



Dudack Research Group

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DJIA: 34086.04  
SPX: 4076.60  
NASDAQ: 11584.55

# US Strategy Weekly

## Reviewing Flat Trends

The month of January ended with a gain of 2.8% in the Dow Jones Industrial Average and a 6.2% gain in the S&P 500 Composite. See pages 3 and 4. This was the 25<sup>th</sup> best January in the DJIA and the ninth best January for the SPX. January's performance has been significant over the decades, and since 1950, a gain in the DJIA has correctly predicted an annual gain 89% of the time. In the SPX, a January gain has resulted in an annual gain slightly less 79% of the time.

### TECHNICALS IMPROVE

And at the same time, the January rally has generated several improvements in our technical indicators. The biggest change is the improvement in the 25-day up/down volume oscillator. It is currently showing an overbought reading of 4.49, and more importantly has been overbought for five consecutive trading sessions. In addition, the month of January ended with a strong 90% up-volume day. This is an upgrade from the overbought reading recorded in November, off the October low. That reading was not sustained. The current reading needs to remain overbought for another week to be truly convincing, however, bear markets rarely reach overbought territory, and if they do, the reading is typically brief. An overbought reading that persists for at least five to ten consecutive trading days – and reaches a new overbought high reading -- is significant and is an indication of a shift from bearish to positive, or at least from bearish to neutral. This week will be pivotal for this indicator. See page 14.

As a result of this broadening rally, all the popular indices are presently trading above their 200-day moving averages, including the Nasdaq Composite. This is another solid improvement in the technical arena. And as we noted last week, the Russell 2000 has an attractive technical chart, having bettered the 1900 resistance level, which is a good near-term sign for small cap stocks and the market overall. See page 13.

### FLAT VERSUS TRENDING MARKETS

Given the strength of the January rally we believe this is a good time to review the long secular outlook for equities in order to put the current advance into a broader perspective. First, it is important to remember that a study of historical stock performance shows that equities spend only half their time in a persistent "trending market" i.e., a bull market with modest intervening corrections of 10% or more. When stocks are in a trending market a "buy and hold" strategy is beneficial and profitable. And in most trending cycles the economic backdrop is favorable for most industries and corporate profitability is good. In sum, it is an environment that "lifts all boats."

However, the other 50% of the time the equity market and the economic backdrop are not as favorable. Usually this is due to the impact and/or aftermath of either inflation or deflation; as a result, the market vacillates in what we call "flat trends." These flat trends can include several bull and bear markets that rise and fall of 20% or more, but the key distinction is that the benchmark indices usually fail to sustain an advance that moves higher than the previous peak. In short, the market tends to have a ceiling price

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

near the peak of the previous bull market. We believe the inflationary cycle we are currently experiencing is the catalyst for such a market. What is important is that this means a “buy and hold” strategy will be less profitable and instead, investors should be alert to unique buying and selling opportunities when they arise. In most cases, the stock market is driven by a rotation of leadership among industries, value and/or growth at a reasonable price tend to be solid strategies, and taking profits and reinvestment becomes a preferable tactic over “buy and hold”. Also note that history shows that these flat trends tend to last for more than a decade. See page 5.

Another way to analyze the stock market’s “flat trend” phenomenon is to monitor the 10-year compound annual growth rate in the S&P 500. We do this on both a simple price basis and on a total-return basis. As we have pointed out in recent years, it is unusual for the S&P’s 10-year compound annual growth rate to exceed 13%; and when it has reached this level it typically presages a major decline is on the horizon. The 13% level was reached at the end of 2021. See page 6.

Conversely, whenever the 10-year compound annual growth rate approaches or falls below zero, it has been an good signal of an excellent long-term buying opportunity. The growth rate declined to 8.3% as of the end of January, but this is not a level that defines a major buying opportunity. Nevertheless, we do not expect “zero” to materialize for a long while, but we do expect there will be several bull and bear market cycles before the growth rate ever approaches zero.

In sum, we would not anticipate an equity rally will sustain an advance bettering the SPX high of 4796.56 made on January 3, 2022 for several years.

#### FED AND ECONOMICS

The preliminary estimate for fourth quarter GDP was 2.9% which was much better than the consensus view and it followed the 3.2% growth rate generated in the third quarter. Fixed residential investment declined 9.2% in the quarter and it is highly unusual for residential investment to decline this much without the overall economy being in a recession. We are not sure if this is good or bad news, but since we expect the Fed to raise rates at least two more times this year, housing will likely drag economic activity lower in coming months. See page 7.

In December, personal income rose 4.7% YOY, disposable personal income rose 3.2% YOY, yet real personal disposable income fell 1.7% YOY. Still, this was an improvement from July 2022 when real personal disposable income fell 5% YOY, and purchasing power was seriously eroding. However, inflation is taking a toll on consumption, which fell 0.2% in December after falling 0.1% in November. And though the pace of PCE has been decelerating in recent months, it was still rising 7.3% YOY in November and December. The question is how strong or weak will PCE be in 2023? See page 8.

There were clear signs that inflation was decelerating in December. The CPI fell from 7.1% YOY to 6.4% and core CPI declined from 6.0% YOY to 5.7%. Inputs to the CPI are also slowing. PPI for finished goods eased from 10.7% YOY to 9.0%, core PPI was modestly lower from 8.0% to 7.89%, and final demand PPI fell from 7.3% YOY to 6.2%. Equities appear to be celebrating this deceleration in inflation, but remember, these inflation rates remain multiples higher than the Fed’s target of 2% inflation. See page 9.

The Federal Reserve’s preferred measure for inflation is the PCE deflator and that eased from 5.5% YOY to 5% YOY in December. Even so, this means the PCE deflator remains 70 basis points above the current fed funds rate. In short, there is plenty of incentive for the Fed to increase interest rates 25 basis points at this week’s meeting and another 25 basis points at the next meeting that ends on March 22. See page 10. We expect the Fed’s statement will be hawkish this week, as it should be. Inflation is not as easy to reverse as many investors appear to believe, and though the current rally could have further upside, we would remain focused on maintaining a portfolio tilted toward value.

## AS JANUARY GOES, SO GOES THE YEAR – DOW JONES INDUSTRIAL AVERAGE

### DJIA Ups - Early January

1950 - 2016	1st Five Days % Performance	January % Performance	Year % Performance
1976	6.5%	14.4%	17.9%
1975	3.1%	14.2%	38.3%
1987	5.6%	13.8%	2.3%
1967	3.5%	8.2%	15.2%
1989	1.4%	8.0%	27.0%
2019	2.0%	7.2%	22.3%
1985	-1.6%	6.2%	27.7%
1994	1.8%	6.0%	2.1%
2018	2.3%	5.8%	-5.6%
2013	1.7%	5.8%	26.5%
1951	2.2%	5.7%	14.4%
1997	1.6%	5.7%	22.6%
1996	1.6%	5.4%	26.0%
1961	1.4%	5.2%	18.7%
1963	2.7%	4.7%	17.0%
1980	1.5%	4.4%	14.9%
1979	2.9%	4.2%	4.2%
1954	0.2%	4.1%	44.0%
1991	-4.7%	3.9%	20.3%
1971	-0.2%	3.5%	6.1%
2012	1.4%	3.4%	7.3%
1958	2.5%	3.3%	34.0%
1965	1.0%	3.3%	10.9%
1964	1.5%	2.9%	14.6%
2023	1.1%	2.8%	?
1983	2.8%	2.8%	20.3%
2011	0.8%	2.7%	5.5%
1999	5.0%	1.9%	25.2%
1959	0.8%	1.8%	16.4%
1992	1.1%	1.7%	4.2%
1986	-1.3%	1.6%	22.6%
1966	1.7%	1.5%	-18.9%
2006	2.7%	1.4%	16.3%
1972	2.3%	1.3%	14.6%
2007	-0.4%	1.3%	6.4%
1955	-2.2%	1.1%	20.8%
2017	0.6%	1.1%	25.1%
1988	-1.4%	1.0%	11.8%
2001	-1.5%	0.9%	-7.1%
1950	0.9%	0.8%	17.6%
1974	1.3%	0.6%	-27.6%
1952	0.4%	0.5%	8.4%
2004	1.3%	0.3%	3.1%
1993	-1.5%	0.3%	13.7%
1995	0.7%	0.2%	33.5%
1969	-2.4%	0.2%	-15.2%
Up	36	46	40
Average	1.2%	3.9%	13.9%
Min	-4.7%	0.2%	-27.6%
Max	6.5%	14.4%	44.0%

### DJIA Declines - Early January

1950 - 2016	1st Five Days % Performance	January % Performance	Year % Performance
1998	-1.3%	0.0%	16.1%
1982	-1.0%	-0.4%	19.6%
1953	-0.5%	-0.7%	-3.8%
2020	0.7%	-1.0%	7.2%
2002	1.3%	-1.0%	-16.8%
1981	0.2%	-1.7%	-9.2%
2021	1.6%	-2.0%	18.7%
1973	2.7%	-2.1%	-16.6%
2005	-1.7%	-2.7%	-0.6%
1984	2.2%	-3.0%	-3.7%
2022	-0.3%	-3.3%	-8.8%
2003	3.0%	-3.5%	25.3%
2010	1.8%	-3.5%	11.0%
1956	-1.8%	-3.6%	2.3%
2015	0.5%	-3.7%	-2.2%
1957	-1.1%	-4.1%	-12.8%
1962	-3.0%	-4.3%	-10.8%
2008	-5.1%	-4.6%	-33.8%
2000	0.2%	-4.8%	-6.2%
1977	-2.1%	-5.0%	-17.3%
2014	-0.7%	-5.3%	7.5%
1968	0.4%	-5.5%	4.3%
2016	-6.2%	-5.5%	13.4%
1990	1.5%	-5.9%	-4.3%
1970	0.2%	-7.0%	4.8%
1978	-5.6%	-7.4%	-3.1%
1960	-0.5%	-8.4%	-9.3%
2009	-0.4%	-8.8%	18.8%
Down	28	28	16
Average	-0.5%	-3.9%	-0.4%
Min	-6.2%	-8.8%	-33.8%
Max	3.0%	-8.8%	25.3%

Source: Stock Trader's Almanac; Refinitiv

#### January Barometer Statistics

79% Early January Gain Predicts the Year's Action

89% January Gain Predicts the Year's Action

## AS JANUARY GOES, SO GOES THE YEAR – S&amp;P 500

## SPX Ups - Early January

1950 - 2016	1st Five Days % Performance	January % Performance	Year % Performance
1987	6.2%	13.2%	2.0%
1975	2.2%	12.3%	31.5%
1976	4.9%	11.8%	19.1%
2019	2.7%	7.9%	28.9%
1967	3.1%	7.8%	20.1%
1985	-1.9%	7.4%	26.3%
1989	1.2%	7.1%	27.3%
1961	1.2%	6.3%	23.1%
2023	1.6%	6.2%	?
1997	1.0%	6.1%	31.0%
1951	2.3%	6.1%	16.5%
1980	0.9%	5.8%	25.8%
2018	2.8%	5.6%	-6.2%
1954	0.5%	5.1%	45.0%
2013	2.2%	5.0%	29.6%
1963	2.6%	4.9%	18.9%
2012	1.8%	4.4%	13.4%
1958	2.5%	4.3%	38.1%
1991	-4.6%	4.2%	26.3%
1999	3.7%	4.1%	19.5%
1971	0.0%	4.0%	10.8%
1988	-1.5%	4.0%	12.4%
1979	2.8%	4.0%	12.3%
2001	-1.8%	3.5%	-13.0%
1965	0.7%	3.3%	9.1%
1983	3.2%	3.3%	17.3%
1996	0.4%	3.3%	20.3%
1994	0.7%	3.3%	-1.5%
1964	1.3%	2.7%	13.0%
2006	3.4%	2.5%	13.6%
1995	0.3%	2.4%	34.1%
2011	1.1%	2.3%	0.0%
1972	1.4%	1.8%	15.6%
1955	-1.8%	1.8%	26.4%
1950	2.0%	1.7%	21.8%
2004	1.8%	1.7%	9.0%
1952	0.6%	1.6%	11.8%
2007	-0.4%	1.4%	3.5%
1998	-1.5%	1.0%	26.7%
1993	-1.5%	0.7%	7.1%
1966	0.8%	0.5%	-13.1%
1959	0.3%	0.4%	8.5%
1986	-1.6%	0.2%	14.6%
Up	34	43	37
Average	1.1%	4.3%	16.6%
Min	-4.6%	0.2%	-13.1%
Max	6.2%	13.2%	45.0%

## SPX Declines - Early January

1950 - 2016	1st Five Days % Performance	January % Performance	Year % Performance
2020	0.7%	-0.2%	16.3%
1953	-0.9%	-0.7%	-6.6%
1969	-2.9%	-0.8%	-11.4%
1984	2.4%	-0.9%	1.4%
1974	-1.5%	-1.0%	-29.7%
2017	1.8%	-1.1%	-28.8%
2021	1.8%	-1.1%	26.9%
2002	1.1%	-1.6%	-23.4%
1973	1.5%	-1.7%	-17.4%
1982	-2.4%	-1.8%	14.8%
1992	0.2%	-2.0%	4.5%
2005	-2.1%	-2.5%	3.0%
2003	3.4%	-2.7%	26.4%
2015	0.2%	-3.1%	-0.7%
2014	-0.6%	-3.6%	11.4%
1956	-2.1%	-3.6%	2.6%
2010	2.7%	-3.7%	12.8%
1962	-3.4%	-3.8%	-11.8%
1957	-0.9%	-4.2%	-14.3%
1968	0.2%	-4.4%	7.7%
1981	-2.0%	-4.6%	-9.7%
1977	-2.3%	-5.1%	-11.5%
2016	-6.0%	-5.1%	83.8%
2000	-1.9%	-5.1%	-10.1%
2022	-1.9%	-5.3%	-19.4%
2008	-5.3%	-6.1%	-38.5%
1978	-4.7%	-6.2%	1.1%
1990	0.1%	-6.9%	-6.6%
1960	-0.7%	-7.1%	-3.0%
1970	0.7%	-7.6%	0.1%
2009	0.7%	-8.6%	23.5%
Down	31	31	16
Average	-0.8%	-3.6%	-0.2%
Min	-6.0%	-8.6%	-38.5%
Max	3.4%	-0.2%	83.8%

Bad signal Source: Stock Trader's Almanac; Thomson Reuters

## January Barometer Statistics: Up Years

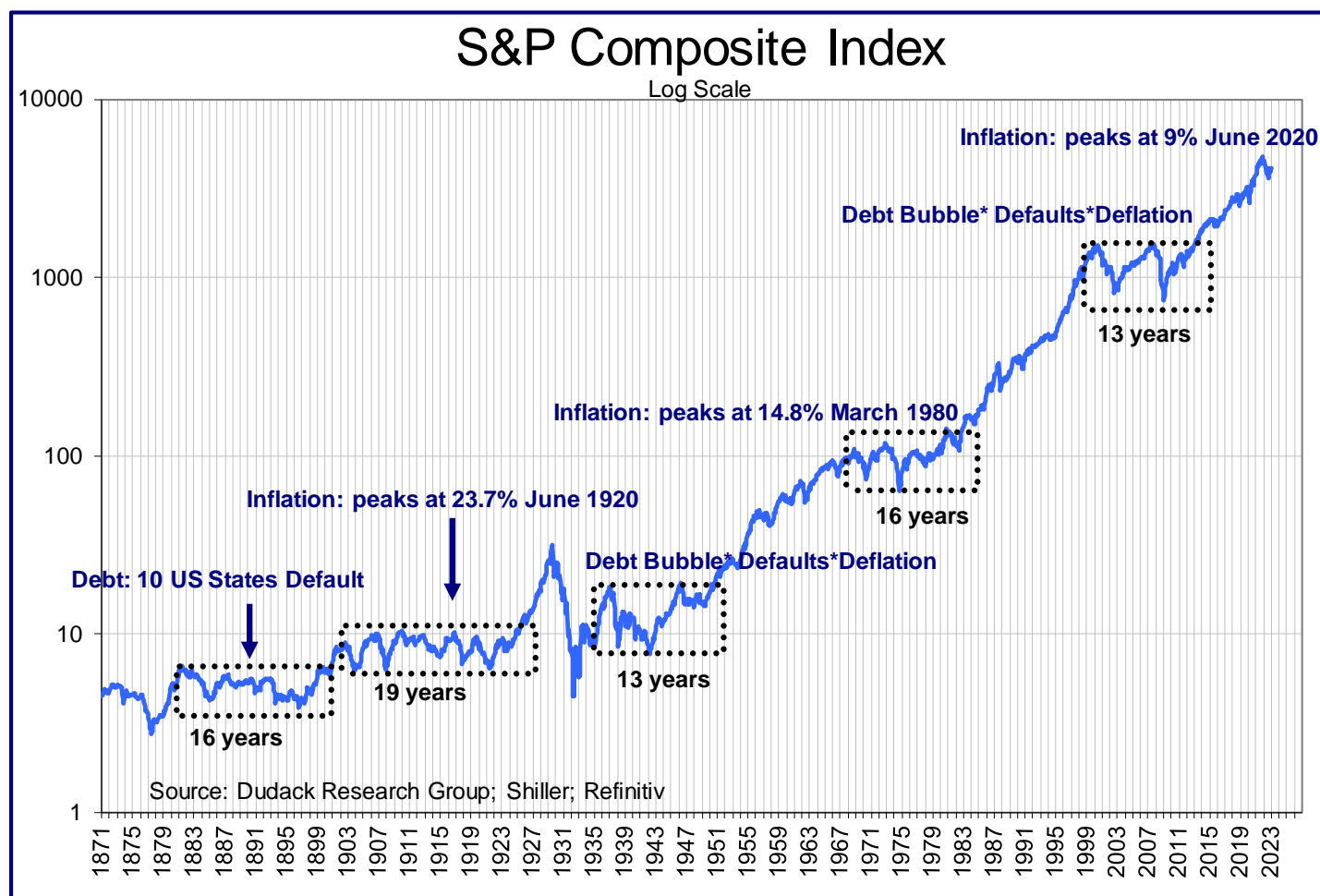
70% Early January Gain Predicts the Year's Action

79% January Gain Predicts the Year's Action

Given the strength of the January rally we believe this is a good time to review the long secular outlook for equities in order to put the current advance into a broader perspective. First, it is important to remember that a study of historical stock performance shows that equities spend only half their time in a persistent “trending market” i.e., a bull market with modest intervening corrections of 10% or more. When stocks are in a trending market a “buy and hold” strategy is beneficial and profitable. And in most trending cycles the economic backdrop is favorable for most industries and corporate profitability is good. In sum, it is an environment that “lifts all boats.”

However, the other 50% of the time the equity market and the economic backdrop are not as favorable. Usually this is due to the impact and/or aftermath of either inflation or deflation; as a result, the market vacillates in what we call “flat trends.” These flat trends usually include several bull and bear markets that rise and fall 20% or more, but the key distinction is that the benchmark indices usually fail to sustain an advance that moves higher than the previous peak. In short, the market tends to have a ceiling price. We believe the inflationary cycle we are currently experiencing is the catalyst for such a market. This means a “buy and hold” strategy will be less profitable and instead, investors should be alert to unique buying and selling opportunities when they arise. In most cases, the stock market is driven by a rotation of leadership among industries, value and/or growth at a reasonable price tend to be solid strategies, and taking profits and reinvestment becomes a preferable tactic over “buy and hold”.

Note that history shows that these flat trends tend to last for more than a decade.

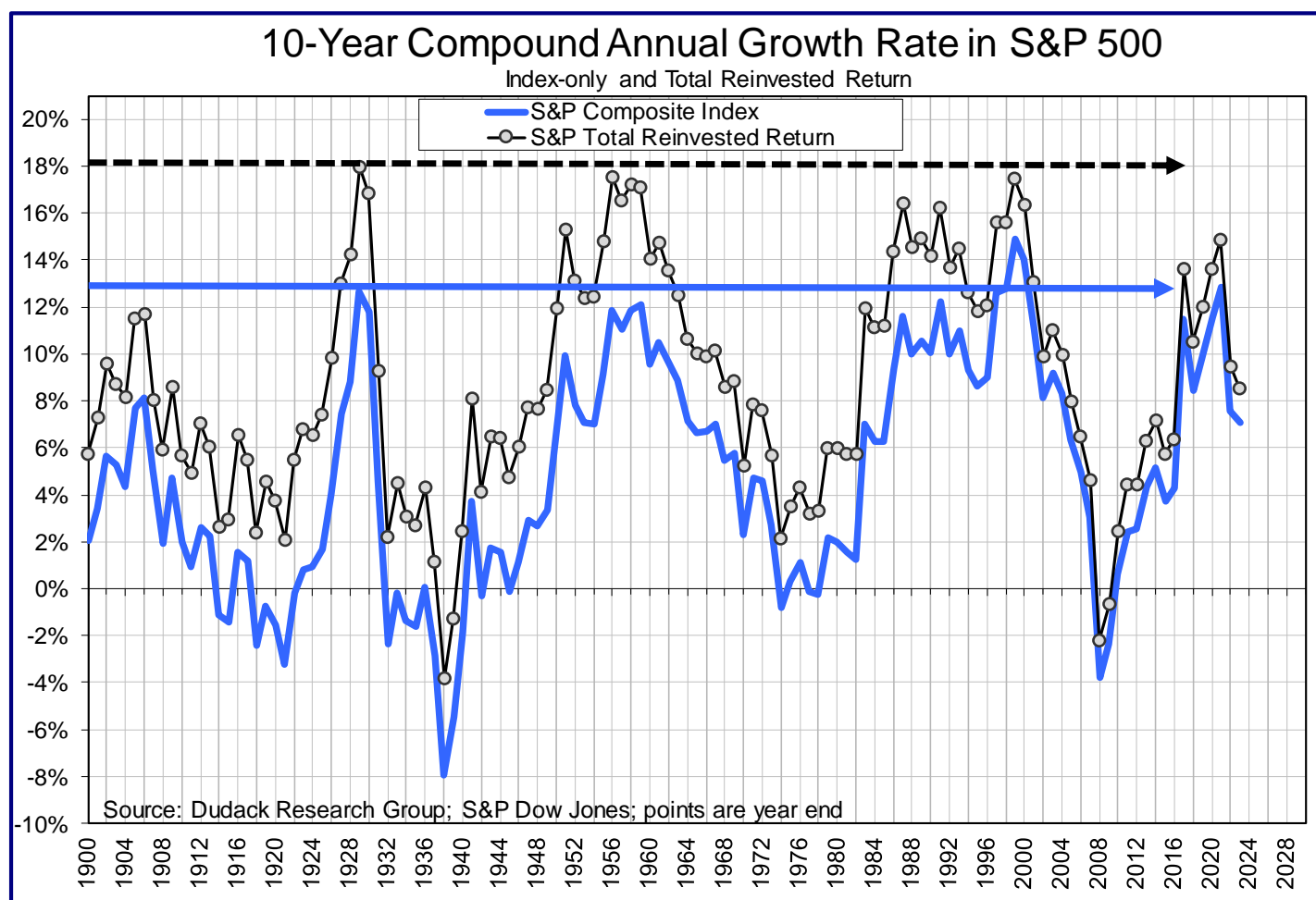




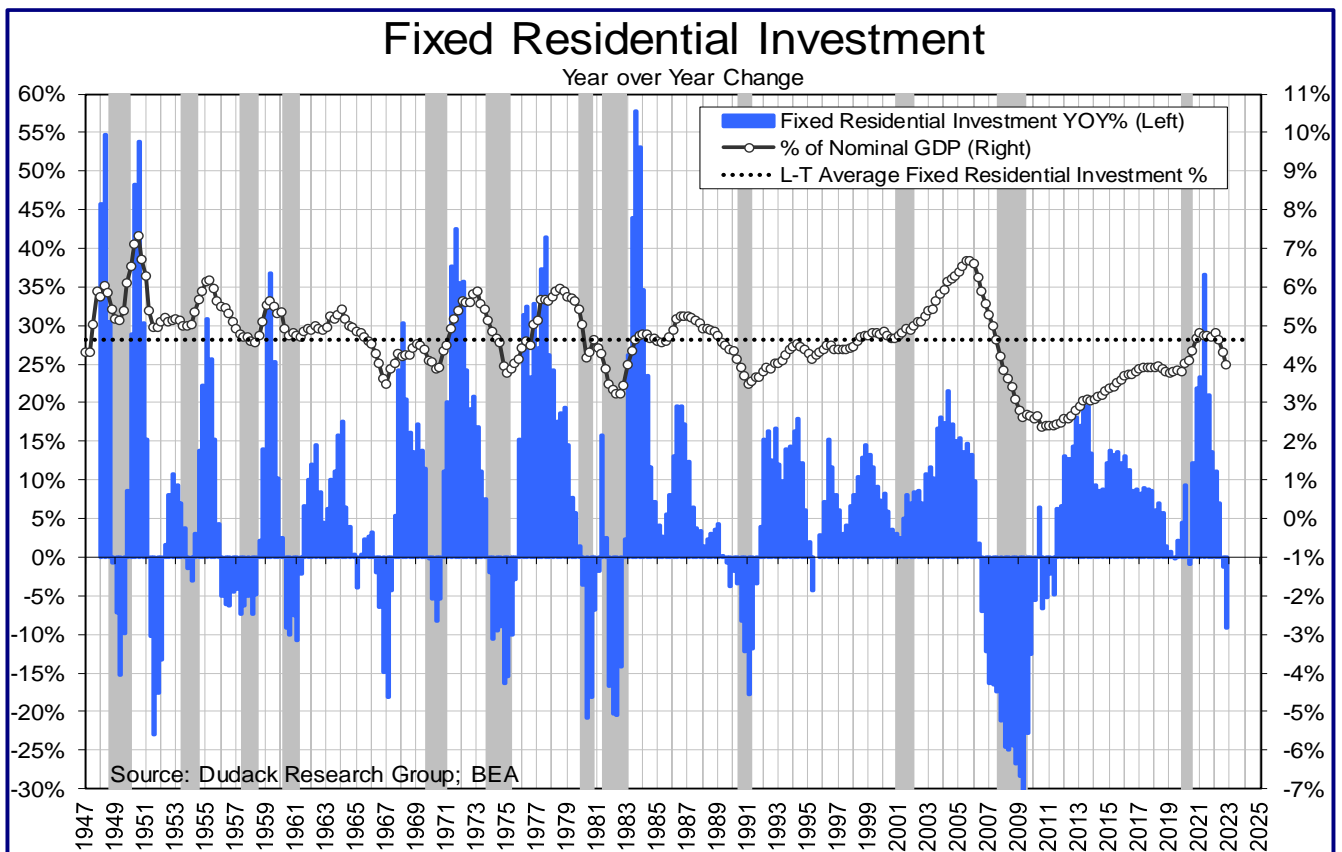
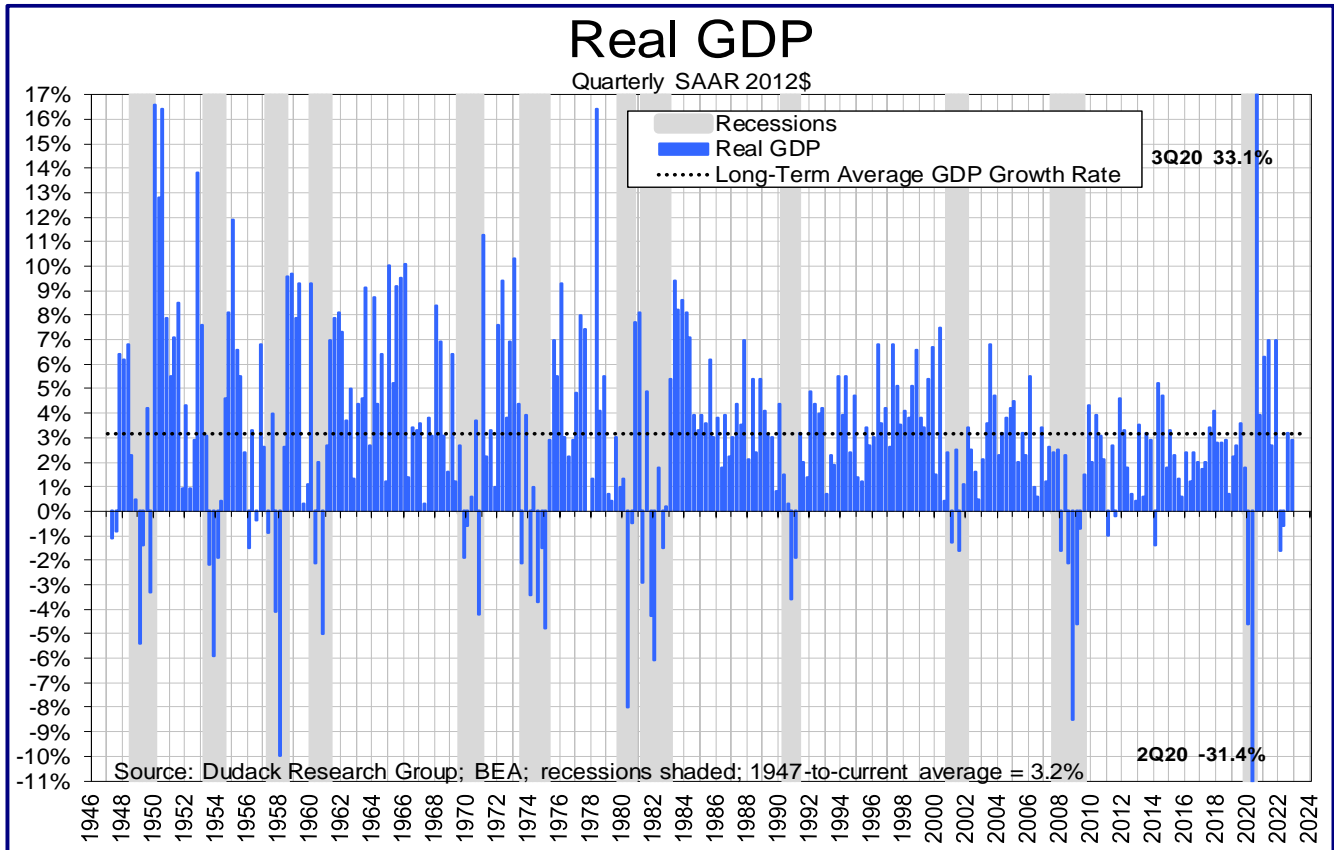
Another way to analyze the stock market's "flat trend" phenomenon is to monitor the 10-year compound annual growth rate in the S&P 500. We do this on both a simple price basis and on a total-return basis. As we have pointed out in recent years, it is unusual for the S&P's 10-year compound annual growth rate to exceed 13%; and when it has reached this level it typically presages a major decline in the horizon. The 13% level was reached at the end of 2021.

Conversely, whenever the 10-year compound annual growth rate approaches or falls below zero, it has been an excellent signal of an excellent long-term buying opportunity. The growth rate has declined to 8.3% as of the end of January, but this is not a level that defines a major buying opportunity. Nevertheless, we do not expect "zero" to materialize for a long while, but we do expect there will be several bull and bear market cycles before the growth rate ever approaches zero.

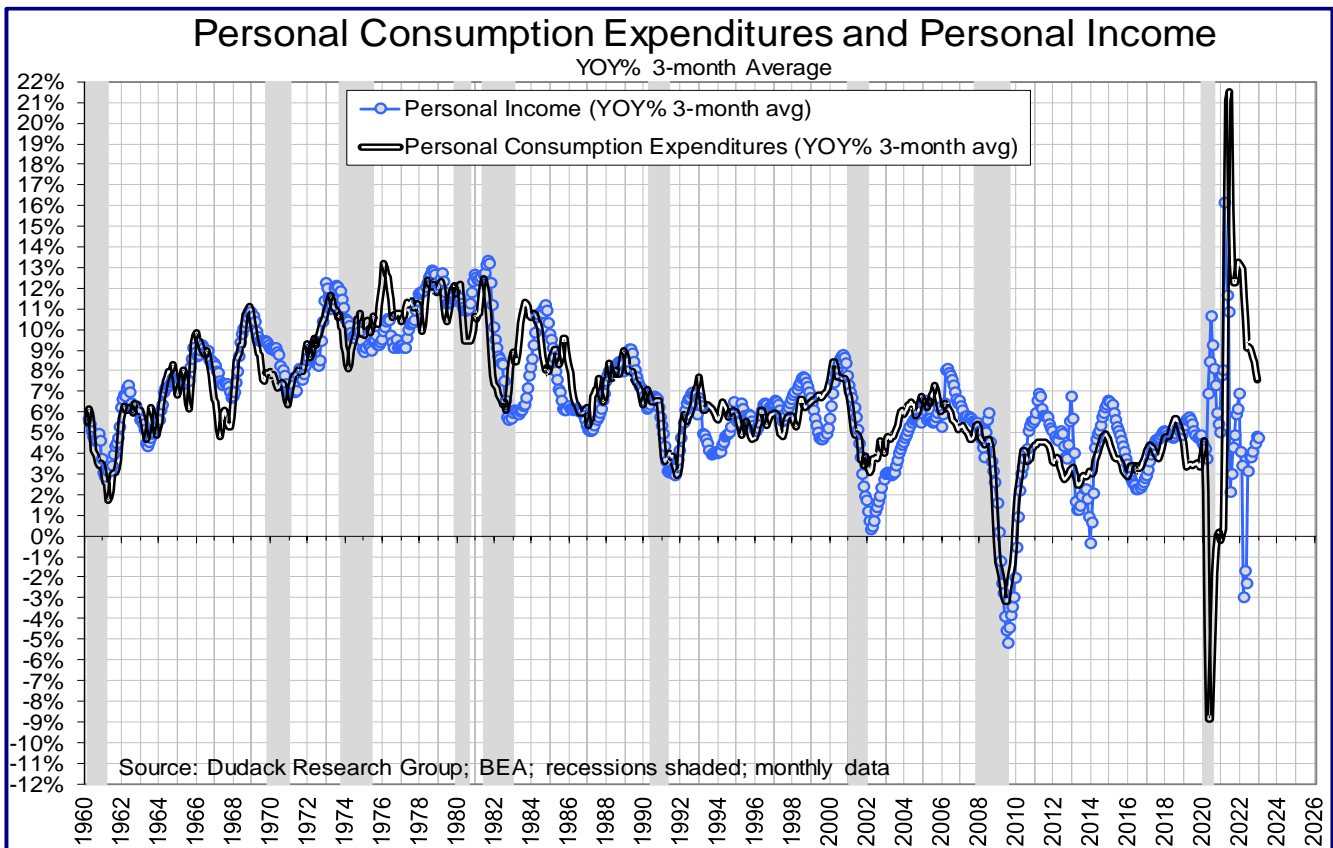
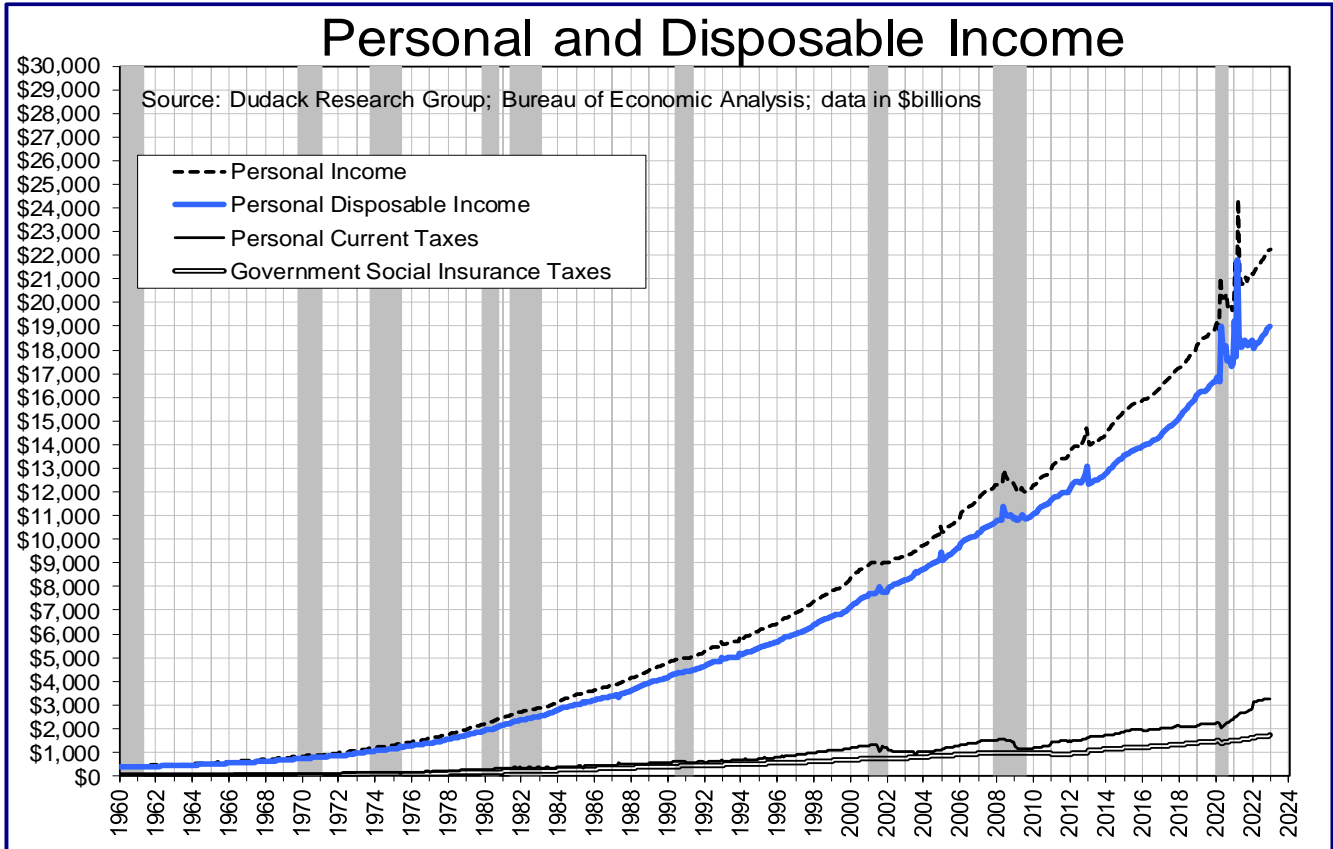
In sum, we would not anticipate an equity rally will sustain an advance bettering the SPX high of 4796.56 made on January 3, 2022 for several years.



The preliminary estimate for 4Q22 GDP was 2.9% which was much better than the consensus view; moreover, it followed the 3.2% growth rate generated in 3Q22. Fixed residential investment declined 9.2% in the quarter and it is highly unusual for residential investment to decline this much and the overall economy not to be in a recession. This is a negative omen. Fixed residential investment, which typically averages 4.6% of nominal GDP, fell to 3.99% in 4Q22.



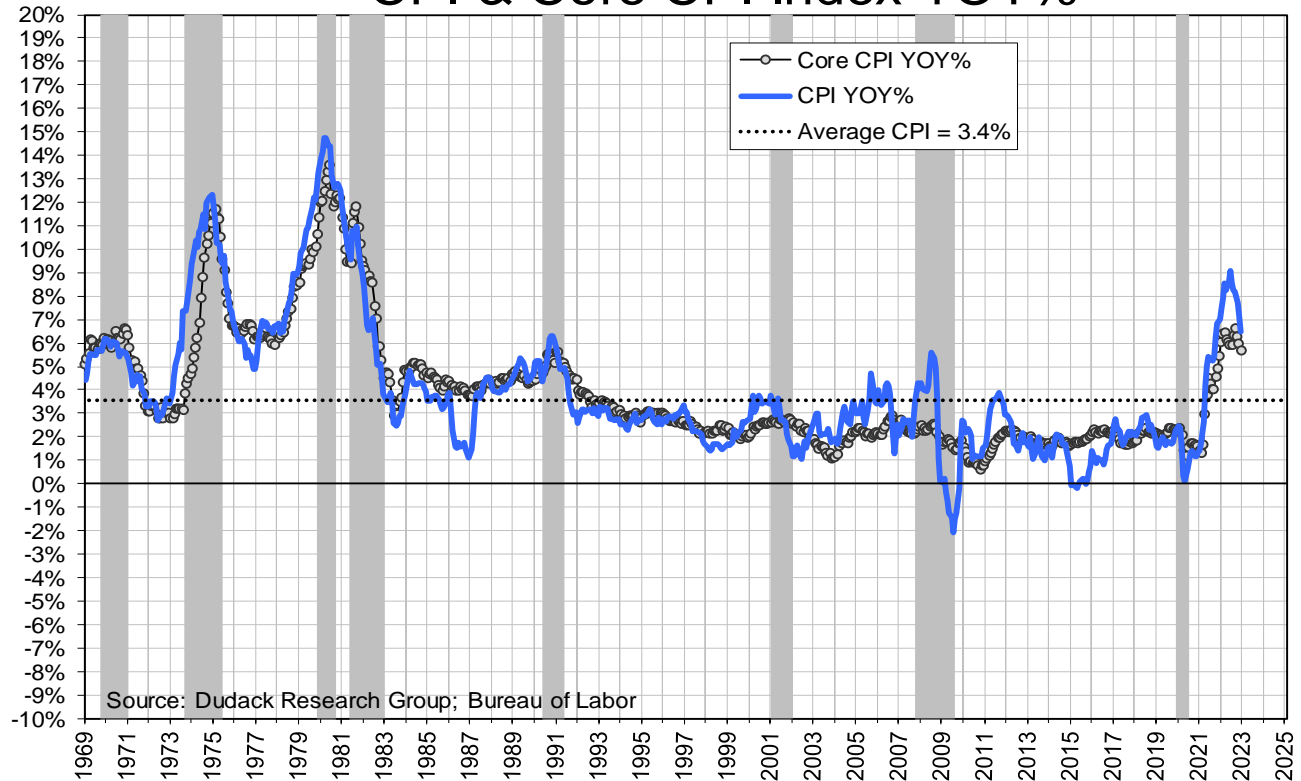
In December, personal income rose 4.7% YOY, disposable personal income rose 3.2% YOY, but real personal disposable income fell 1.7% YOY. However, this is an improvement over July 2022 when real personal disposable income fell 5% YOY and was seriously eroding purchasing power. Nonetheless, the toll of inflation is impacting consumption which fell 0.2% in December after falling 0.1% in November. However, while the pace of PCE has been decelerating in recent months, it was still rising 7.3% YOY in November and December. The question is how strong or weak will PCE be in 2023?



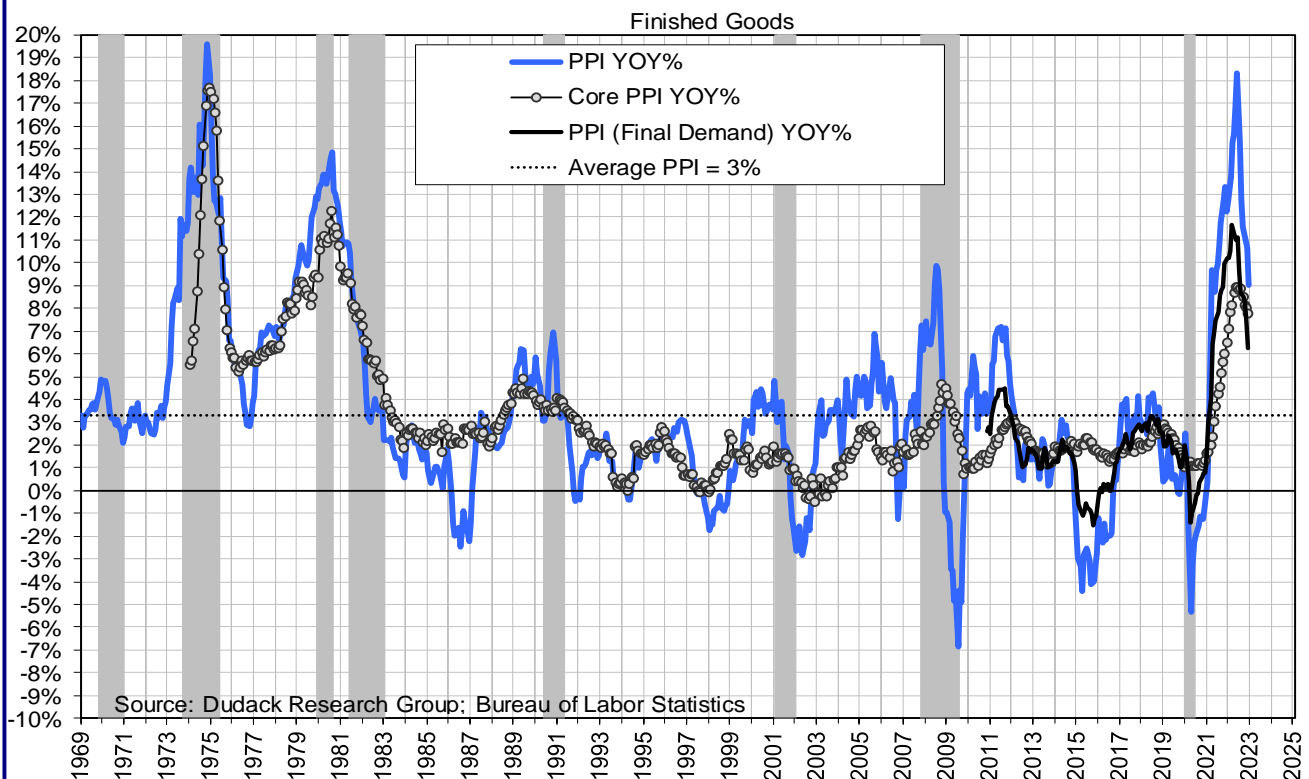


There were clear signs that inflation was decelerating in December. CPI fell from 7.1% YOY to 6.4% YOY and core CPI declined from 6.0% YOY to 5.7% YOY. Inputs to the CPI are also slowing. PPI for finished goods eased from 10.7% YOY to 9.0% YOY, core PPI was modestly lower from 8.0% to 7.89% YOY, and final demand PPI fell from 7.3% YOY to 6.2% YOY. Nevertheless, these inflation rates are still multiples higher than the Fed's target of 2% inflation.

## CPI & Core CPI Index YOY%

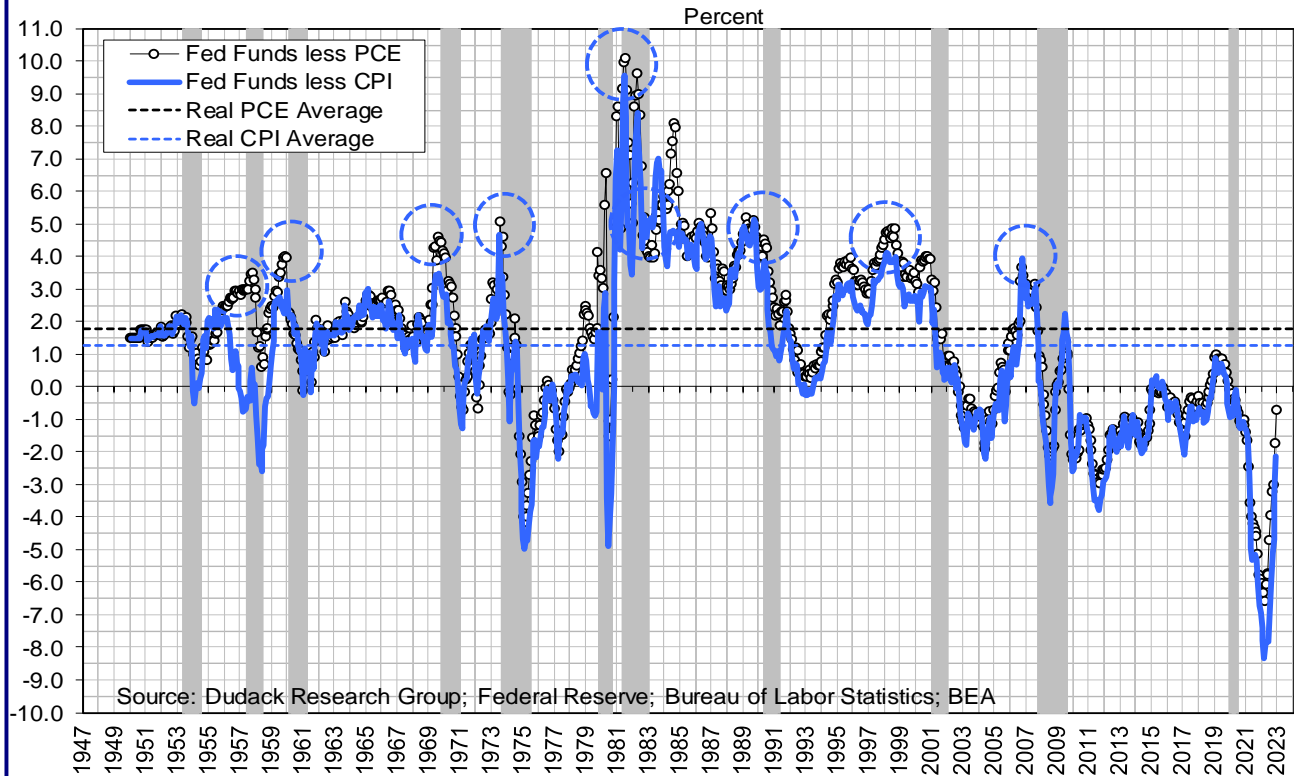


## PPI & Core PPI Index YOY%

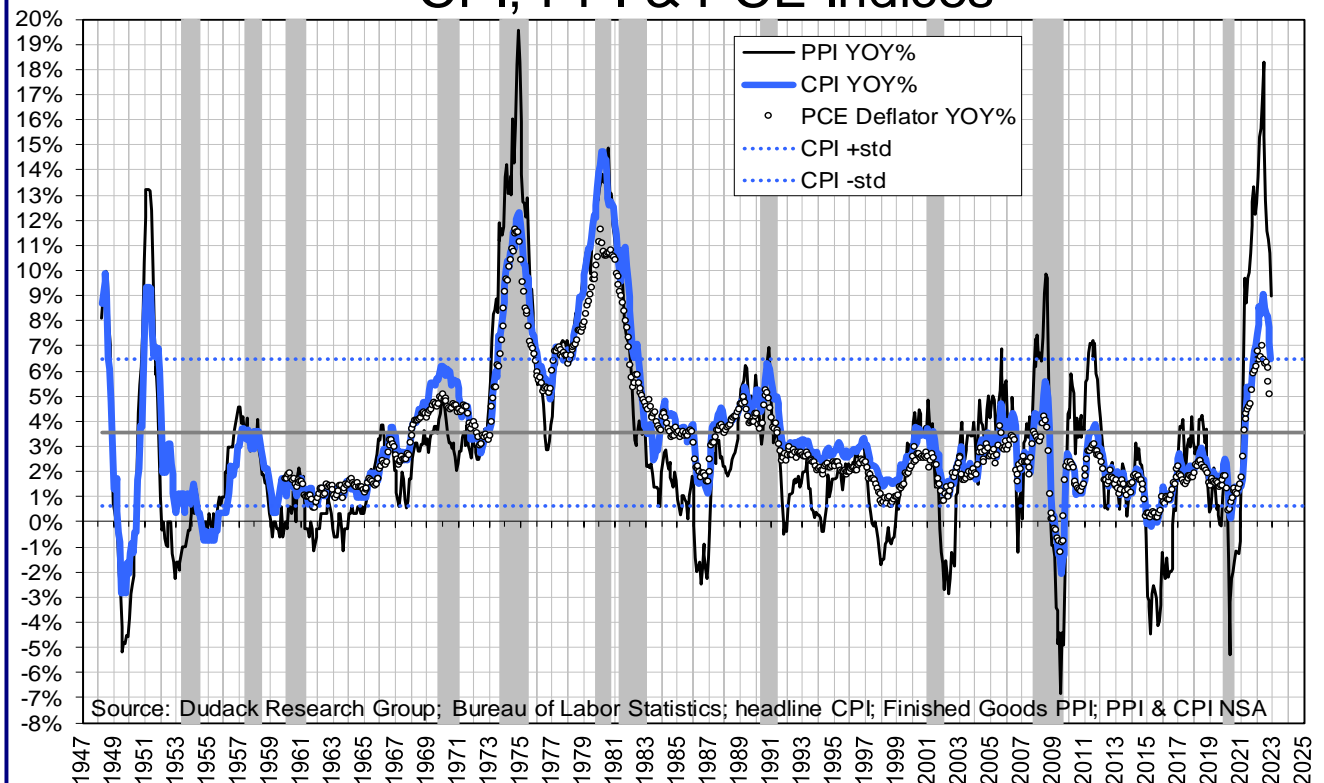


The Federal Reserve's preferred measure for inflation is the PCE deflator and that eased from 5.5% YOY to 5% YOY in December. Even so, this means the PCE deflator remains 70 basis points above the current fed funds rate. In short, there is plenty of incentive for the Fed to increase interest 25 basis points at this week's meeting and another 25 basis points at the next meeting that ends on March 22.

## Real Fed Funds Rate

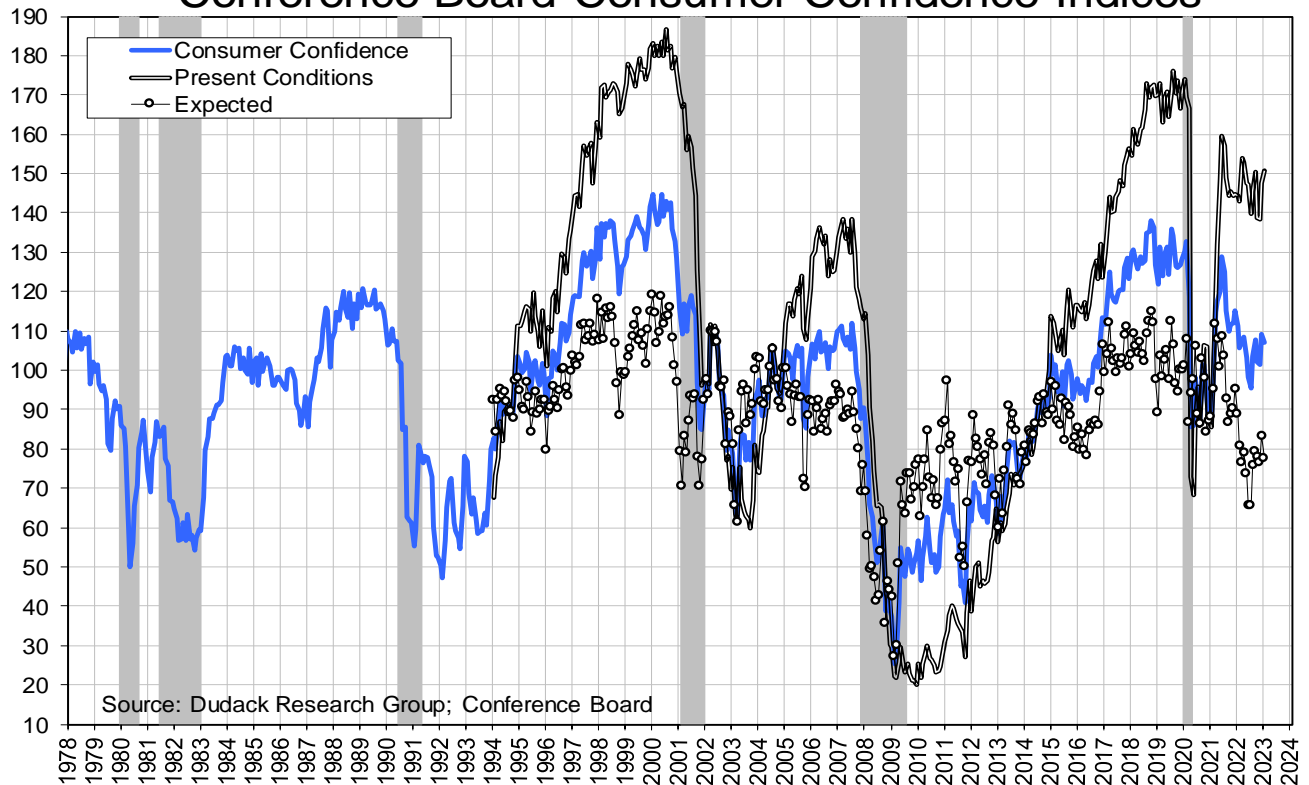


## CPI, PPI & PCE Indices

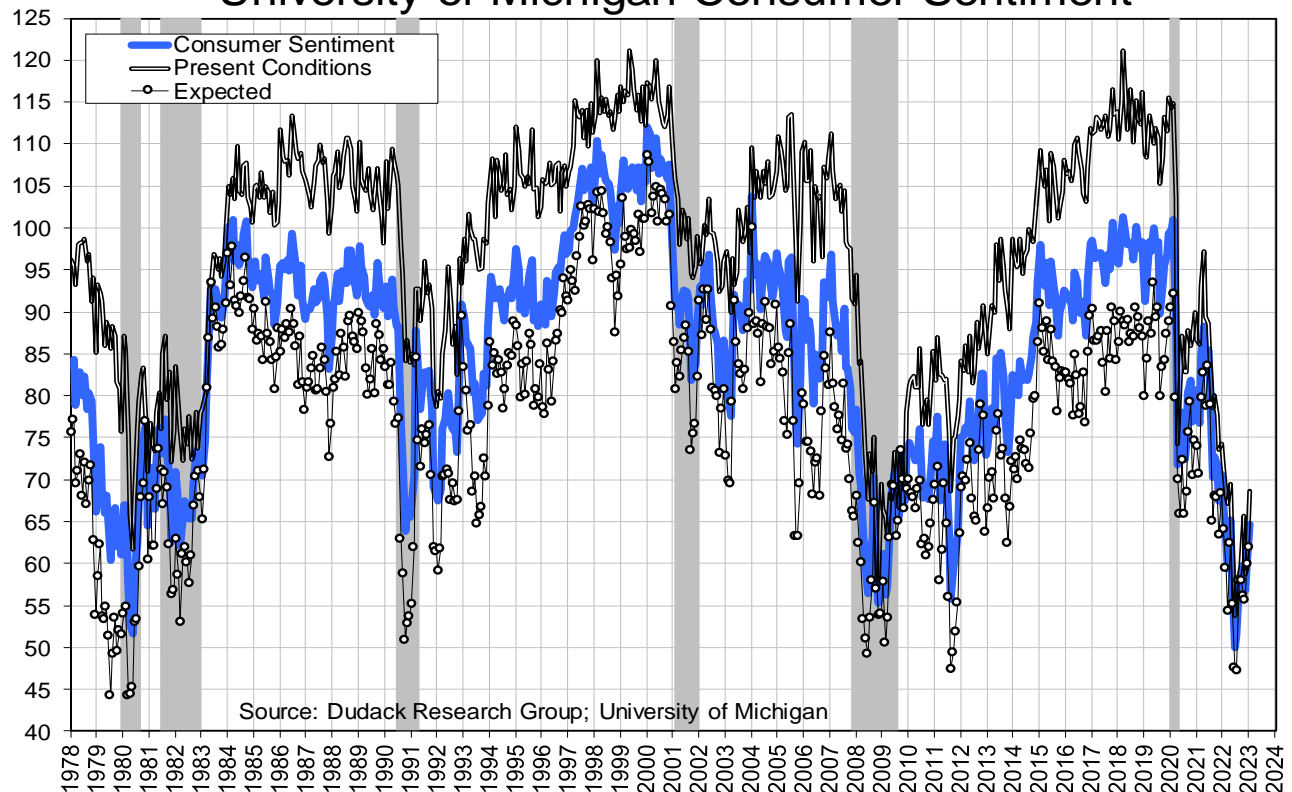


Along with the better-than-expected economic activity and the decelerating pace of inflation we are seeing some modest improvement in consumer confidence. The Conference Board confidence index gave up some of its December gain to 109.0 and eased to 107.1 in January; but the consumer's assessment of present conditions rose from 147.4 to 150.9. The University of Michigan sentiment indices rose across the board in January. The main index rose nearly 5 points to 64.6, present conditions rose 9.2 points to 68.6, and expectations rose 2.1 points to 62.

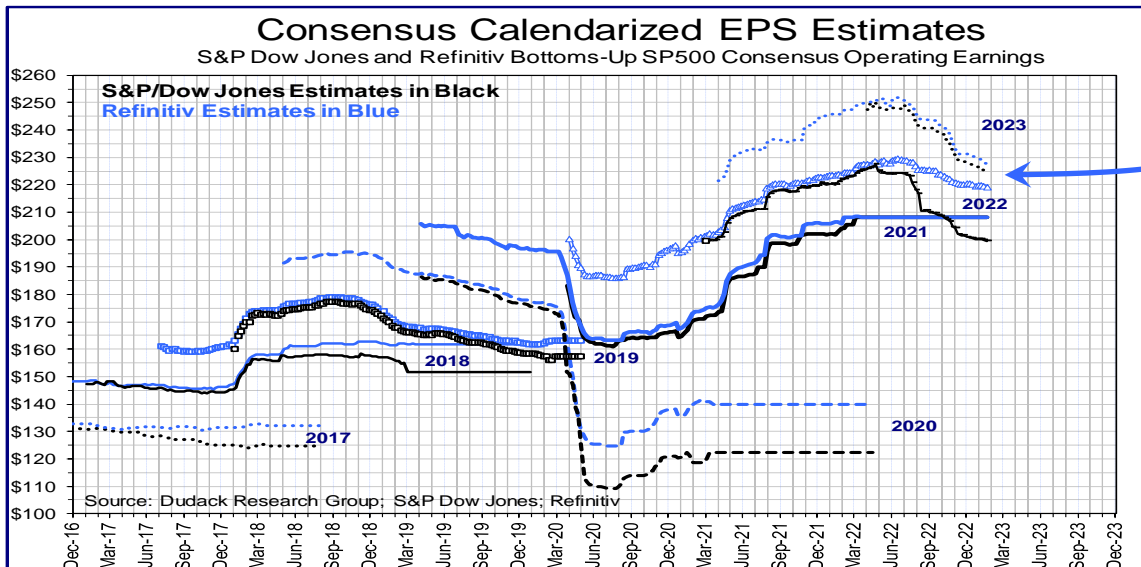
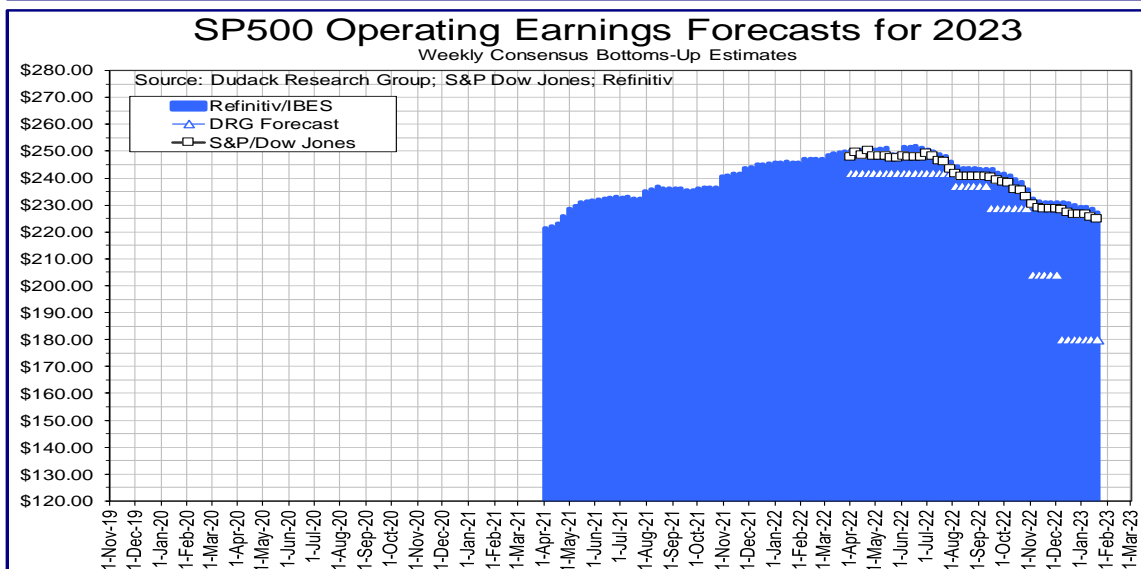
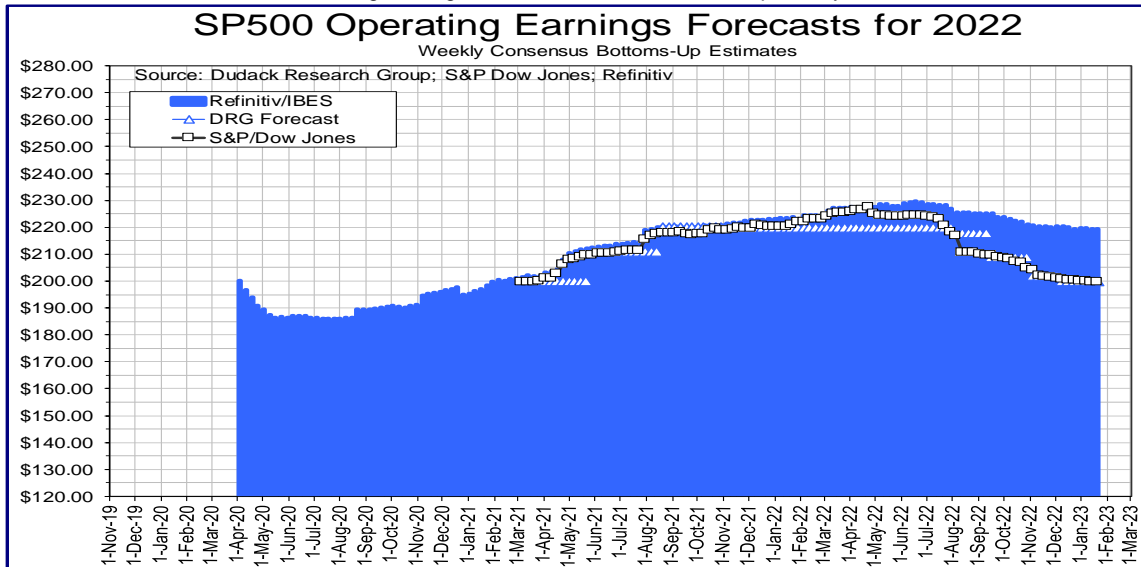
### Conference Board Consumer Confidence Indices



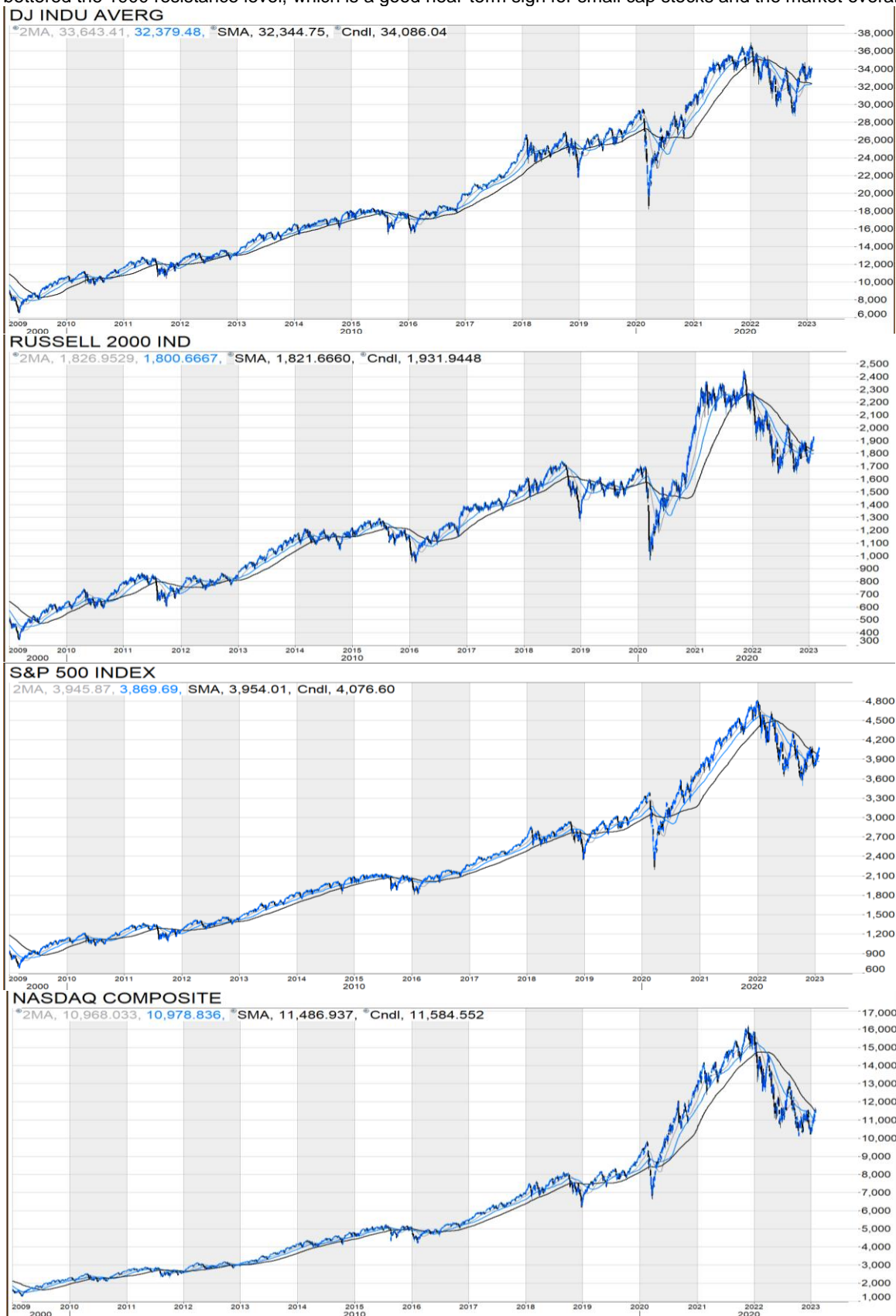
### University of Michigan Consumer Sentiment



S&P Dow Jones earnings estimates for 2022 and 2023 fell \$0.82 and \$0.94 this week. Refinitiv IBES consensus earnings forecasts fell \$0.15 and \$1.18, respectively, leaving estimates at \$198.73/\$219.10 and \$223.63/\$226.01, respectively. EPS growth rates for 2022 are (4.6%) and 5.3%, and for 2023 are 12.5% and 3.2%, respectively. (Note: consensus macro-EPS forecasts may differ from four quarter analysts' forecast sums seen on page 14.) DRG's 2022 and 2023 estimates are \$200 and \$180, reflecting earnings declines of 3.9% and 10%, respectively.



The current rally has broadened and as a result, all the popular indices are presently trading above their 200-day moving averages, including the Nasdaq Composite. This is a solid improvement. And as we noted last week, the Russell 2000 has an attractive technical chart, having bettered the 1900 resistance level, which is a good near-term sign for small cap stocks and the market overall.



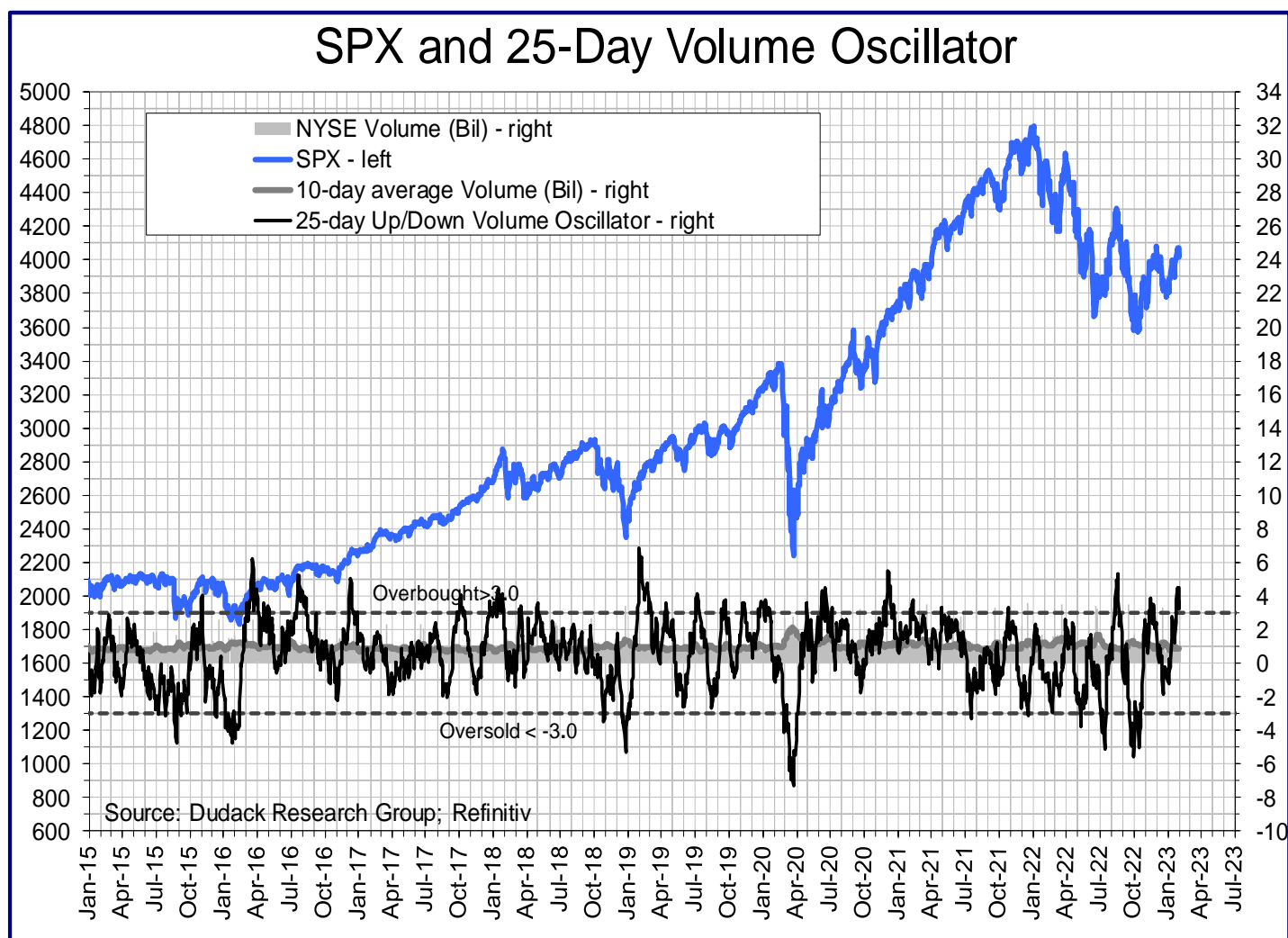
Source: Refinitiv



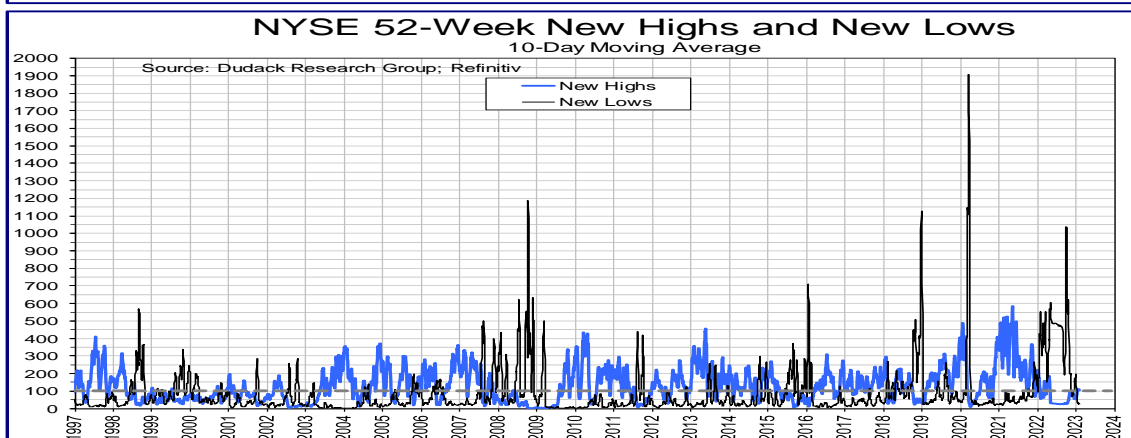
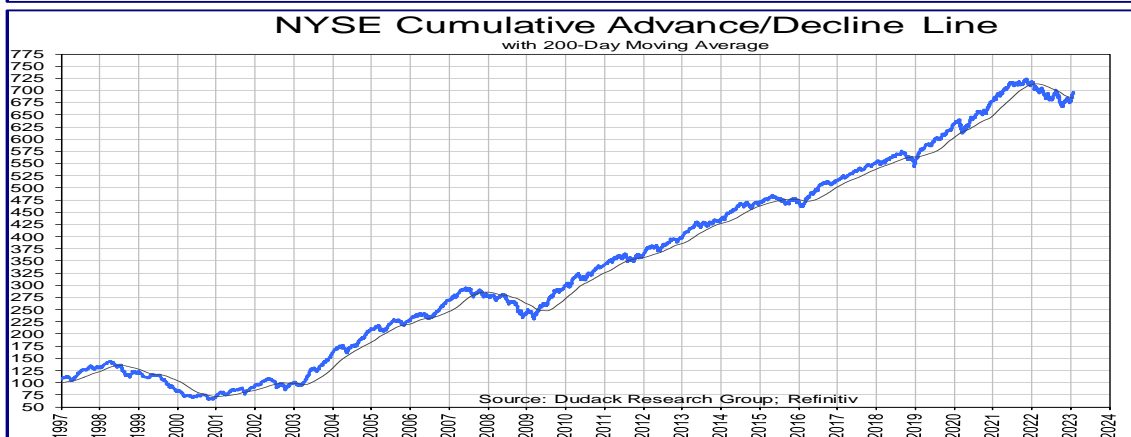
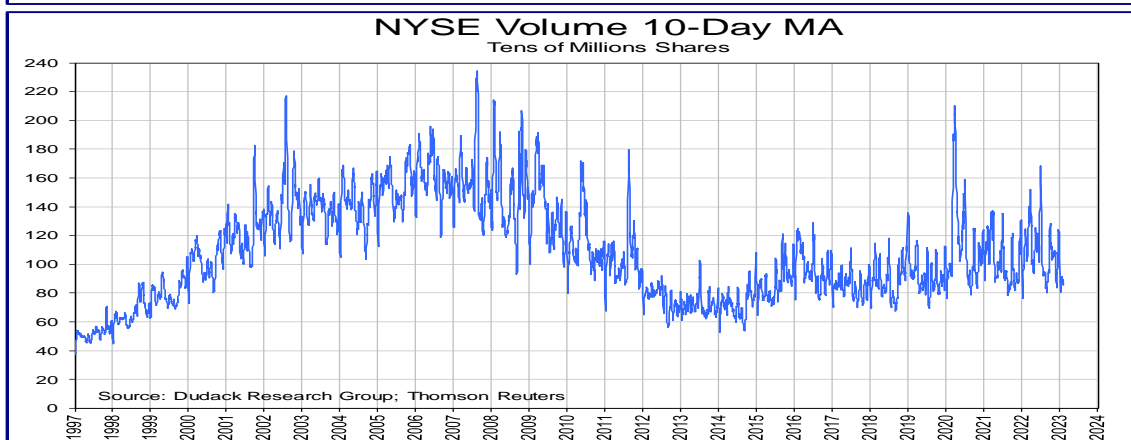
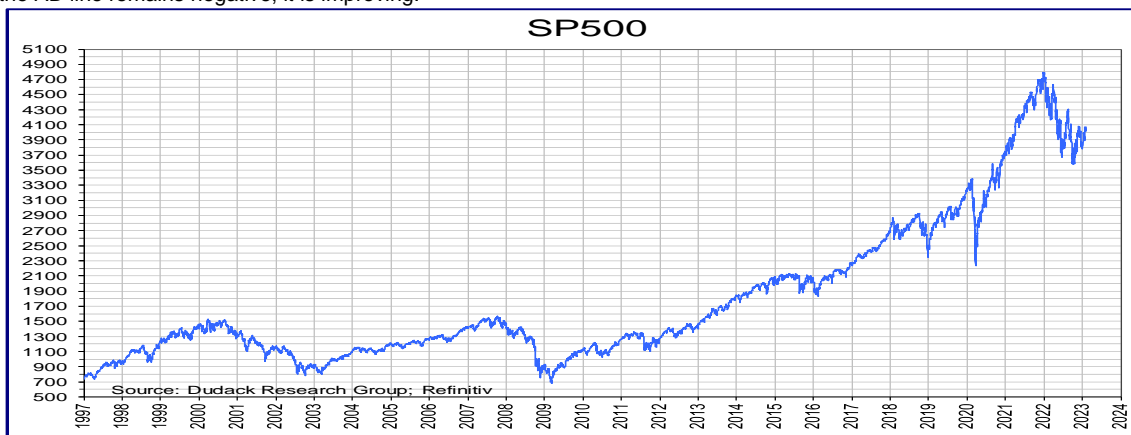
The biggest change in the technical arena is the improvement in the 25-day up/down volume oscillator. It is currently showing an overbought reading of 4.49, and more importantly has been overbought for five consecutive trading sessions. In addition, the month of January ended with a 90% up-volume day. This is an upgrade over the overbought reading seen in November, off the October low, that was not sustained. Bear markets rarely reach overbought territory, but if they do, the reading is typically brief. However, an overbought reading that persists for at least five to ten consecutive trading days – and reaches a new overbought high reading -- is significant and is an indication of a shift from bearish to positive, or at least from bearish to neutral.

As a reminder, the 25-day up/down volume oscillator has been in bearish mode since April 2022 when it repeatedly failed to reach overbought territory to confirm new market highs. It subsequently recorded a series of oversold readings which indicated a downshift in the cycle. On September 30, the oscillator hit an oversold reading of negative 5.6 which was a deeper oversold reading than the negative 5.17 reading of July 14, 2022. This was a failure in defining June as a major low. 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. However, the indicator has not generated a significant overbought or oversold reading in recent months and the current reading is a positive sign.

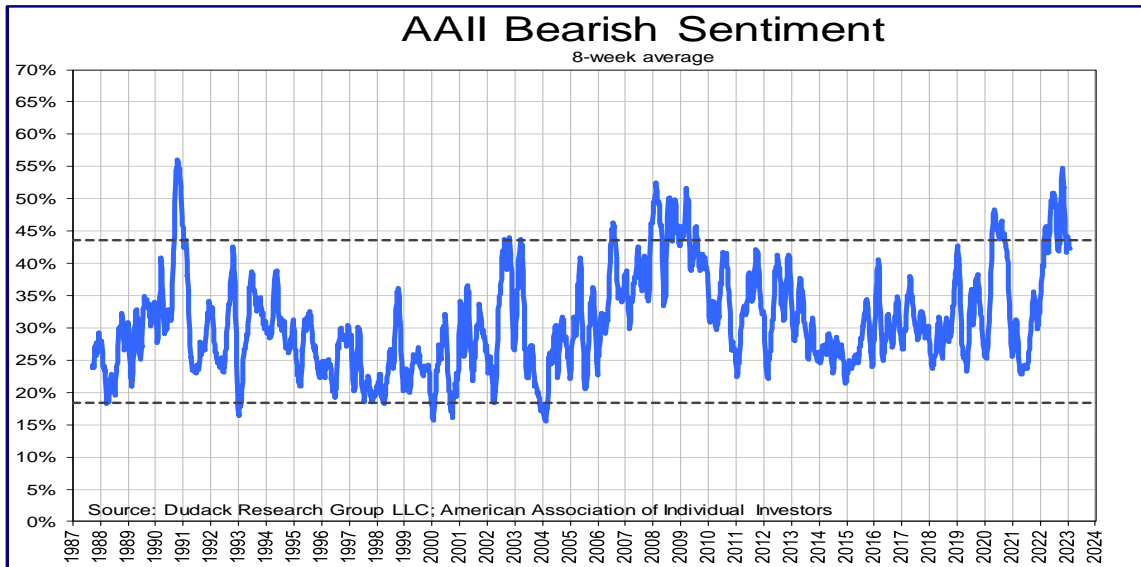
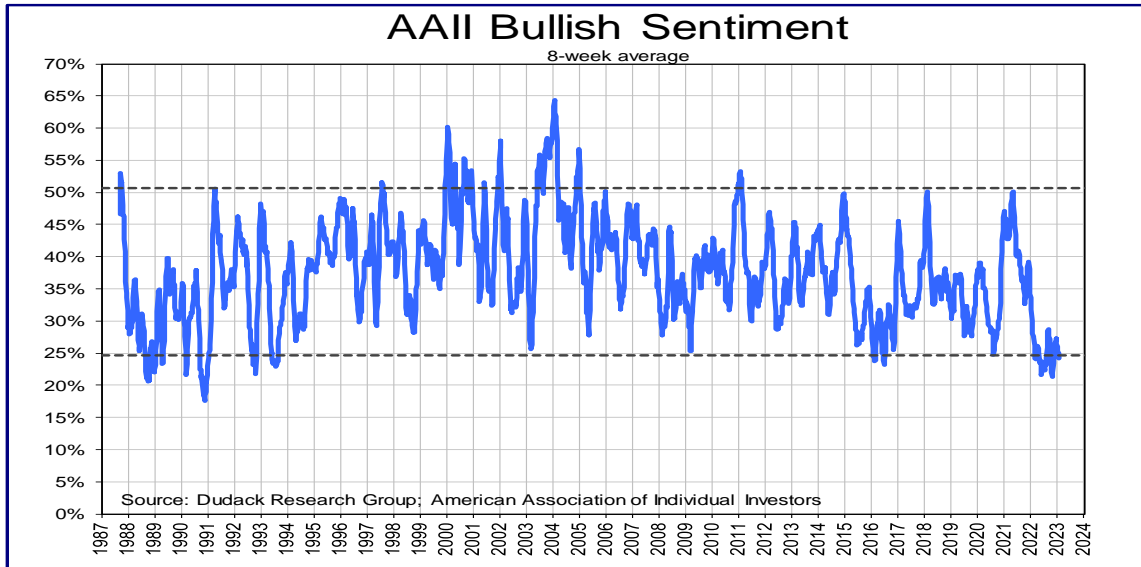
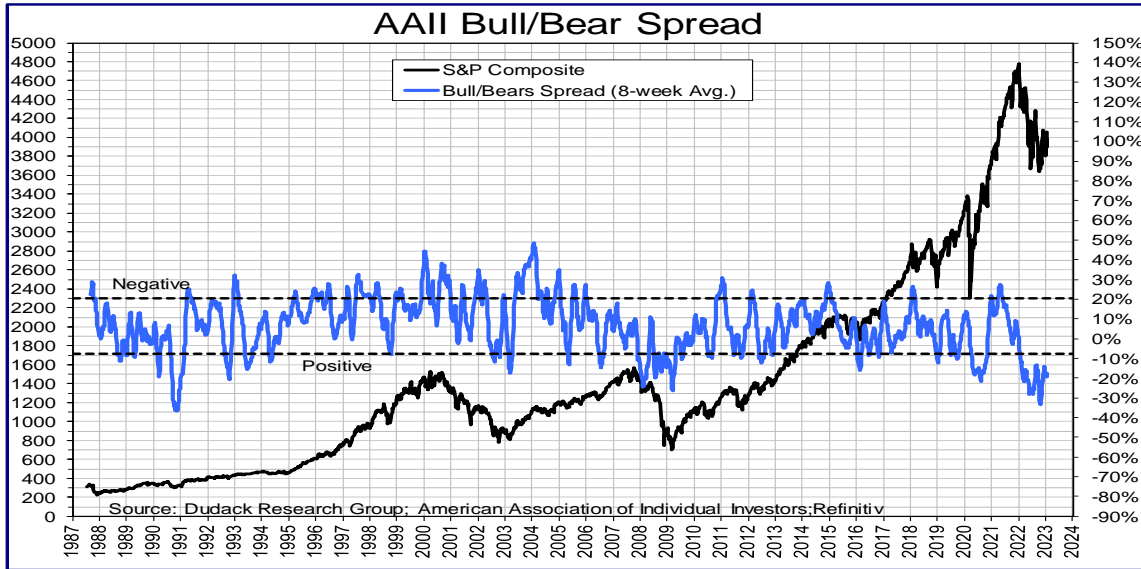
*The key to a successful retest of a bear market low is whether or not a new low in price generates a new low in breadth. A successful retest will show there is less selling pressure – a less severe oversold reading -- despite a lower low in price. This “non-confirmation” of a low is a positive and implies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



The 10-day average of daily new highs is 104 and new lows are 28. This combination is now positive since new highs are above the 100 benchmark and new lows are below 100. The advance/decline line fell below the June low on September 22 and is currently 27,599 net advancing issues from its 11/8/21 high. Although the AD line remains negative, it is improving.



Last week's AAI readings showed a 2.6% decrease in bulls to 28.4% and a 3.6% increase in bears to 36.7%. Bullishness remains below the long-term average of 37.5% and bearishness is below its long-term average of 40.2%. Sentiment readings were most extreme on September 21, 2022, and equity prices tend to be higher in the next six and/or twelve months following such extreme readings.



## GLOBAL MARKETS AND COMMODITIES - RANKED BY 2023 TRADING PERFORMANCE

Index/ETF	Symbol	Price	5-Day%	20-Day%	QTD%	YTD%
SPDR S&P Semiconductor ETF	XSD	196.11	1.3%	17.3%	17.3%	17.3%
iShares MSCI Mexico Capped ETF	EWX	57.65	-0.7%	16.6%	16.6%	16.6%
SPDR S&P Retail ETF	XRT	70.19	5.8%	16.1%	16.1%	16.1%
SPDR Homebuilders ETF	XHB	69.45	5.1%	15.1%	15.1%	15.1%
Consumer Discretionary Select Sector SPDR	XLY	148.70	5.5%	15.1%	15.1%	15.1%
iShares MSCI Germany ETF	EWG	28.04	0.8%	13.4%	13.4%	13.4%
iShares MSCI South Korea Capped ETF	EWY	63.47	-0.4%	12.4%	12.4%	12.4%
iShares China Large Cap ETF	FXI	31.80	-3.0%	12.4%	12.4%	12.4%
iShares MSCI Australia ETF	EWA	24.86	1.0%	11.8%	11.8%	11.8%
iShares MSCI Taiwan ETF	EWT	44.81	-0.4%	11.6%	11.6%	11.6%
iShares MSCI Austria Capped ETF	EWO	21.18	1.8%	11.5%	11.5%	11.5%
Nasdaq Composite Index Tracking Stock	ONEQ.O	45.38	2.1%	10.8%	10.8%	10.8%
NASDAQ 100	NDX	12101.93	2.2%	10.6%	10.6%	10.6%
iShares Russell 2000 Growth ETF	IWO	235.96	2.2%	10.0%	10.0%	10.0%
iShares US Real Estate ETF	IYR	92.59	2.8%	10.0%	10.0%	10.0%
iShares Russell 2000 ETF	IWM	191.48	2.4%	9.8%	9.8%	9.8%
iShares Russell 2000 Value ETF	IWN	152.07	2.8%	9.7%	9.7%	9.7%
iShares MSCI Canada ETF	EWC	35.83	1.4%	9.5%	9.5%	9.5%
Technology Select Sector SPDR	XLK	135.96	1.3%	9.3%	9.3%	9.3%
iShares MSCI Emerg Mkts ETF	EEM	41.36	-1.7%	9.1%	9.1%	9.1%
iShares MSCI EAFE ETF	EFA	71.55	0.5%	9.0%	9.0%	9.0%
Materials Select Sector SPDR	XLB	84.65	1.9%	9.0%	9.0%	9.0%
Vanguard FTSE All-World ex-US ETF	VEU	54.50	-0.2%	8.7%	8.7%	8.7%
iShares MSCI Brazil Capped ETF	EWZ	30.34	2.1%	8.5%	8.5%	8.5%
iShares US Telecomm ETF	IYZ	24.32	1.5%	8.4%	8.4%	8.4%
iShares Russell 1000 Growth ETF	IWF	232.08	2.0%	8.3%	8.3%	8.3%
iShares DJ US Oil Eqp't & Services ETF	IEZ	22.96	3.9%	8.3%	8.3%	8.3%
iShares MSCI BRIC ETF	BKF	37.16	-2.5%	8.2%	8.2%	8.2%
iShares MSCI Singapore ETF	EWS	20.32	1.8%	8.0%	8.0%	8.0%
SPDR S&P Bank ETF	KBE	48.77	3.8%	8.0%	8.0%	8.0%
iShares MSCI Japan ETF	EWJ	58.67	1.0%	7.8%	7.8%	7.8%
iShares 20+ Year Treas Bond ETF	TLT	107.17	0.0%	7.6%	7.6%	7.6%
Financial Select Sector SPDR	XLF	36.56	2.2%	6.9%	6.9%	6.9%
iShares Russell 1000 ETF	IWB	224.50	1.6%	6.6%	6.6%	6.6%
iShares MSCI United Kingdom ETF	EWU	32.57	0.3%	6.2%	6.2%	6.2%
<b>SP500</b>	<b>.SPX</b>	<b>4076.60</b>	<b>1.5%</b>	<b>6.2%</b>	<b>6.2%</b>	<b>6.2%</b>
SPDR Gold Trust	GLD	179.41	-0.5%	5.8%	5.8%	5.8%
PowerShares Water Resources Portfolio	PHO	54.37	1.9%	5.5%	5.5%	5.5%
Shanghai Composite	.SSEC	3255.67	-0.3%	5.4%	5.4%	5.4%
iShares iBoxx \$ Invest Grade Corp Bond	LQD	110.87	0.1%	5.2%	5.2%	5.2%
iShares Russell 1000 Value ETF	IWD	159.45	1.3%	5.1%	5.1%	5.1%
iShares MSCI Hong Kong ETF	EWH	22.05	-2.2%	5.0%	5.0%	5.0%
iShares MSCI Malaysia ETF	EWM	23.78	-0.9%	4.1%	4.1%	4.1%
iShares Nasdaq Biotechnology ETF	IBB.O	136.55	-0.2%	4.0%	4.0%	4.0%
Industrial Select Sector SPDR	XLI	101.85	1.1%	3.7%	3.7%	3.7%
SPDR DJIA ETF	DIA	340.83	1.1%	2.9%	2.9%	2.9%
DJIA	.DJI	34086.04	1.0%	2.8%	2.8%	2.8%
Energy Select Sector SPDR	XLE	89.93	-0.4%	2.8%	2.8%	2.8%
Gold Future	GCc1	2486.10	0.2%	0.9%	0.9%	0.9%
SPDR Communication Services ETF	XLC	56.15	0.0%	0.0%	0.0%	0.0%
Silver Future	SLc1	23.75	0.4%	-0.5%	-0.5%	-0.5%
iShares Silver Trust	SLV	22.80	0.3%	-0.8%	-0.8%	-0.8%
Consumer Staples Select Sector SPDR	XLP	73.74	0.8%	-1.1%	-1.1%	-1.1%
United States Oil Fund, LP	USO	69.32	-1.3%	-1.1%	-1.1%	-1.1%
Oil Future	CLc1	78.87	-1.6%	-1.7%	-1.7%	-1.7%
iShares MSCI India ETF	INDA.K	40.99	-2.7%	-1.8%	-1.8%	-1.8%
Health Care Select Sect SPDR	XLV	133.36	-0.1%	-1.8%	-1.8%	-1.8%
Utilities Select Sector SPDR	XLU	69.09	-0.7%	-2.0%	-2.0%	-2.0%

Outperformed SP500

Underperformed SP500

Source: Dudack Research Group; Thomson Reuters

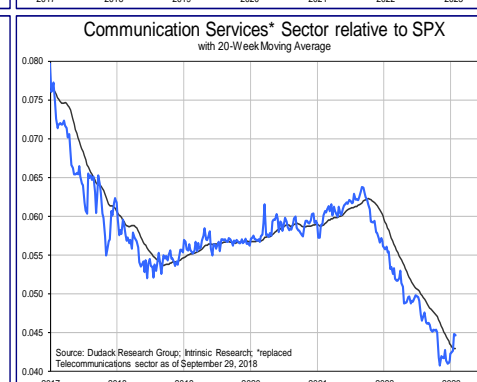
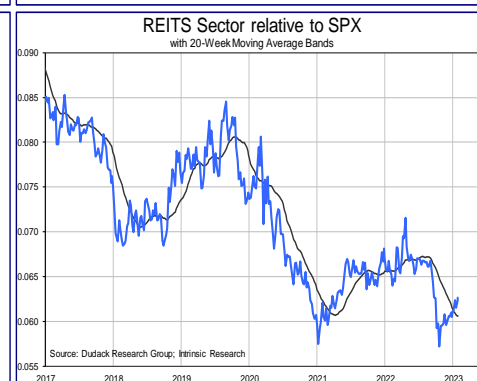
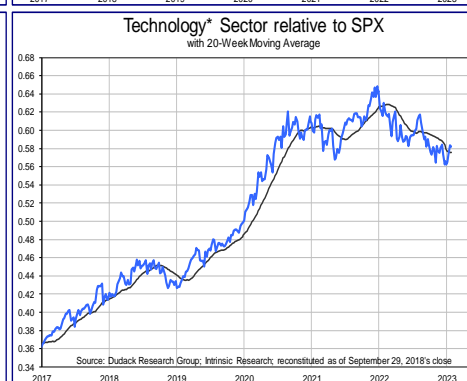
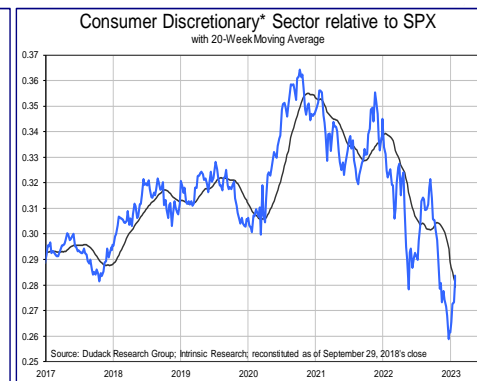
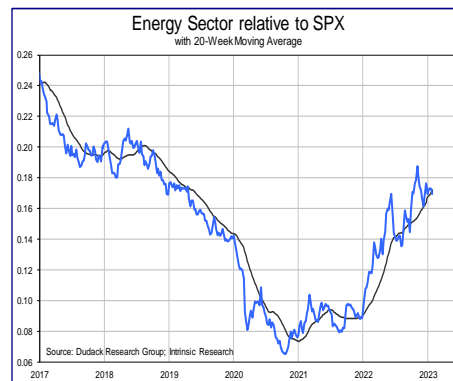
Priced as of January 31, 2023

## 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.



2023 Performance - Ranked	
SP500 Sector	% Change
S&P CONSUMER DISCRETIONARY	15.0%
S&P COMMUNICATIONS SERVICES	14.2%
S&P REITS	9.9%
S&P INFORMATION TECH	9.3%
S&P MATERIALS	9.0%
S&P FINANCIAL	6.7%
S&P 500	6.2%
S&P INDUSTRIALS	3.7%
S&P ENERGY	2.7%
S&P CONSUMER STAPLES	-1.1%
S&P HEALTH CARE	-2.0%
S&P UTILITIES	-2.0%

Source: Duda Research Group; Refinitiv; Monday closes



## US Asset Allocation

	Benchmark	DRG %	Recommendation
Equities	60%	55%	Neutral
Treasury Bonds	30%	20%	Underweight
Cash	10%	25%	Overweight
	100%	100%	

Source: Dudack Research Group; raised cash and lowered equity 15% on December 21, 2022

## 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%
2022P	3839.50	\$176.23	\$198.73	\$200.00	-3.9%	\$219.10	5.3%	19.3X	1.4%	NA	NA	NA
2023E	~~~~~	\$201.55	\$223.63	\$180.00	-10.0%	\$226.01	3.2%	18.2X	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%	1.7%	\$1,791.40	7.6%
2017 2Q	2423.41	\$27.01	\$30.51	\$30.51	18.7%	\$32.58	10.0%	20.9	1.9%	2.0%	\$1,803.70	11.1%
2017 3Q	2519.36	\$28.45	\$31.33	\$31.33	9.2%	\$33.45	7.2%	21.2	1.9%	3.4%	\$1,845.10	11.8%
2017 4Q	2673.61	\$26.96	\$33.85	\$33.85	21.3%	\$36.02	15.1%	21.5	1.8%	4.1%	\$1,884.60	10.4%
2018 1Q	2640.87	\$33.02	\$36.54	\$36.54	26.8%	\$38.07	23.2%	20.0	1.9%	2.8%	\$1,968.30	9.9%
2018 2Q	2718.37	\$34.05	\$38.65	\$38.65	26.7%	\$41.00	25.8%	19.4	1.9%	2.8%	\$1,972.70	9.4%
2018 3Q	2913.98	\$36.36	\$41.38	\$41.38	32.1%	\$42.66	27.5%	19.4	1.8%	2.9%	\$2,028.40	9.9%
2018 4Q	2506.85	\$28.96	\$35.03	\$35.03	3.5%	\$41.18	14.3%	16.5	2.1%	0.7%	\$2,087.60	10.8%
2019 1Q	2834.40	\$35.02	\$37.99	\$37.99	4.0%	\$39.15	2.8%	18.5	1.9%	2.2%	\$2,051.00	4.2%
2019 2Q	2941.76	\$34.93	\$40.14	\$40.14	3.9%	\$41.31	0.8%	19.0	1.9%	2.7%	\$2,115.30	7.2%
2019 3Q	2976.74	\$33.99	\$39.81	\$39.81	-3.8%	\$42.14	-1.2%	19.5	1.9%	3.6%	\$2,130.00	5.0%
2019 4Q	3230.78	\$35.53	\$39.18	\$39.18	11.8%	\$41.98	1.9%	20.6	1.8%	1.8%	\$2,122.70	1.7%
2020 1Q	2584.59	\$11.88	\$19.50	\$19.50	-48.7%	\$33.13	-15.4%	18.6	2.3%	-4.6%	\$1,965.90	-4.1%
2020 2Q	4397.35	\$17.83	\$26.79	\$26.79	-33.3%	\$27.98	-32.3%	35.1	1.9%	-29.9%	\$1,746.10	-17.5%
2020 3Q	3363.00	\$32.98	\$37.90	\$37.90	-4.8%	\$38.69	-8.2%	27.3	1.7%	35.3%	\$2,154.30	1.1%
2020 4Q	3756.07	\$31.45	\$38.19	\$38.19	-2.5%	\$42.58	1.4%	30.7	1.6%	3.9%	\$2,018.50	-4.9%
2021 1Q	3972.89	\$45.95	\$47.41	\$47.41	143.1%	\$49.13	48.3%	26.4	1.5%	6.3%	\$2,237.40	13.8%
2021 2Q	4297.50	\$48.39	\$52.03	\$52.03	94.2%	\$52.58	87.9%	24.5	1.3%	7.0%	\$2,401.70	37.5%
2021 3Q	4307.54	\$49.59	\$52.02	\$52.02	37.3%	\$53.72	38.8%	22.7	1.4%	2.7%	\$2,456.40	14.0%
2021 4Q	4766.18	\$53.94	\$56.71	\$56.71	48.5%	\$53.95	26.7%	22.9	1.3%	7.0%	\$2,435.90	20.7%
2022 1Q	4530.41	\$45.99	\$49.36	\$49.36	4.1%	\$54.80	11.5%	21.6	1.4%	-1.6%	\$2,374.60	6.1%
2022 2Q	3785.38	\$42.74	\$46.87	\$46.87	-9.9%	\$57.62	9.6%	18.5	1.7%	-0.6%	\$2,522.60	5.0%
2022 3QE	3585.62	\$44.41	\$50.35	\$51.00	-2.0%	\$56.02	4.3%	17.6	1.8%	3.2%	\$2,543.00	3.5%
2022 4QE*	3839.50	\$43.09	\$52.15	\$52.77	-6.9%	\$53.26	-1.3%	20.5	1.7%	2.9%	NA	NA

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

1/31/2023

**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.

**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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