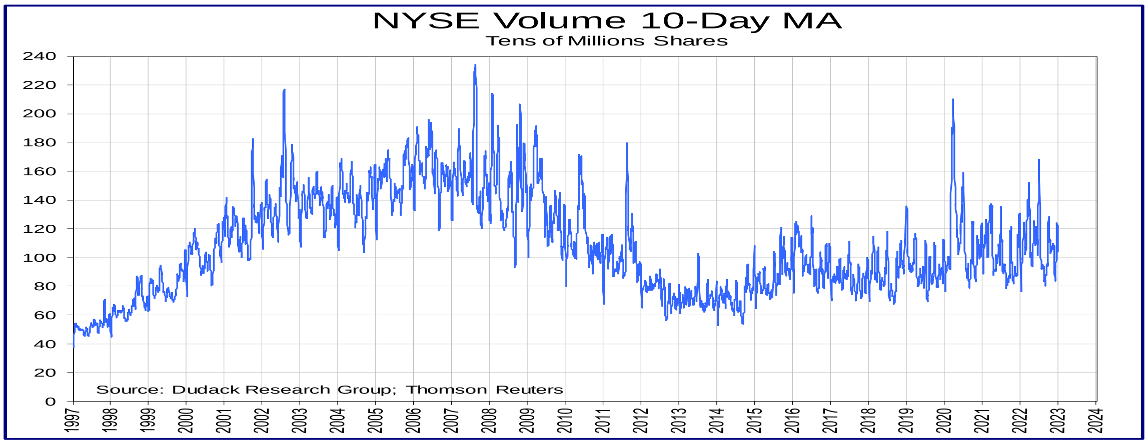
The 25-day up/down volume oscillator hit an oversold reading of negative 5.6 on September 30 which was a deeper oversold reading than the negative 5.17 reading of July 14, 2022. The oscillator was in oversold territory for 8 of 10 consecutive trading sessions in July and oversold for 18 of 24 consecutive trading sessions in September/October. This is much longer than the oversold reading at the previous low which means <u>the test of the June low was unsuccessful by several measures and the bear market continues</u>.

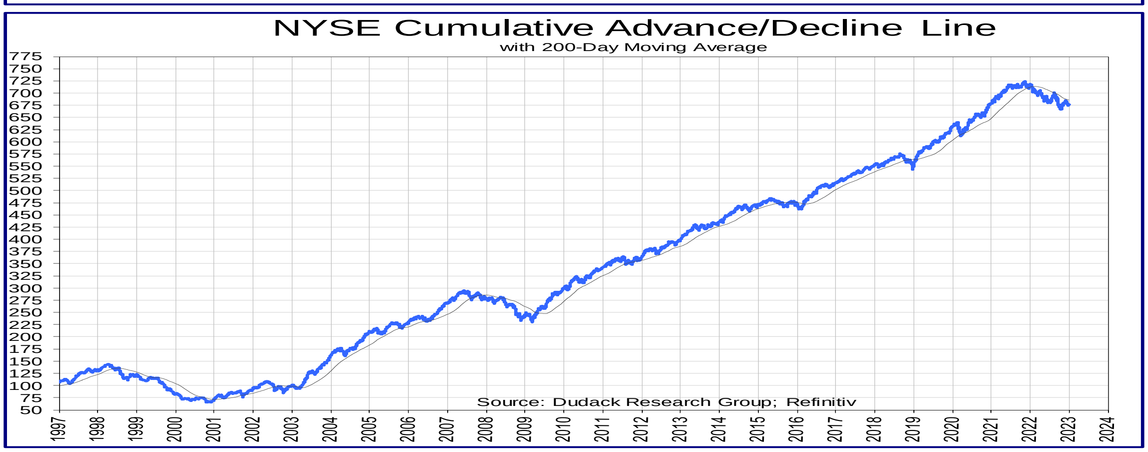
The key to a successful retest of a bear market low is whether or not a new low in price generates a new low in breadth. A successful retest will show there is less selling pressure – a less severe oversold reading -- despite a lower low in price. This "non-confirmation" of a low is a positive and implies that downside risk is subsiding.

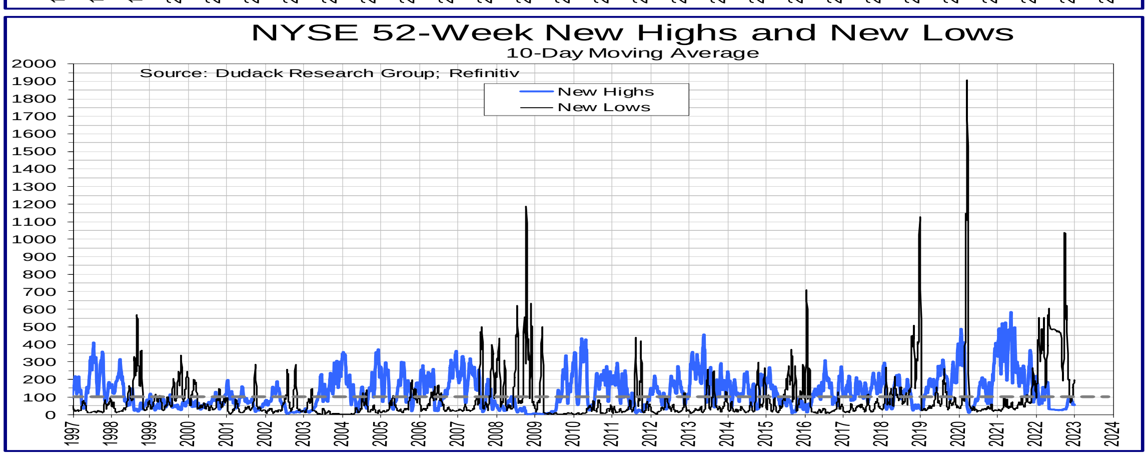


The 10-day average of daily new highs is 59 and daily new lows are 175. This combination is negative since new highs are below the 100 benchmark and new lows are above 100. The 10-day moving average of new lows was 1038 on September 26 and exceeded the previous peak of 604 made in early May. The advance/decline line fell below the June low on September 22 and is currently 47,481 net advancing issues from its 11/8/21 high – a negative sign.

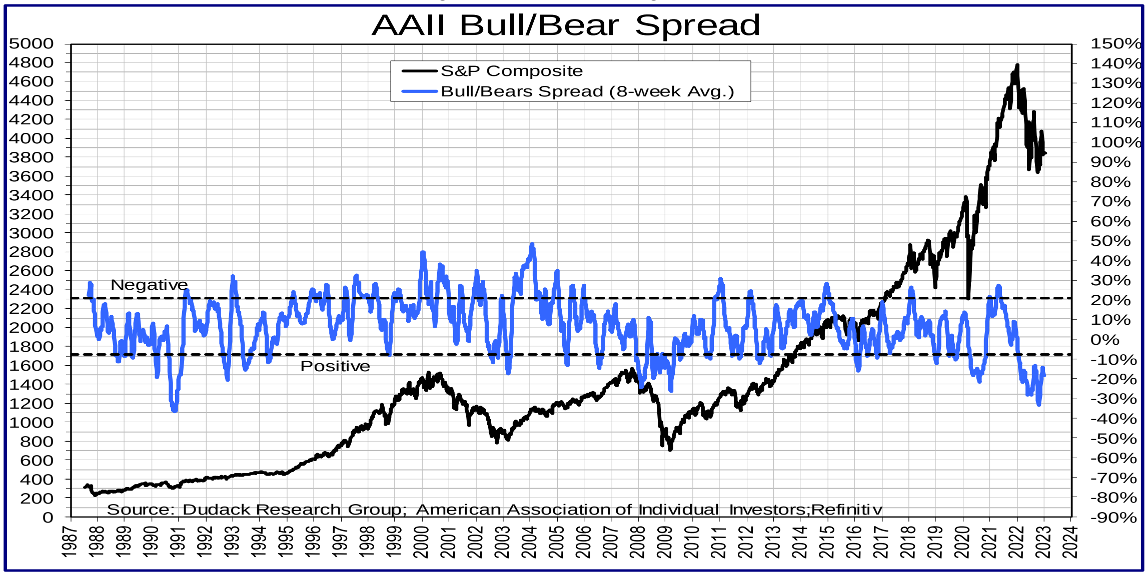


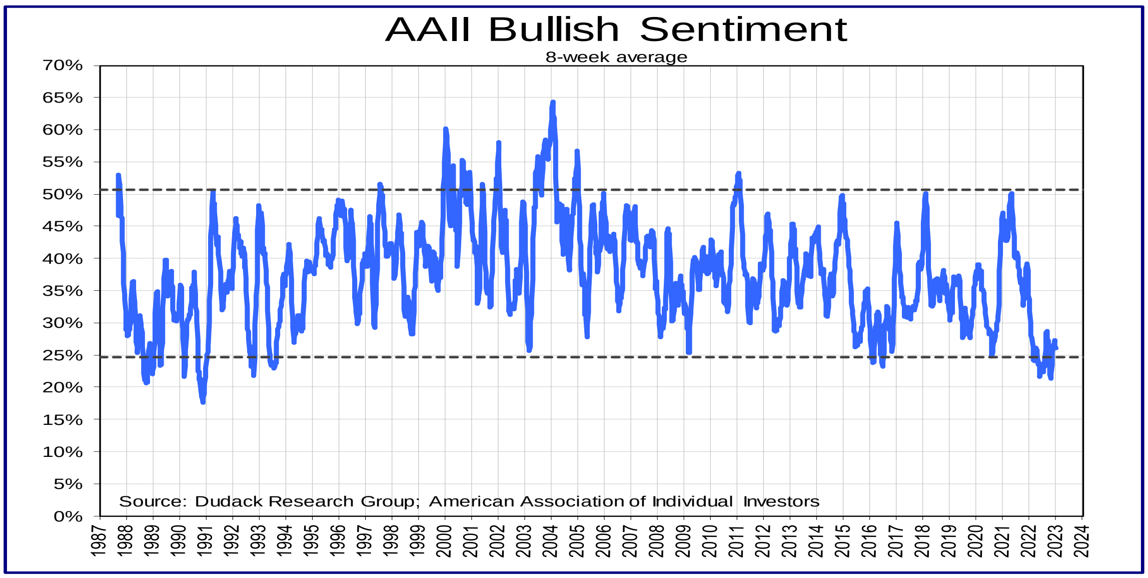


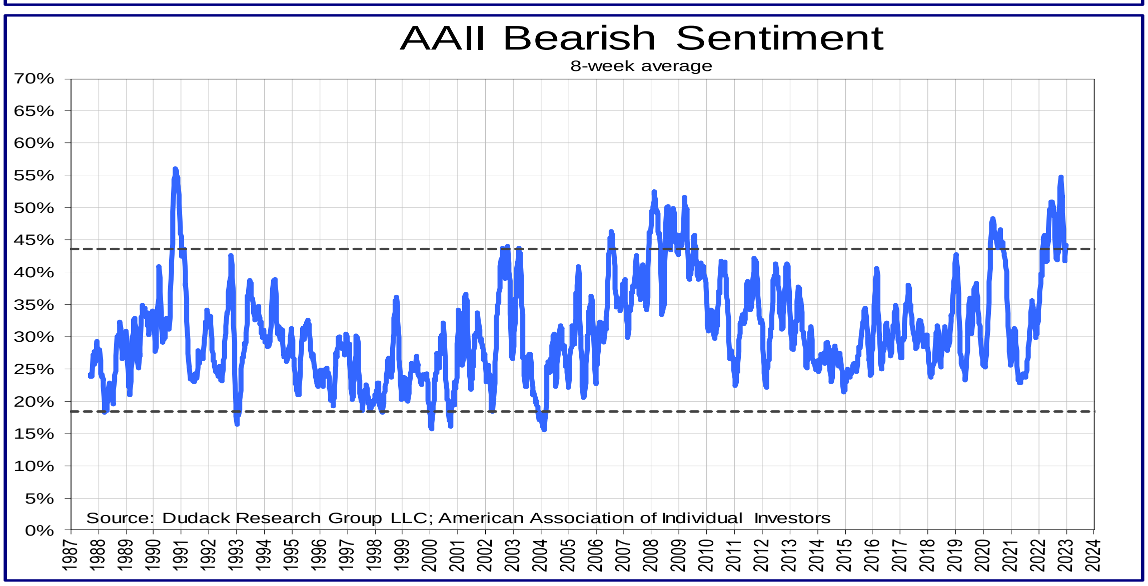




Last week's AAII readings showed a 6.2% increase in bulls to 26.5% and a 4.7% decrease in bears of 47.6%. Bullishness remains below the long-term average of 37.5% and bearishness is above its long-term average of 40.2%. Sentiment readings were extreme on September 21, 2022, and equity prices tend to be higher in the next six and/or twelve months following such extreme readings.



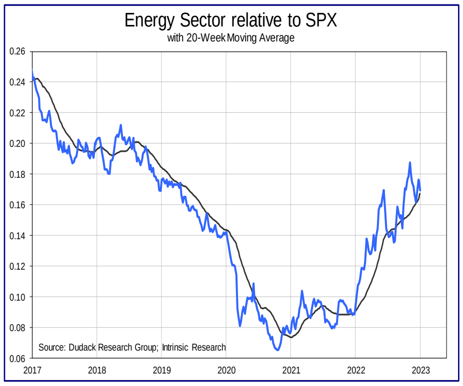


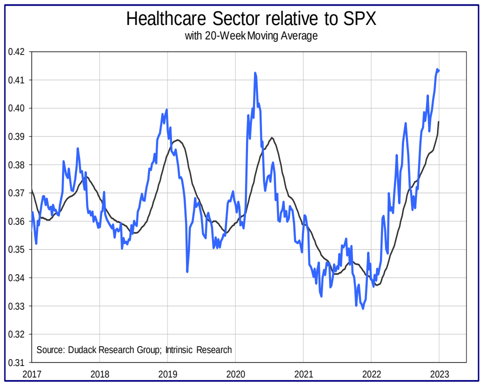


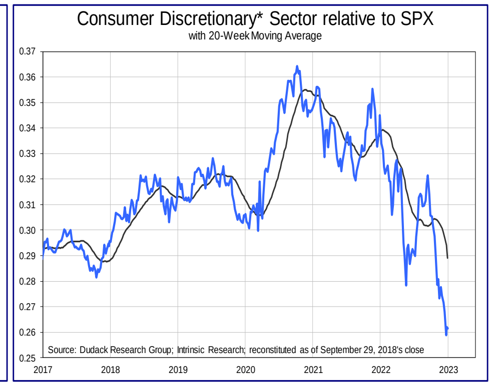
SECTOR RELATIVE PERFORMANCE – RELATIVE OVER/UNDER/ PERFORMANCE TO S&P 500

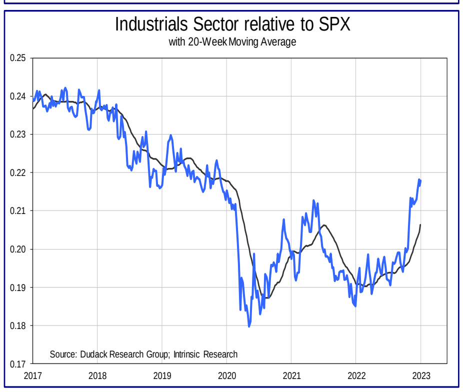
DRG Recommended Sector Weights				
Overweight		**Neutral**		**Underweight**
Energy Industrials Staples Utililties		Healthcare Technology Materials Financials		Consumer Discretionary REITS Communication Services

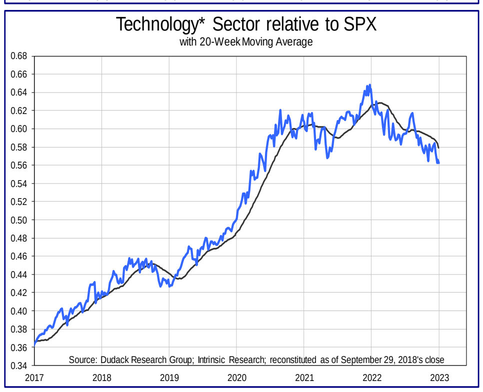
3/8/2022:Materials upgraded from underweight to neutral/communication service downgraded from neutral to underweight. 3/1/2022 Financials downgraded to neutral and Industrials upgraded to overweight.

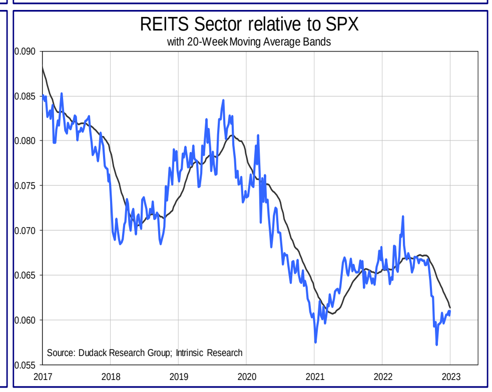


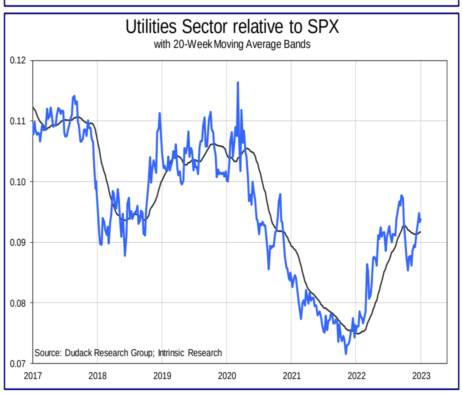


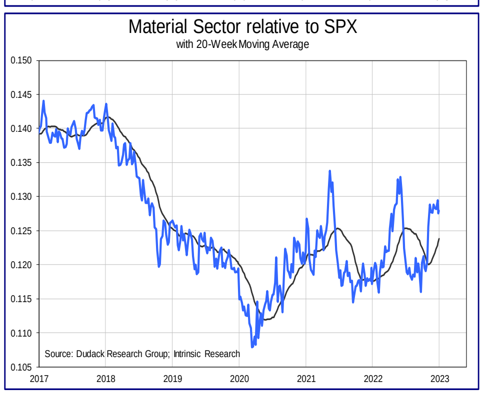


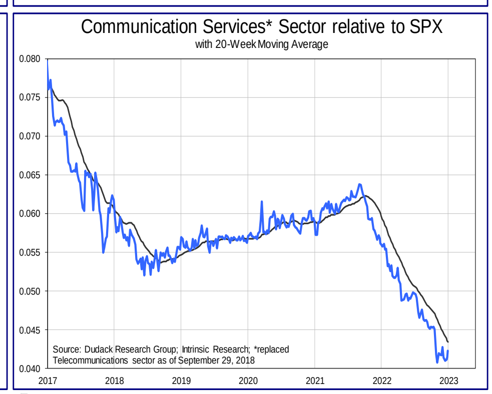


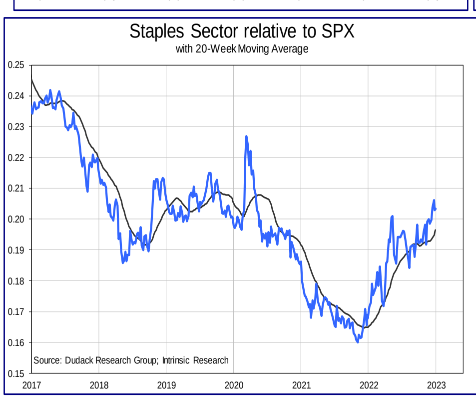












2022 Performance - Ranked	
SP500 Sector	% Change
S&P ENERGY	59.0%
S&P UTILITIES	-1.4%
S&P CONSUMER STAPLES	-3.2%
S&P HEALTH CARE	-3.6%
S&P INDUSTRIALS	-7.1%
S&P FINANCIAL	-12.4%
S&P MATERIALS	-14.1%
S&P 500	-19.4%
S&P REITS	-28.4%
S&P INFORMATION TECH	-28.9%
S&P CONSUMER DISCRETIONARY	-37.6%
S&P COMMUNICATIONS SERVICES	-40.4%

Source: Dudack Research Group; Refinitiv; Monday closes

Global Markets and Commodities - Ranked by YOY (1/3/2023) Trading Performance

Index/EFT	Symbol	Price	5-Day%	20-Day%	QTD%	YOY%
Energy Select Sector SPDR	XLE	84.40	-4.1%	-6.5%	-3.5%	47.5%
iShares DJ US Oil Eqpt & Services ETF	IEZ	20.20	-4.4%	-5.1%	-4.7%	47.3%
United States Oil Fund, LP	USO	67.64	-2.7%	-3.2%	-3.5%	23.4%
Gold Future	GCc1	2465.10	0.2%	0.8%	0.0%	11.3%
Silver Future	SIc1	24.06	0.1%	4.4%	0.8%	5.6%
iShares Silver Trust	SLV	23.02	-0.3%	3.6%	0.2%	4.4%
SPDR Gold Trust	GLD	171.06	1.4%	2.3%	0.8%	1.6%
Oil Future	CLc1	76.93	-3.3%	-3.8%	-4.1%	1.1%
SPDR Communication Services ETF	XLC	56.15	0.0%	0.0%	0.0%	0.0%
iShares MSCI Mexico Capped ETF	EWW	50.34	-2.1%	-5.4%	1.8%	-0.2%
Utilities Select Sector SPDR	XLU	70.50	-1.2%	-0.7%	0.0%	-0.5%
Health Care Select Sect SPDR	XLV	135.46	-0.2%	-3.1%	-0.3%	-2.9%
Consumer Staples Select Sector SPDR	XLP	74.27	-1.7%	-3.8%	-0.4%	-3.7%
iShares MSCI Brazil Capped ETF	EWZ	25.89	-7.0%	-17.3%	-7.4%	-5.4%
Industrial Select Sector SPDR	XLI	98.42	-0.3%	-3.8%	0.2%	-6.2%
iShares MSCI Hong Kong ETF	EWH	21.52	0.0%	5.5%	2.4%	-7.5%
iShares MSCI United Kingdom ETF	EWU	30.77	-0.2%	-3.5%	0.4%	-8.2%
SPDR DJIA ETF	DIA	331.22	-0.3%	-3.9%	0.0%	-9.4%
DJIA	.DJI	33136.37	-0.3%	-3.8%	0.0%	-9.4%
iShares MSCI Malaysia ETF	EWM	22.58	0.1%	-2.0%	-1.1%	-9.5%
iShares Russell 1000 Value ETF	IWD	151.60	0.0%	-4.6%	0.0%	-10.0%
iShares MSCI India ETF	INDA.K	41.90	0.3%	-4.8%	0.4%	-10.0%
iShares MSCI Australia ETF	EWA	21.97	-2.0%	-7.1%	-1.2%	-11.7%
iShares MSCI Singapore ETF	EWS	18.82	-0.1%	-2.2%	0.1%	-12.2%
Financial Select Sector SPDR	XLF	34.32	1.1%	-4.5%	0.4%	-13.2%
Materials Select Sector SPDR	XLB	77.60	-1.3%	-7.4%	-0.1%	-13.2%
PowerShares Water Resources Portfolio	PHO	51.53	-0.5%	-4.0%	0.0%	-13.8%
Shanghai Composite	.SSEC	3116.51	0.7%	-1.3%	0.9%	-14.2%
iShares Nasdaq Biotechnology ETF	IBB.O	130.04	0.6%	-6.1%	-1.0%	-14.7%
iShares MSCI Canada ETF	EWC	32.54	-1.5%	-7.6%	-0.6%	-15.6%
iShares MSCI EAFE ETF	EFA	66.22	0.3%	-2.2%	0.9%	-16.4%
iShares Russell 2000 Value ETF	IWN	138.25	0.0%	-7.6%	-0.3%	-17.7%
Vanguard FTSE All-World ex-US ETF	VEU	50.50	0.0%	-3.3%	0.7%	-18.1%
iShares MSCI Japan ETF	EWJ	54.70	0.3%	-2.2%	0.5%	-18.4%
iShares iBoxx $ Invest Grade Corp Bond	LQD	106.16	0.5%	-3.0%	0.7%	-19.0%
SPDR S&P Bank ETF	KBE	44.97	0.3%	-8.2%	-0.4%	-19.2%
iShares China Large Cap ETF	FXI	29.32	0.7%	2.8%	3.6%	-19.8%
SP500	.SPX	3824.14	-0.1%	-6.1%	-0.4%	-20.3%
iShares Russell 1000 ETF	IWB	209.48	-0.1%	-6.6%	-0.5%	-21.3%
iShares MSCI Emerg Mkts ETF	EEM	38.22	-0.4%	-3.3%	0.8%	-22.3%
iShares MSCI BRIC ETF	BKF	34.80	0.2%	-1.0%	1.4%	-22.5%
iShares Russell 2000 ETF	IWM	173.40	0.1%	-7.8%	-0.6%	-23.0%
iShares MSCI Germany ETF	EWG	25.15	1.4%	-2.3%	1.7%	-24.2%
iShares MSCI Austria Capped ETF	EWO	19.26	1.1%	-2.7%	1.4%	-24.4%
iShares US Real Estate ETF	IYR	84.34	-0.2%	-5.0%	0.2%	-26.8%
SPDR Homebuilders ETF	XHB	61.13	0.8%	-2.4%	1.3%	-27.3%
iShares Russell 2000 Growth ETF	IWO	212.65	0.2%	-8.0%	-0.9%	-28.3%
iShares MSCI South Korea Capped ETF	EWY	55.43	-3.9%	-6.7%	-1.9%	-28.8%
iShares 20+ Year Treas Bond ETF	TLT	101.46	1.3%	-5.3%	1.9%	-29.7%
Technology Select Sector SPDR	XLK	123.26	-0.1%	-8.9%	-0.9%	-29.8%
iShares Russell 1000 Growth ETF	IWF	212.62	-0.2%	-8.5%	-0.8%	-30.9%
iShares US Telecomm ETF	IYZ	22.64	1.8%	-4.1%	0.9%	-31.7%
SPDR S&P Semiconductor ETF	XSD	164.86	0.5%	-9.9%	-1.4%	-33.6%
Nasdaq Composite Index Tracking Stock	ONEQ.O	40.75	0.5%	-9.6%	-0.5%	-33.9%
NASDAQ 100	NDX	10862.64	0.4%	-9.4%	-0.7%	-34.2%
SPDR S&P Retail ETF	XRT	60.03	0.6%	-10.4%	-0.7%	-34.5%
Consumer Discretionary Select Sector SPDR	XLY	128.39	0.8%	-12.0%	-0.6%	-39.0%
iShares MSCI Taiwan ETF	EWT	40.36	-0.6%	-20.3%	0.5%	-39.9%

Outperformed SP500
Underperformed SP500

Source: Dudack Research Group; Thomson Reuters — Priced as of January 3, 2023

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	~~~~~	$181.03	$200.19	$200.00	-3.9%	**$219.80**	5.6%	19.1X	NA	NA	NA	NA
2023E	~~~~~	$203.22	$225.23	$180.00	-10.0%	**$229.52**	4.4%	17.0X	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%	1.7%	$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%	2.0%	$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%	3.4%	$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%	4.1%	$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%	2.8%	$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%	2.8%	$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%	2.9%	$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%	0.7%	$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%	2.2%	$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%	2.7%	$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%	3.6%	$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%	1.8%	$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%	-4.6%	$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%	-29.9%	$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%	35.3%	$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%	3.9%	$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%	7.0%	$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%	2.7%	$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%	7.0%	$2,527.40	19.7%
2022 1Q	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 2Q	3785.38	$42.74	$46.87	$46.87	-9.9%	$57.62	9.6%	18.5	1.7%	-0.6%	$2,620.40	7.4%
2022 3QE	3585.62	$44.41	$50.35	$51.00	-2.0%	$56.02	4.3%	18.5	1.8%	3.2%	NA	NA
2022 4QE*	3824.14	$47.89	$53.61	$52.77	-6.9%	$53.87	-0.1%	19.1	NA	NA	NA	NA

Source: DRG; S&P Dow Jones; Refinitiv Consensus estimates; **quarterly EPS may not sum to official CY estimates 1/3/2023

Regulation AC Analyst Certification

I, Gail Dudack, hereby certify that all the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly related to the specific views contained in this report.

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