



US Strategy Weekly

Fed Counterpoint

The CME FedWatch tool suggests there is a 99% chance that the Fed pauses this week and a mere 31% chance for a Fed rate hike in November. This makes sense since the UAW strike does not seem to be ending soon, the writers' strike has been ongoing since May 1, and although over 800,000 student loan borrowers received forgiveness under the IDR Account Adjustment, for the first time since March 2020, millions of borrowers will soon get a notice to restart student loan payments in October. These three items will dampen economic activity, along with the fact that the impact of fiscal stimulus packages are waning, and a government shutdown looms in the background. A final reason to expect a pause this week is that Federal Reserve Chairman Jerome Powell has never surprised the financial community with a non-consensus rate hike.

Still, we believe the Fed could, or should, raise the fed funds 25 basis points this week since monetary policy has been persistently behind the curve in terms of fighting inflation. Not only did the Fed postpone raising rates in all of 2021, implying that inflation was "transitory", but the real fed funds rate only became positive, net of inflation, in April 2023, or roughly five months ago. In other words, monetary policy has been easy and feeding an inflationary cycle for a very long time. This is likely to make inflation more difficult to curb.

IS IT DIFFERENT THIS TIME?

Typically, a Fed tightening cycle ends only once the real fed funds rate reaches a positive 400 basis points. See page 3. With the fed funds rate currently only 200 basis points above the PCE index (July) and 170 basis points above the CPI rate (August), the end of this cycle appears to be several rate hikes away unless inflation suddenly falls. A real decline in inflation appears to be a long shot, in our view, particularly with crude oil on the rise. Keep in mind that on a year-over-year basis, WTI crude oil has been negative every month of this year, a factor that has helped headline CPI decline from 6.4% YOY to 3.3% YOY in the same timeframe. See page 4. For example, fuels and utilities were down 1.2% YOY in August. See page 5. But at the current level of \$91.66, WTI is up 15% YOY and gasoline futures are up 8% YOY. In other words, the benefit from falling energy prices, which has helped cool inflation this year, is disappearing and this may become much clearer with September inflation data.

It should be obvious to economists and investors that inflation will be difficult to tame, even if energy prices were not rising. A warning was already visible in August data. After 12 months of decelerating inflation in the CPI, and after 8 months of negative YOY pricing in crude oil, both trends are beginning to reverse. The CPI rose 3% YOY in June, 3.2% YOY in July, and 3.7% YOY in August. The PPI for finished goods was 2.2% YOY in August, the first positive YOY gain in four months.

Some economists had been pointing to the fact that the biggest driver of the CPI was owners' equivalent rent of residences, and that the OER was an outdated and overstated method to measure housing. But as seen on page 5, it is the service sector and not housing that is the current inflation problem. Other goods and services saw prices rise 0.4% MOM and 5.8% YOY. In addition, while fuels and utilities fell

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

1.2% YOY in August and helped lower headline CPI, it also rose 0.6% month-over-month, which was more than the CPI. This is a negative sign for future CPI reports. Therefore, if the Fed agrees that inflation will be sticky, it would be appropriate to raise the fed funds rate by 25 basis points this week.

Of course, it could be different this time, and the Fed might be able to maneuver a soft landing for the US economy without completing a full monetary tightening cycle and still manage to get inflation to cool back to the 2% level. But the odds seem slim, particularly since the crude oil futures chart shows little resistance between current prices and \$100 a barrel. In short, higher energy prices are one item that could upset the consensus, the stock market, and monetary policy.

ON THE HORIZON

It is more likely that other things could upset the market. The Department of Justice's hearing into Google's (Alphabet Inc. - \$138.83) search engine is the first antitrust case in decades. The results of this could easily impact large capitalization technology companies. China's property developer, Country Garden Holdings Co. Limited (2007.HK - 1.01 HK), is facing a deadline this week to pay \$15 million in interest for an offshore bond. Plus, the long-standing inversion in the yield curve always poses problems to the finance sector, as the series of bankruptcies in March warned.

There are signs of weakening in the economy. August's retail sales growth was above expectations, but beneath the surface the details were less strong since the excess growth came entirely from gasoline stations, and prior months were revised lower. Consumer spending is shifting back from goods to services, with restaurants being the fastest-growing segment over the last year. Inflation continues to be a problem eating into consumer incomes and higher interest rates make purchasing big-ticket items on credit more expensive than consumers had been accustomed to. When adjusted for inflation, retail sales have been negative on a year-over-year basis for the last seven consecutive months. This is a typical sign of a recession. See page 6.

The University of Michigan consumer sentiment survey fell in August for the second consecutive month. The weakness in the survey continues to be found in present conditions and is likely due to the rise in energy and gasoline prices. Conversely, a separate University of Michigan survey on consumer inflation expectations fell early in September. Neither the Conference Board nor NFIB business surveys have released September data, but both were lower in August. See page 7.

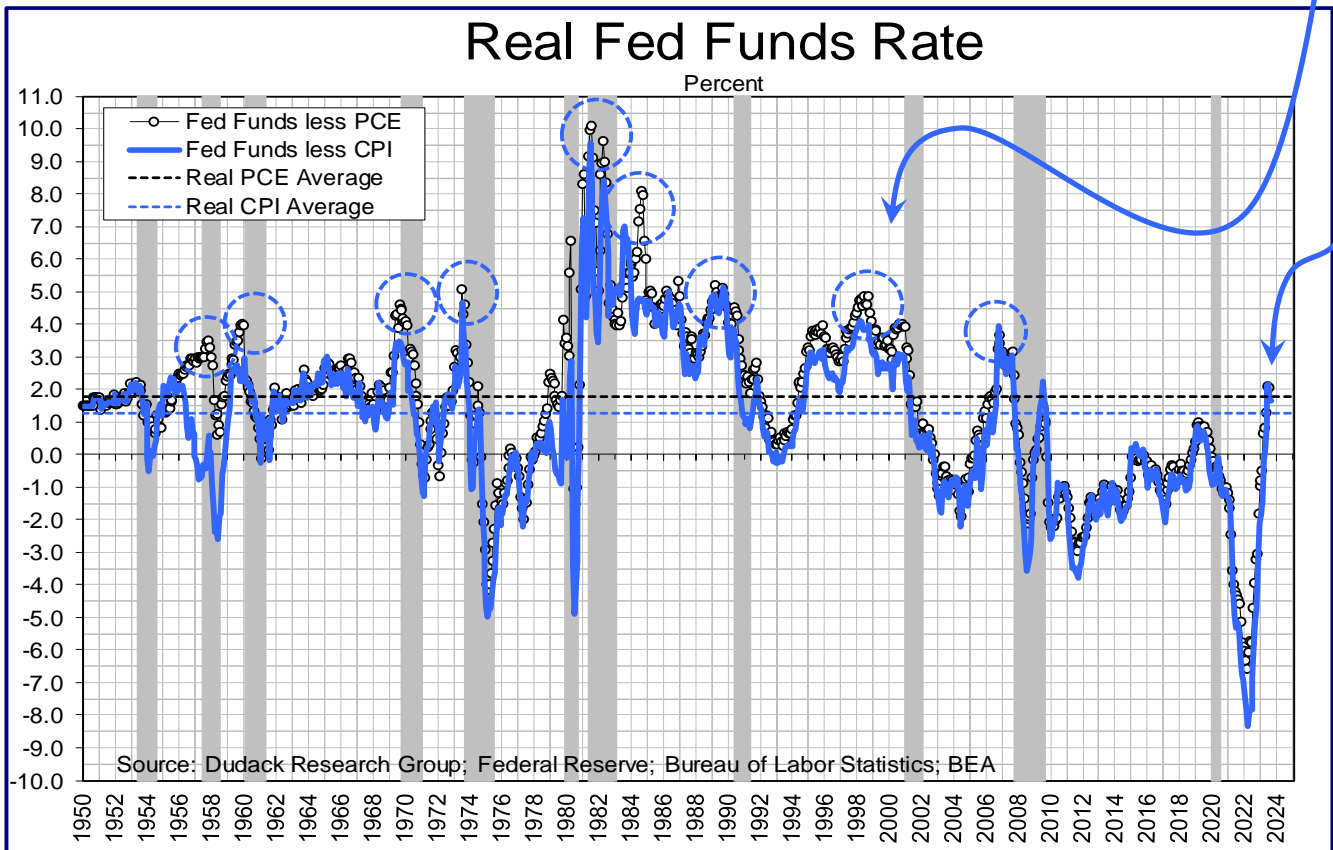
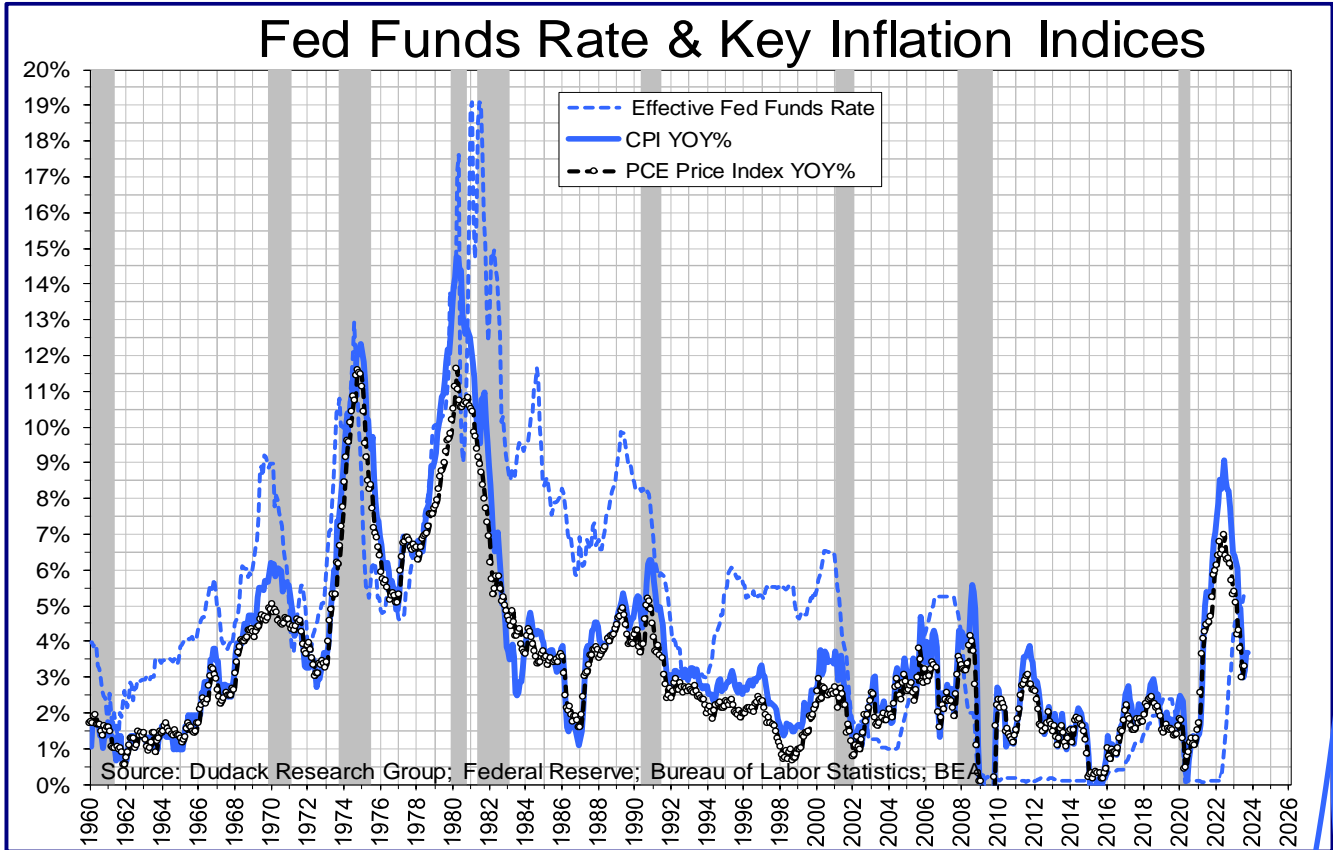
TECHNICAL CHANGES AND REVIEW

The market has been in a consolidation phase this week and in all three indices the near-term trend appears indecisive. Perhaps the most important event is that the Russell 2000 index is currently trading below its 200-day moving average. This could be a sign that the other indices will also test their 200-day moving averages in the weeks ahead. However, the longer-term pattern remains unchanged and is characteristic of a long-term neutral trading range. See page 9.

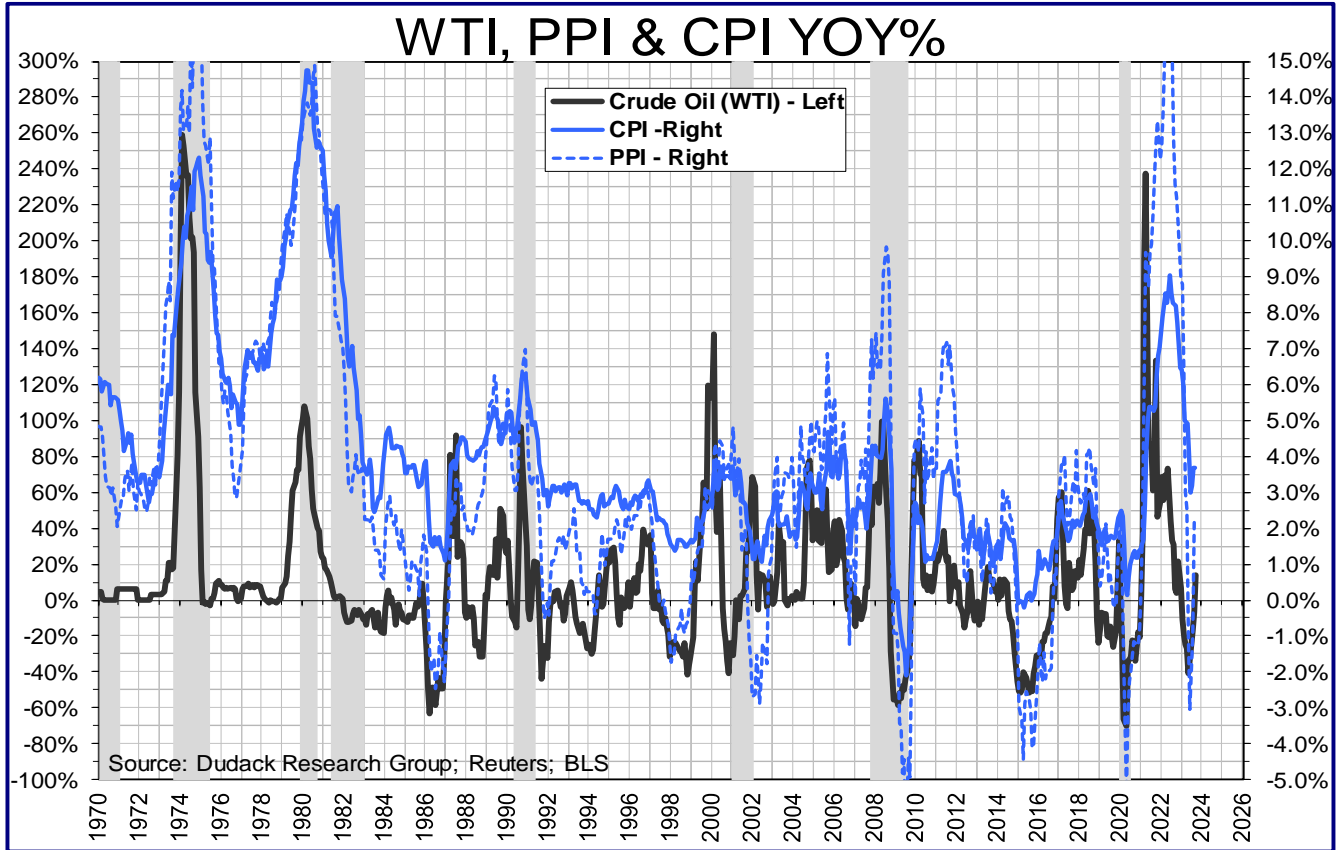
The 25-day up/down volume oscillator is at a negative 0.79 reading this week and relatively unchanged in recent weeks. It is at the lower end of the neutral range, and also indecisive. See page 10.

The 10-day average of daily new highs is 81 and new lows are 123 this week. This combination is now negative since new highs are below 100 and new lows are above 100. The NYSE advance/decline line fell below the June low on September 22 and is 26,543 net advancing issues from its 11/8/21 high. In sum, the trading range, best defined by the Russell 2000 index between support at 1650 and resistance at 2000, remains intact.

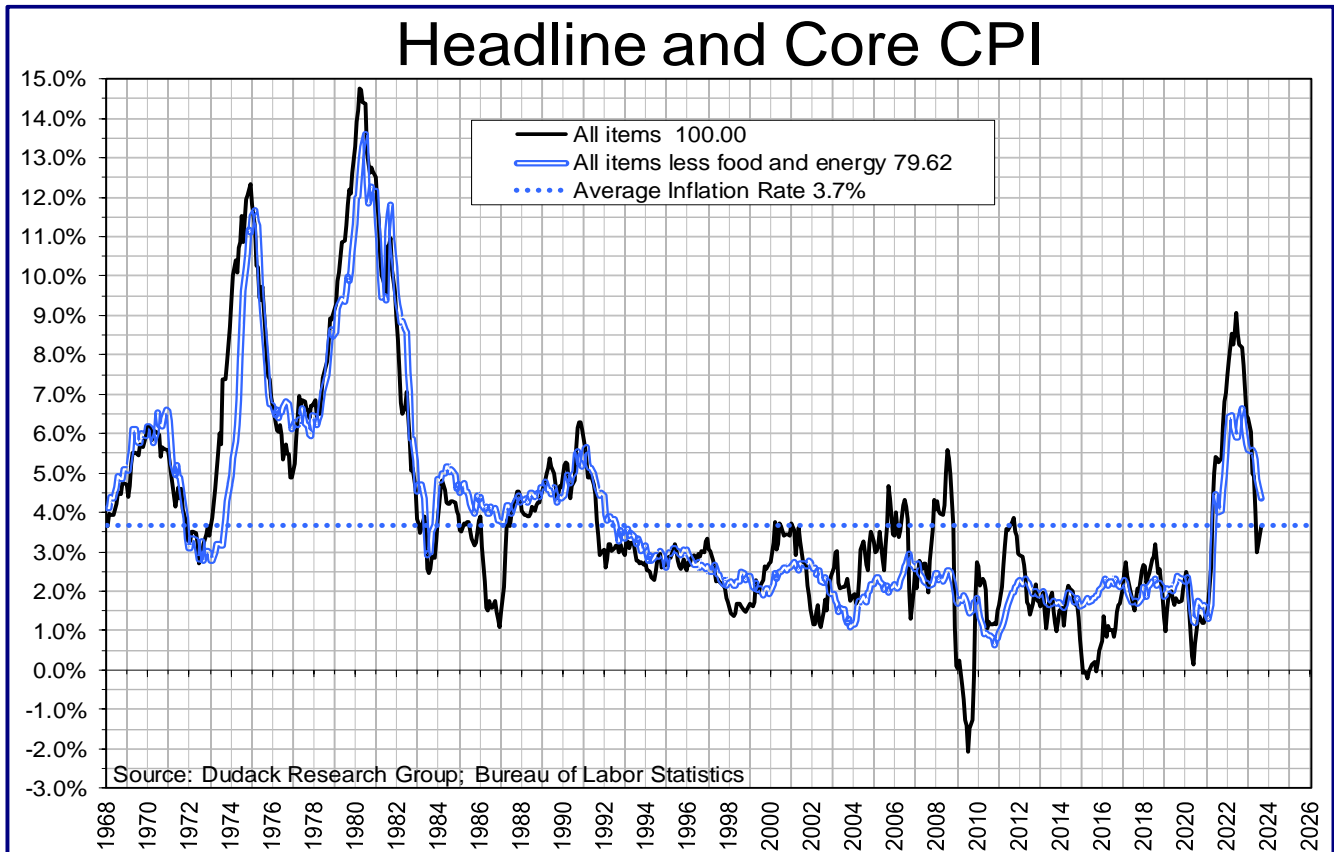
The charts below are important since they show that whenever inflation reaches a peak level like the 9% seen in June 2022, inflation has declined, but in concert with a recession. Tighter monetary policy is key to reducing inflation, and the cycle typically ends with a real fed funds rate reaching a minimum of 400 basis points. This suggests that a 3% inflation rate would translate into a 7% fed funds rate. A 7% rate may not materialize, but it does suggest that the fed funds rate is likely to move higher in September and surprise the consensus.



After 12 months of decelerating inflation in the CPI, and after 8 months of negative YOY pricing in crude oil, these trends are beginning to reverse. Oil was still negative in August, but to date, it is up 15% YOY in September. The CPI was up 3% in June, 3.2% in July, and 3.7% in August. The PPI for finished goods was 2.2% YOY in August, the first positive YOY gain in four months. Moreover, the technical chart of light crude oil shows a broken downtrend line, this is positive, and little upside resistance prior to \$100 a barrel.



Optimists had been pointing to the fact that the biggest driver of the CPI was owners' equivalent rent of residences, and that this was an outdated method to measure housing. But as seen below, it is the service sector and not housing that is the current inflation problem. Other goods and services saw prices rise 0.4% MOM and 5.8% YOY. And note that fuels and utilities fell 1.2% YOY in August, helping ease headline CPI, yet it rose 0.6% MOM, or more than the CPI. This is a negative sign for future CPI reports.



CPI Components Heavy Weights - Not Seasonally Adjusted Data	Component Weight*	Fuel Weight	Price Chg YOY%	Price Chg MOM%
Housing	44.5%	4.5%	5.7%	0.3%
<i>Owners' equivalent rent of residences</i>	25.6%		7.3%	0.4%
Fuels and utilities	4.5%		-1.2%	0.6%
Transportation	17.2%	2.4%	1.4%	1.3%
Food and beverages	14.2%		4.2%	0.0%
<i>Food at home</i>	8.6%		3.0%	0.1%
<i>Food away from home</i>	4.8%		6.5%	0.3%
<i>Alcoholic beverages</i>	0.8%		3.7%	0.1%
Medical care	7.8%		-1.0%	0.3%
Education and communication	5.7%		1.0%	0.2%
Recreation	5.4%		3.5%	-0.2%
Apparel	2.5%		3.1%	1.6%
Other goods and services	2.7%		5.8%	0.4%
Special groups:				
Energy	7.0%		-3.6%	3.3%
All items less food and energy	79.6%		4.3%	0.2%
All items	100.0%		3.7%	0.4%

Source: Dudack Research Group; BLS; *July 2023 w eightings; Italics=sub-component; blue>headline

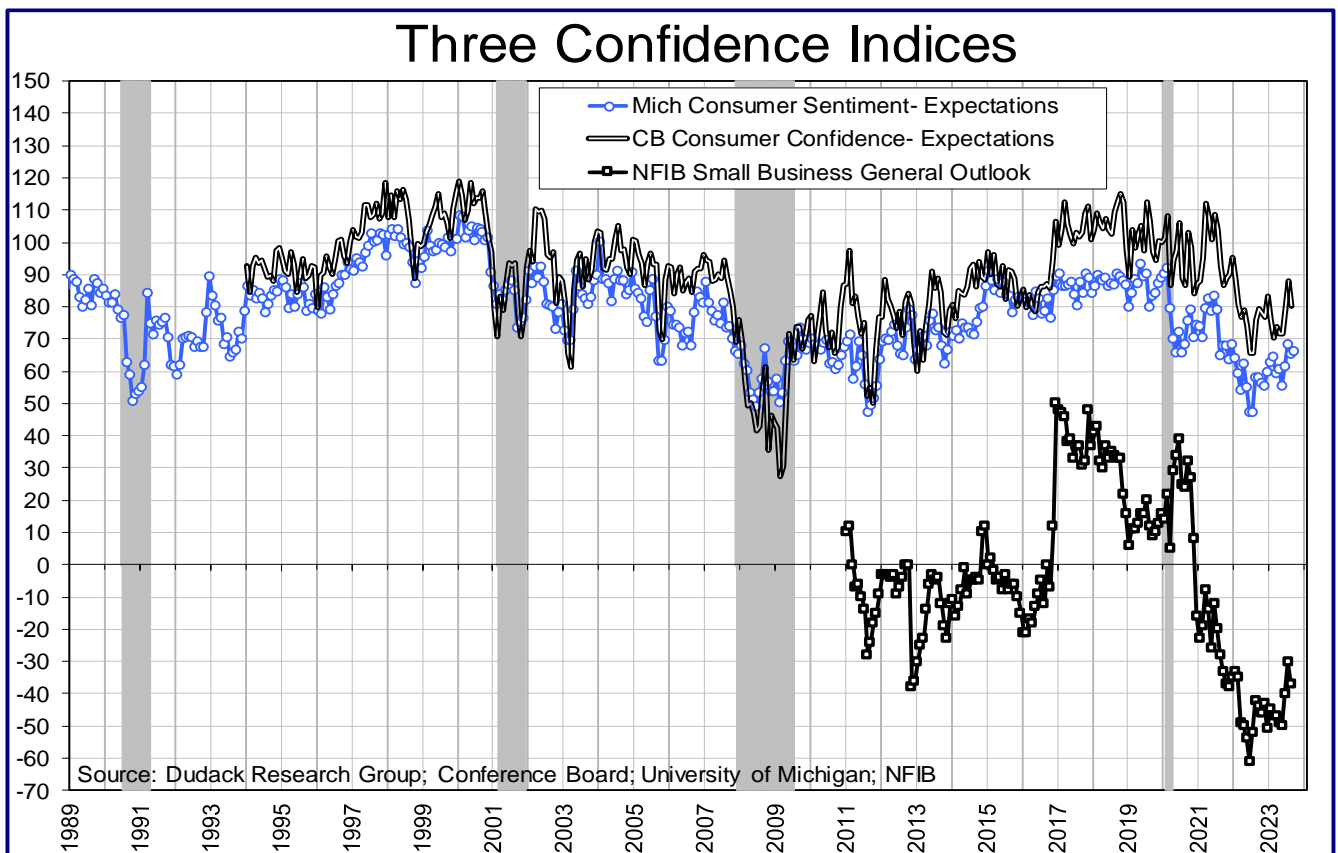
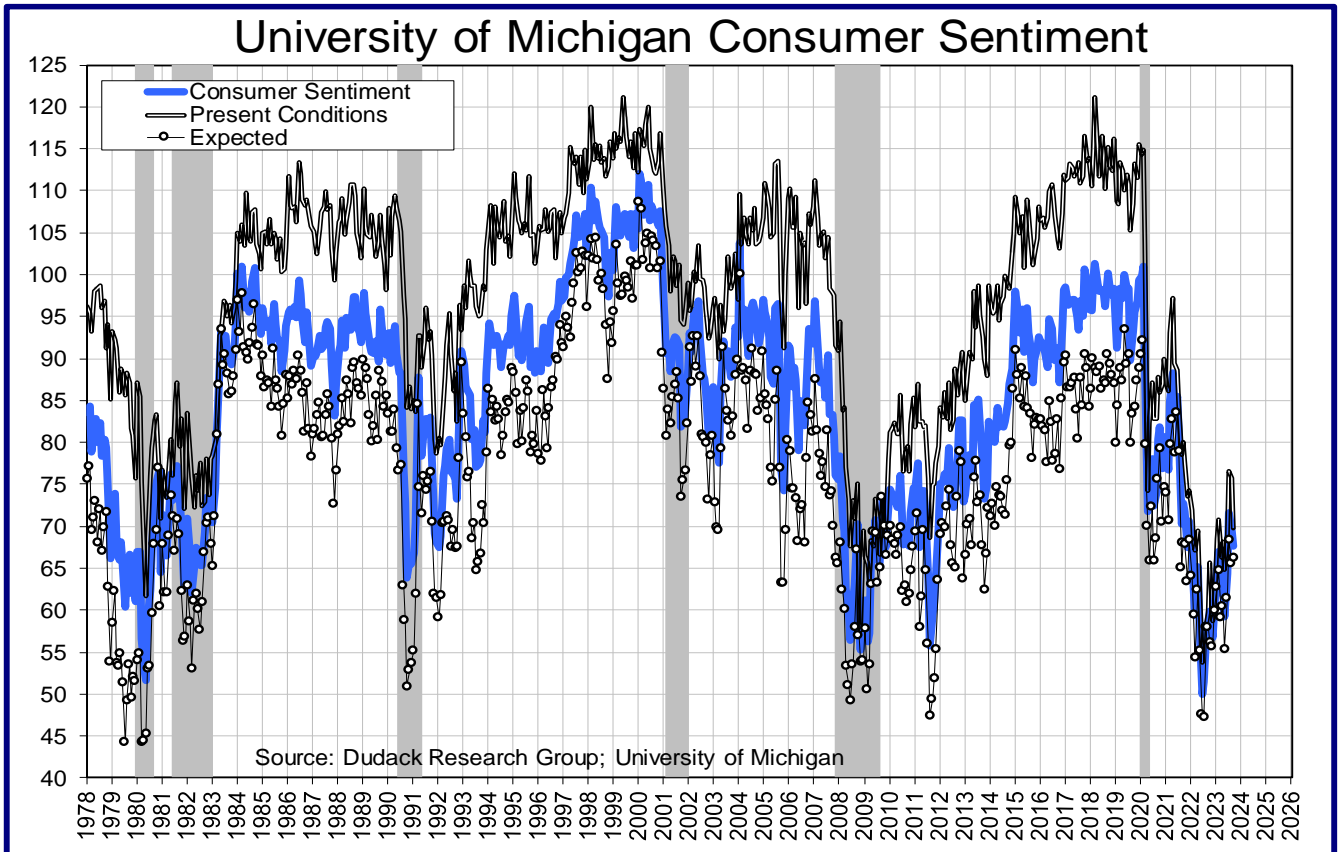
Total Retail & Food Service Sales YOY% (adjusted with headline CPI)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year Average
1968	4.3%	9.3%	3.7%	8.6%	8.8%	3.2%	8.2%	10.2%	1.0%	9.9%	7.9%	2.0%	6.4%
1969	7.9%	1.6%	1.8%	2.3%	3.1%	0.5%	0.0%	-2.2%	3.8%	2.1%	-3.8%	1.9%	1.6%
1970	-0.1%	-0.6%	-0.1%	-0.2%	-1.4%	2.8%	3.7%	0.6%	1.5%	0.6%	-1.8%	1.1%	0.5%
1971	0.5%	3.4%	5.5%	8.4%	3.2%	4.8%	4.9%	4.6%	7.5%	5.9%	12.9%	7.9%	5.8%
1972	4.0%	8.3%	10.0%	2.4%	9.2%	8.9%	4.9%	10.0%	7.7%	6.4%	7.5%	6.9%	7.2%
1973	12.8%	8.8%	9.3%	9.6%	6.8%	5.6%	5.6%	4.9%	0.6%	3.1%	2.1%	-3.5%	5.5%
1974	-4.3%	-6.1%	-7.6%	-2.8%	-2.6%	-6.2%	-1.6%	0.5%	-4.9%	-5.8%	-7.6%	-6.8%	-4.7%
1975	-2.7%	-2.2%	-4.5%	-6.2%	-1.0%	-1.8%	-1.2%	-3.9%	1.5%	3.7%	1.5%	8.6%	-0.7%
1976	6.6%	7.1%	8.4%	11.9%	0.5%	6.4%	6.3%	1.5%	4.6%	2.3%	5.7%	6.9%	5.7%
1977	-0.2%	2.8%	5.3%	3.0%	3.4%	2.8%	0.9%	5.5%	4.3%	4.0%	5.0%	3.1%	3.3%
1978	0.1%	1.4%	4.8%	0.4%	5.9%	5.5%	2.4%	4.8%	3.9%	2.7%	4.7%	3.2%	3.3%
1979	7.7%	4.2%	2.4%	1.0%	0.1%	-1.5%	-2.0%	1.4%	-1.7%	-0.2%	-1.3%	-4.2%	0.5%
1980	-1.0%	0.6%	-9.6%	-8.3%	-8.5%	-10.7%	-3.3%	-8.2%	-6.4%	-4.0%	-7.2%	-3.6%	-5.9%
1981	-2.8%	-6.3%	0.0%	3.0%	-0.2%	2.7%	-0.5%	-1.9%	-0.9%	-4.1%	-5.0%	-3.2%	-1.6%
1982	-8.0%	-4.7%	-4.0%	-3.7%	-2.6%	-5.4%	-3.5%	-5.5%	-2.3%	-2.6%	2.9%	2.4%	-3.1%
1983	1.8%	0.4%	4.9%	2.9%	4.4%	10.8%	6.6%	8.2%	7.4%	7.0%	7.3%	5.9%	5.9%
1984	9.5%	13.2%	5.7%	6.1%	9.0%	6.4%	2.8%	5.8%	1.4%	3.9%	4.6%	0.7%	5.8%
1985	3.2%	-1.0%	2.2%	4.7%	4.2%	-0.8%	5.0%	6.0%	7.0%	3.4%	1.7%	2.5%	3.2%
1986	3.8%	1.7%	1.8%	0.8%	2.9%	3.0%	3.2%	1.2%	7.5%	5.1%	1.4%	8.5%	3.4%
1987	-0.9%	4.5%	3.6%	6.1%	1.0%	5.8%	5.1%	3.8%	-2.0%	1.6%	1.9%	0.4%	2.6%
1988	4.6%	6.4%	6.5%	1.7%	2.4%	3.0%	0.0%	2.0%	2.0%	1.2%	5.8%	4.1%	3.3%
1989	2.8%	-1.9%	0.8%	0.1%	3.3%	1.8%	1.7%	4.1%	3.7%	0.0%	1.2%	-1.4%	1.3%
1990	3.3%	2.2%	1.2%	0.5%	-0.3%	-0.2%	-0.4%	-1.5%	-3.9%	0.4%	-1.2%	-4.1%	-0.3%
1991	-6.7%	-4.5%	-4.6%	-3.2%	-2.0%	-5.1%	-1.5%	-3.1%	-3.5%	-2.7%	-3.2%	-2.0%	-3.5%
1992*													
1993	1.4%	-1.2%	3.8%	4.4%	3.8%	4.5%	5.2%	4.7%	4.9%	2.4%	6.4%	4.6%	3.8%
1994	2.7%	5.8%	10.1%	5.0%	4.6%	6.4%	2.4%	7.3%	6.2%	5.6%	5.2%	4.6%	5.5%
1995	5.7%	2.8%	1.8%	0.3%	4.6%	3.9%	2.4%	3.2%	1.6%	0.3%	2.1%	0.1%	2.4%
1996	2.7%	8.9%	2.5%	5.0%	4.8%	-0.1%	4.2%	2.6%	0.5%	6.0%	2.2%	0.9%	3.3%
1997	5.1%	-0.3%	3.3%	1.5%	0.9%	2.2%	3.8%	1.8%	4.2%	2.2%	0.1%	3.3%	2.3%
1998	2.1%	1.7%	0.9%	4.9%	2.9%	5.6%	2.6%	0.6%	2.3%	3.6%	4.0%	4.9%	3.0%
1999	3.2%	6.5%	8.2%	4.6%	4.8%	4.8%	6.3%	7.8%	7.0%	3.0%	6.8%	7.1%	5.8%
2000	5.5%	10.0%	6.2%	2.3%	4.9%	3.9%	-0.2%	3.6%	2.5%	1.5%	1.2%	-2.6%	3.2%
2001	2.2%	-4.5%	-2.5%	0.7%	0.7%	-0.9%	0.2%	1.1%	-5.2%	5.4%	2.1%	0.4%	0.0%
2002	0.8%	1.0%	0.2%	1.9%	0.3%	-0.7%	4.3%	2.4%	2.7%	-3.3%	-1.1%	0.9%	0.8%
2003	2.3%	-0.6%	-0.1%	1.1%	1.9%	2.1%	2.7%	1.0%	5.1%	3.6%	1.8%	4.2%	2.1%
2004	2.9%	7.2%	6.8%	4.7%	2.0%	3.3%	2.8%	0.3%	4.0%	1.9%	4.0%	4.9%	3.7%
2005	1.2%	1.4%	3.0%	2.9%	2.3%	6.6%	4.0%	5.2%	1.6%	0.8%	2.5%	1.3%	2.7%
2006	4.5%	2.8%	3.3%	1.2%	3.9%	0.2%	-1.1%	1.8%	1.8%	2.5%	1.9%	0.6%	1.9%
2007	1.2%	0.5%	0.6%	-0.6%	2.1%	0.1%	0.5%	1.3%	-0.5%	2.1%	1.5%	-2.0%	0.6%
2008	0.0%	2.4%	-4.0%	-0.9%	-2.3%	-4.2%	-2.3%	-6.2%	-5.4%	-8.2%	-11.9%	-9.7%	-4.4%
2009	-9.3%	-13.0%	-11.4%	-9.8%	-11.4%	-7.6%	-7.3%	-6.2%	-6.1%	-3.0%	-0.7%	1.4%	-7.0%
2010	-1.1%	1.8%	7.5%	5.8%	3.2%	3.1%	2.7%	1.5%	5.5%	3.8%	6.7%	5.2%	3.8%
2011	5.0%	6.3%	4.7%	3.7%	3.8%	4.8%	2.7%	5.0%	4.5%	3.3%	3.5%	2.9%	4.2%
2012	2.8%	7.5%	4.5%	1.2%	5.2%	1.7%	1.8%	4.4%	1.1%	3.3%	3.5%	0.9%	3.2%
2013	4.5%	-1.1%	0.7%	3.4%	3.4%	2.2%	5.2%	3.1%	2.0%	3.6%	2.2%	1.9%	2.6%
2014	0.6%	0.5%	1.1%	3.4%	2.6%	2.2%	2.8%	1.5%	3.2%	2.4%	0.9%	3.2%	2.1%
2015	2.8%	0.9%	1.7%	0.6%	0.0%	2.3%	2.2%	0.3%	2.7%	1.8%	1.3%	3.0%	1.6%
2016	-0.1%	6.3%	2.7%	1.8%	0.4%	2.5%	-0.1%	2.2%	2.3%	0.1%	3.4%	2.1%	2.0%
2017	2.5%	-1.7%	2.4%	1.1%	3.5%	2.1%	1.2%	1.9%	2.2%	2.6%	3.8%	0.8%	1.9%
2018	2.8%	1.3%	2.5%	0.3%	3.4%	2.1%	3.0%	3.2%	-0.7%	3.3%	2.1%	-2.2%	1.8%
2019	1.1%	-0.1%	-0.9%	3.3%	1.0%	-0.2%	2.7%	2.1%	1.3%	1.7%	0.3%	2.9%	1.3%
2020	2.9%	6.1%	-8.6%	-19.6%	-7.1%	3.0%	3.1%	-0.3%	6.6%	5.1%	1.3%	2.9%	-0.4%
2021	5.9%	0.4%	28.4%	46.7%	20.5%	12.5%	9.0%	8.9%	7.4%	7.0%	11.0%	7.1%	13.7%
2022	5.1%	9.3%	-0.2%	-0.7%	-1.2%	-0.7%	-0.2%	3.1%	1.5%	0.7%	-1.1%	-0.8%	1.7%
2023	1.3%	-0.4%	-2.4%	-5.0%	-0.8%	-1.3%	-1.3%	-0.8%					-1.3%
Monthly Average**	2.0%	2.1%	2.1%	2.0%	2.1%	1.9%	2.0%	2.1%	1.9%	1.9%	2.0%	1.7%	2.0%
Recession Avg	-4.0%	-3.5%	-5.4%	-3.9%	-4.0%	-4.6%	-1.0%	-1.8%	-3.0%	-2.0%	-2.6%	-3.9%	-1.9%
Expansion Avg	3.3%	3.2%	4.1%	3.4%	3.2%	3.1%	2.6%	2.8%	2.7%	2.5%	2.9%	2.7%	2.7%
Standard Dev Total	4.1%	4.9%	4.7%	4.0%	3.8%	4.2%	3.1%	4.0%	3.8%	3.4%	4.3%	3.9%	3.2%
Recession STD	3.7%	4.8%	3.5%	3.9%	4.3%	4.4%	2.3%	3.0%	2.6%	4.6%	5.3%	3.6%	2.1%
Expansion STD	3.2%	4.3%	3.0%	3.1%	2.7%	3.3%	3.1%	4.1%	3.6%	3.0%	3.9%	3.4%	3.2%

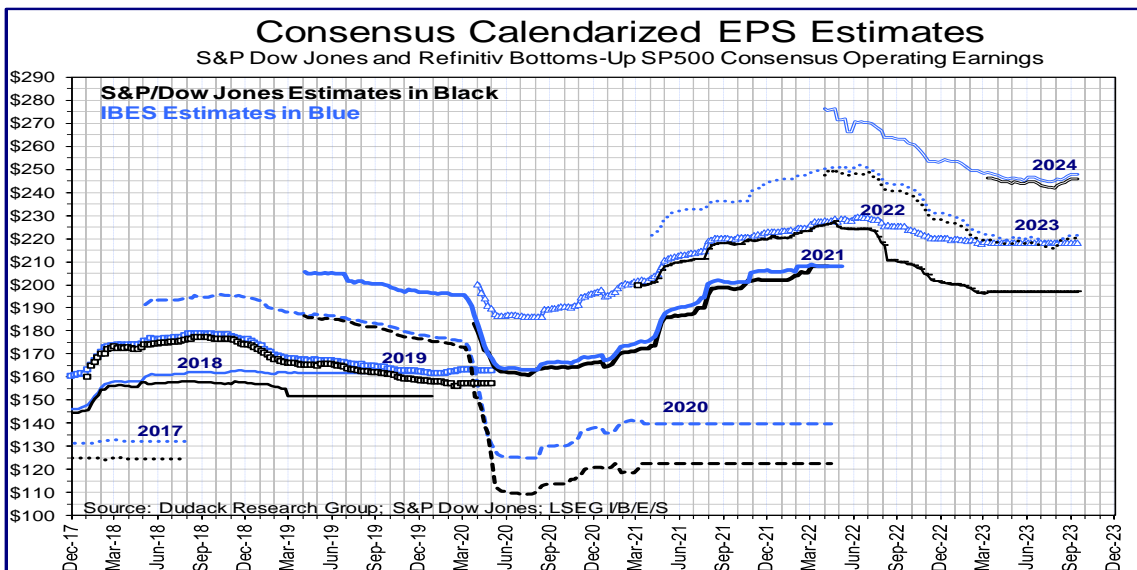
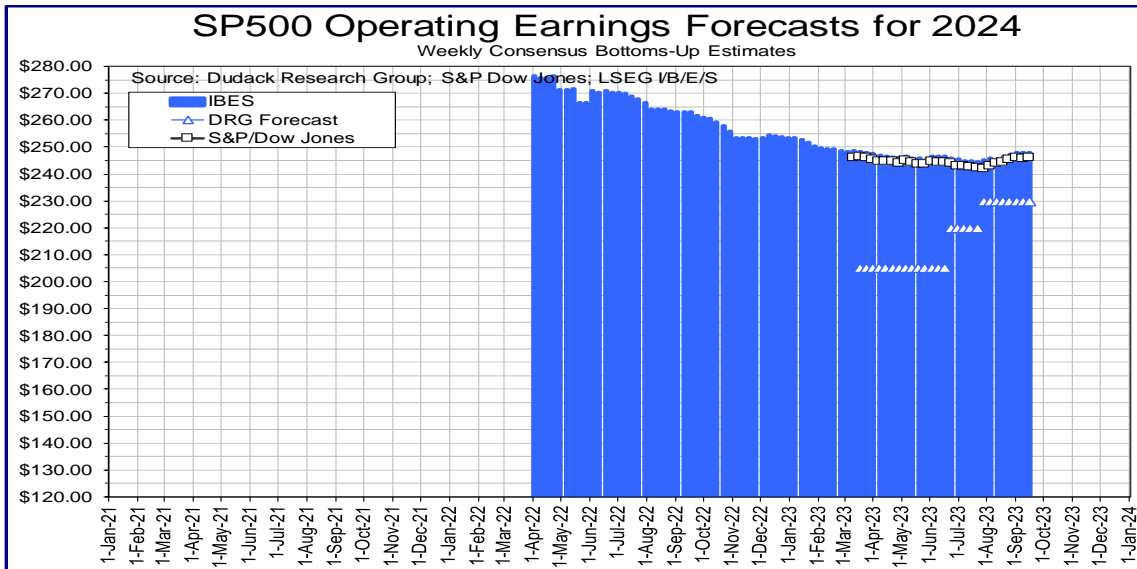
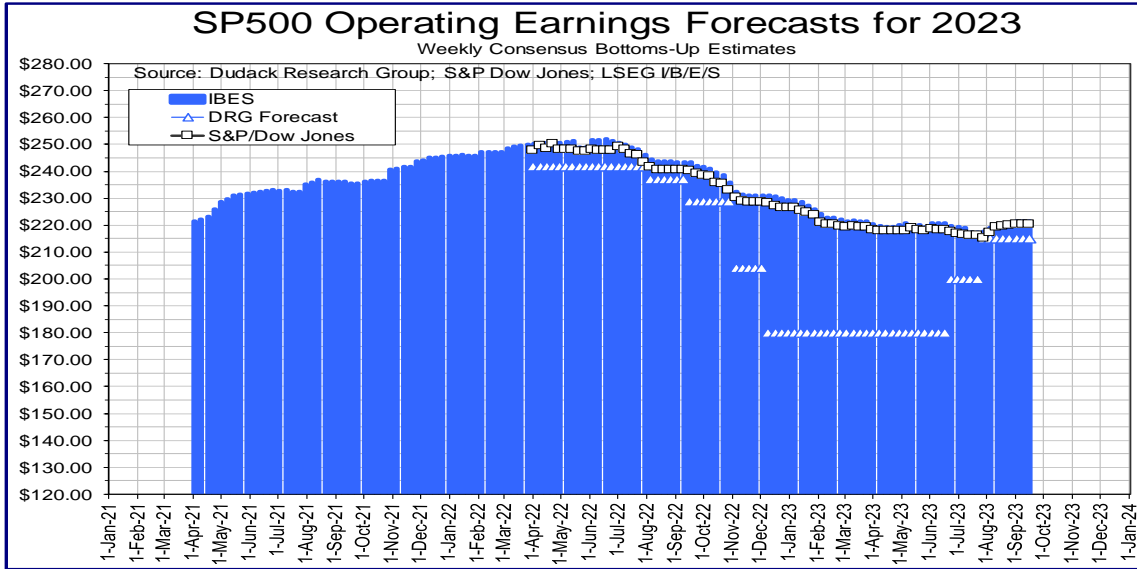
Source: Dudack Research Group; St. Louis Federal Reserve; U.S. Census Department; NSA; blue = recession months; red=below monthly average

* Changes in the NAICS classification system in 1992 =YOY% change calculations are not meaningful; **1968-2010

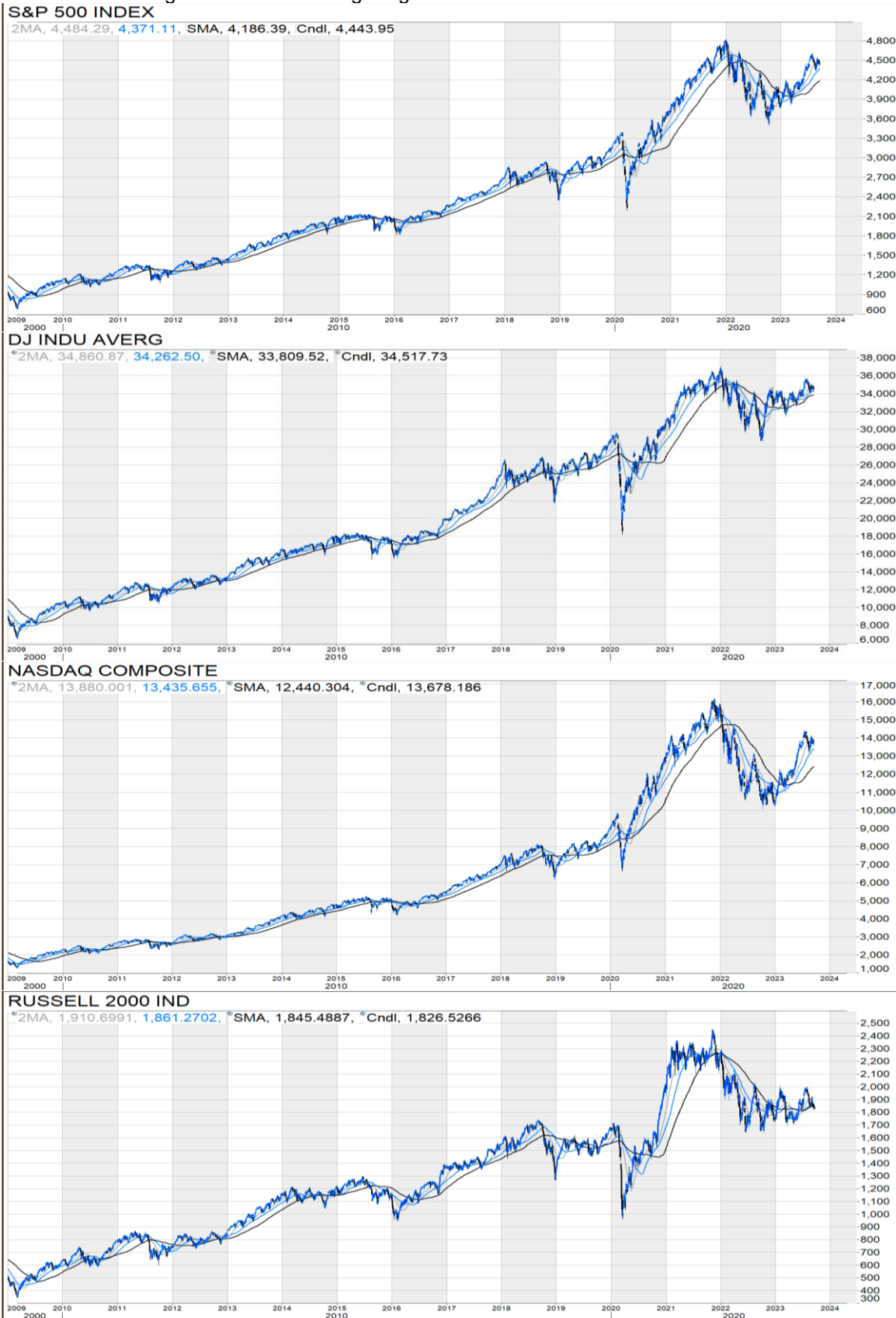
The University of Michigan consumer sentiment survey fell in August for the second consecutive month. The weakness continues to be found in present conditions and is likely due to the rise in energy and gasoline prices. Nonetheless, inflation expectations fell early in September. Neither the Conference Board of NFIB business surveys have released September data, but both were lower in August.



S&P Dow Jones consensus estimates for 2023 and 2024 are \$220.19 and \$245.90, unchanged, and up \$0.09, respectively. LSEG IBES estimates for 2023 and 2024 are \$221.37 and \$247.93 down \$0.02 and up \$0.03, respectively. Notably, S&P data shows that 18.4% of companies reporting first quarter earnings had a decrease of 4% or more in shares outstanding, which effectively boosted earnings per share, but not overall earnings growth. Nevertheless, based upon the IBES EPS estimate of \$221.37 for this year, equities remain overvalued with a PE of 20.1 times and inflation of 3%. Again, this sum of 23.1 is just under the 23.8 level that defines an overvalued equity market.



The market has been in a consolidation phase this week and in all three indices, the near-term trend appears indecisive. Perhaps the most important event is that the RUT is currently trading below its 200-day moving average. The major pattern remains characteristic of a long-term neutral trading range.

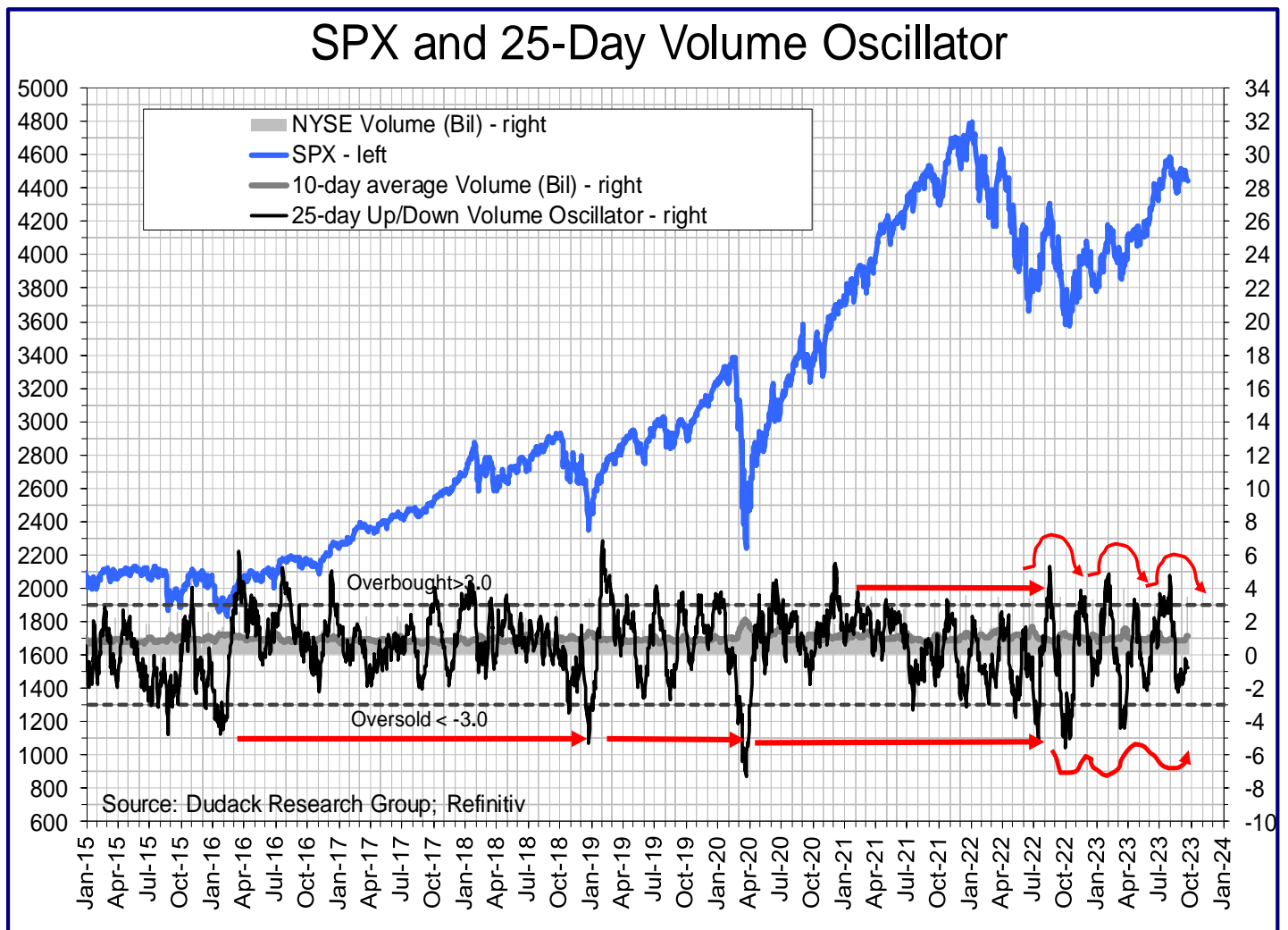


Source: Refinitiv

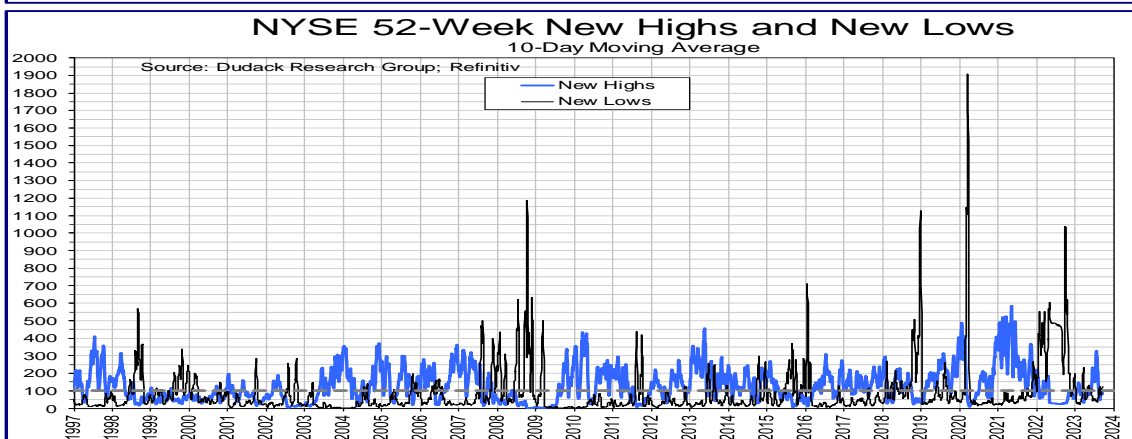
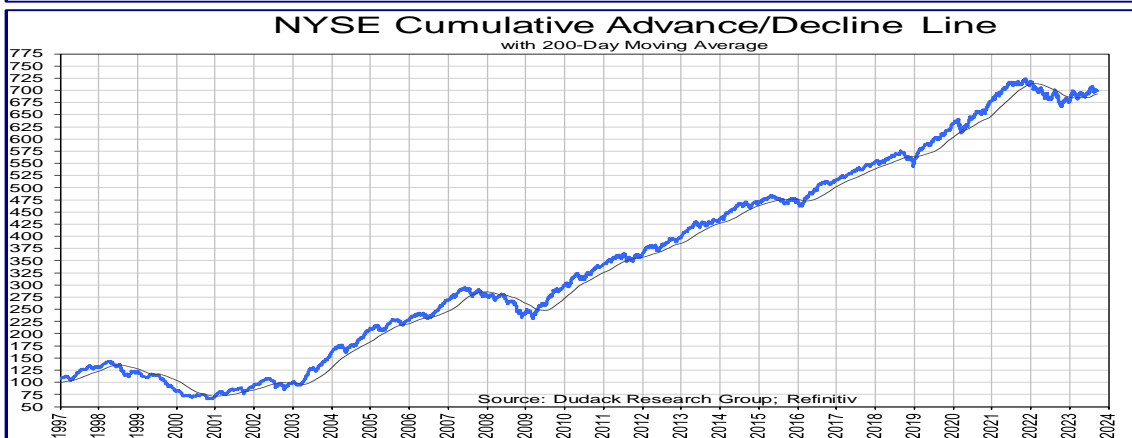
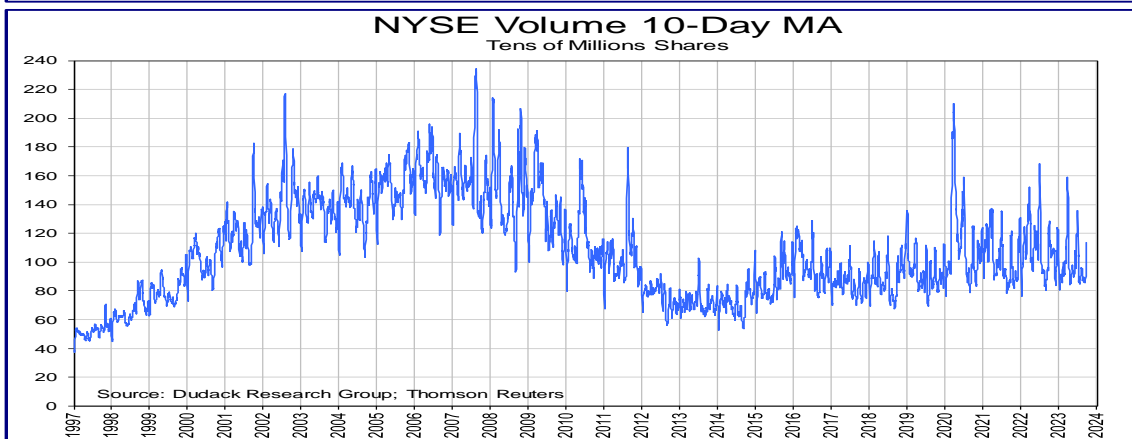
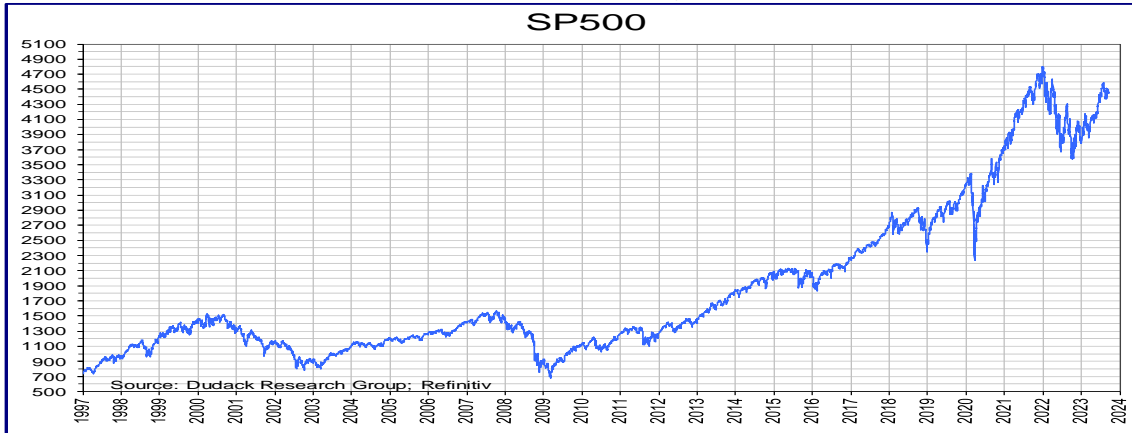
The 25-day up/down volume oscillator is at a negative 0.79 reading this week, relatively unchanged in recent weeks and at the lower end of neutral. The oscillator generated overbought readings in 10 of 22 trading sessions ending August 1. However, none of these overbought readings lasted the minimum of five consecutive trading days required to confirm the advance in the averages. Strong rallies should also include at least one extremely overbought day which was also missing.

If, or when, this indicator approaches an oversold reading of minus 3.0 or less, the same will be true – five consecutive trading days in oversold are needed to confirm the decline is more than a normal pullback.

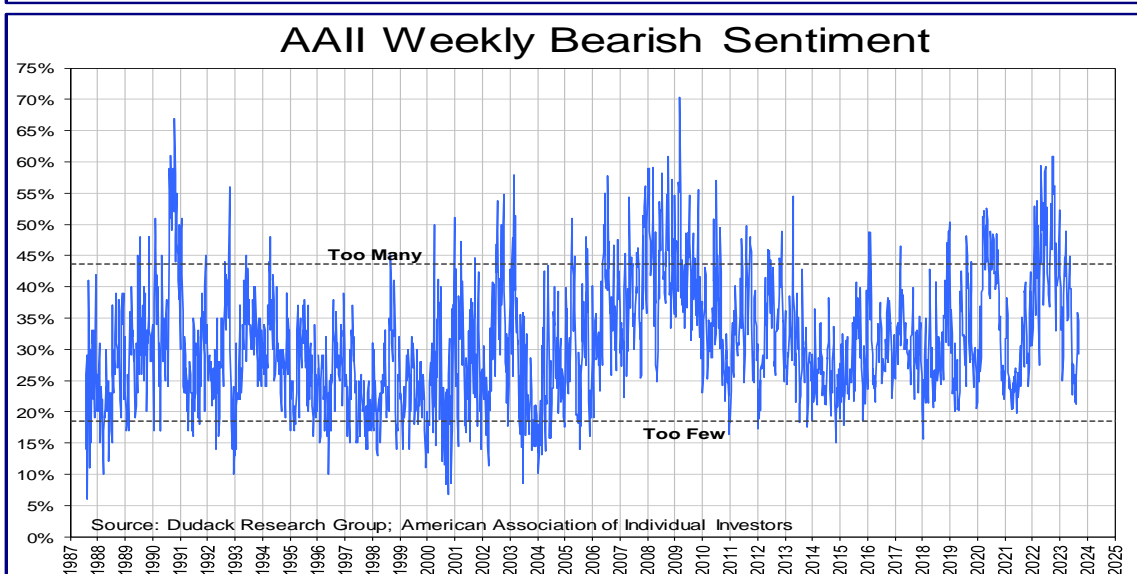
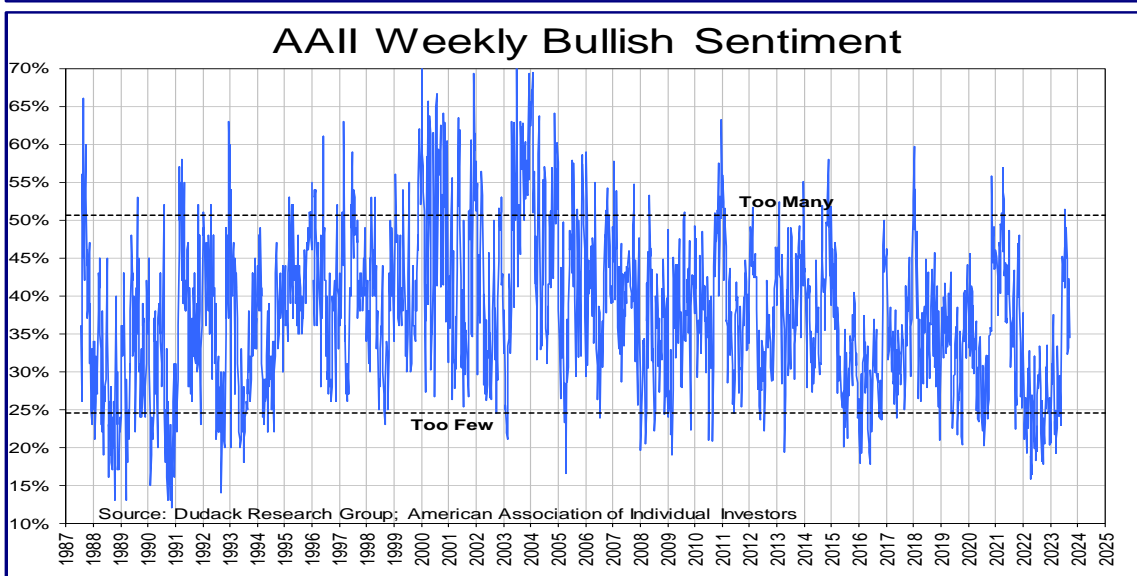
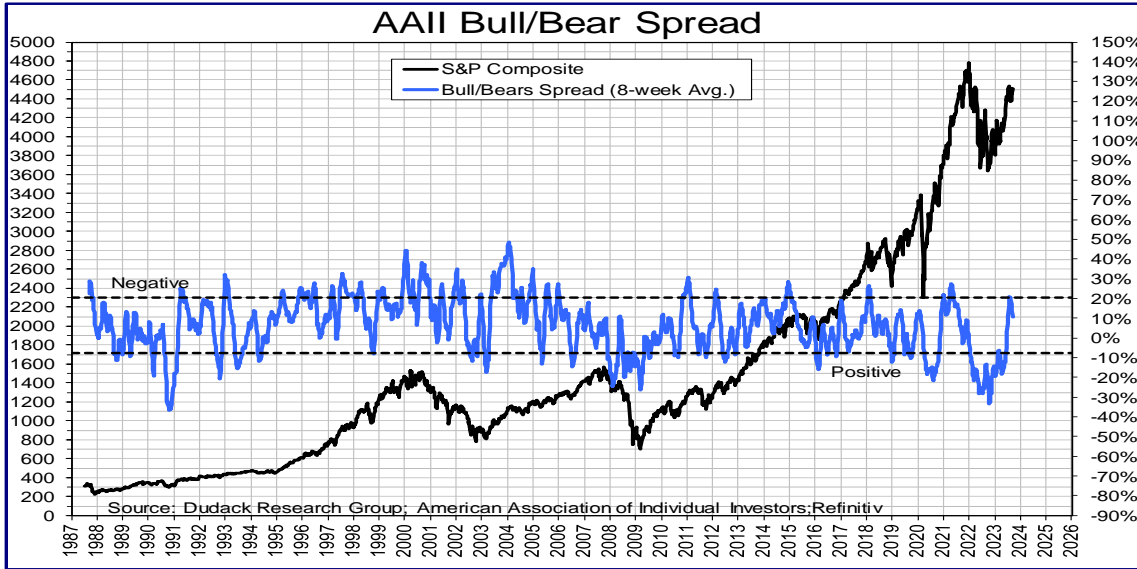
All in all, the longer-term trend remains neutral.



The 10-day average of daily new highs is 81 and new lows are 123. This combination is negative this week with new highs below 100 and new lows above 100. The NYSE advance/decline line fell below the June low on September 22 and is 26,543 net advancing issues from its 11/8/21 high. July is the first time in two years that the disparity between the AD line's peak and current levels has been consistently less than 30,000 net advancing issues.



Last week's AAI readings showed a 7.8% fall in bullishness to 34.4%, and a 0.4% decrease in bearishness to 29.2%. After ten consecutive weeks of above-average bullishness, and 11 consecutive weeks of below-average bearishness – the longest combined stretch since February to May of 2021 – the indices went neutral the week of August 16, before reverting back to above/below average bullishness and bearishness. Note that months after the extreme 2021 readings, the market peaked in January 2022.



GLOBAL MARKETS AND COMMODITIES - RANKED BY 2023 TRADING PERFORMANCE

Index/EFT	Symbol	Price	5-Day%	20-Day%	QTD%	YTD%
Communication Services Select Sector SPDR Fund	XLC	67.44	0.3%	3.7%	3.6%	40.5%
NASDAQ 100	NDX	15191.23	-0.6%	3.4%	0.1%	38.9%
Technology Select Sector SPDR	XLK	169.26	-0.8%	2.6%	-2.6%	36.0%
Nasdaq Composite Index Tracking Stock	ONEQ.O	53.89	-0.7%	3.1%	-0.4%	31.5%
SPDR Homebuilders ETF	XHB	78.94	-2.1%	-0.8%	-1.7%	30.9%
Consumer Discretionary Select Sector SPDR	XLY	168.77	-1.7%	3.8%	-0.6%	30.7%
iShares Russell 1000 Growth ETF	IWF	276.29	-0.7%	3.1%	0.4%	29.0%
iShares MSCI Mexico Capped ETF	EWX	60.82	1.5%	-1.7%	-2.2%	23.0%
SPDR S&P Semiconductor ETF	XSD	197.51	-1.5%	-1.6%	-10.7%	18.1%
iShares MSCI Japan ETF	EWJ	63.45	1.8%	7.0%	2.5%	16.6%
United States Oil Fund, LP	USO	81.50	2.3%	12.0%	28.2%	16.2%
iShares Russell 1000 ETF	IWB	244.36	-0.5%	1.8%	0.3%	16.1%
iShares DJ US Oil Eqpt & Services ETF	IEZ	24.60	-3.1%	3.9%	22.3%	16.0%
SP500	.SPX	4443.95	-0.4%	1.7%	-0.1%	15.7%
iShares MSCI Brazil Capped ETF	EWZ	32.04	1.9%	4.9%	-1.2%	14.6%
Oil Future	CLc1	91.20	2.7%	12.2%	29.1%	13.6%
iShares MSCI Taiwan ETF	EWT	45.54	0.3%	0.9%	-3.1%	13.4%
iShares MSCI South Korea Capped ETF	EWY	62.58	0.9%	3.1%	-1.3%	10.8%
iShares MSCI Germany ETF	EWG	27.05	-0.6%	-1.4%	-5.3%	9.4%
iShares MSCI EAFE ETF	EFA	71.19	0.5%	1.9%	-1.8%	8.5%
iShares MSCI India ETF	INDA.K	45.00	-0.1%	3.9%	3.0%	7.8%
Gold Future	GCc1	2651.10	0.2%	0.8%	2.2%	7.5%
iShares Russell 2000 Growth ETF	IWO	230.19	-1.9%	-1.3%	-5.1%	7.3%
Vanguard FTSE All-World ex-US ETF	VEU	53.50	-0.2%	1.4%	-1.7%	6.7%
iShares MSCI Canada ETF	EWC	34.85	1.1%	3.3%	-0.4%	6.5%
Industrial Select Sector SPDR	XLI	104.25	-1.0%	-1.9%	-2.9%	6.2%
SPDR Gold Trust	GLD	179.22	1.0%	2.2%	0.5%	5.6%
PowerShares Water Resources Portfolio	PHO	54.42	-0.4%	-2.2%	-3.5%	5.6%
iShares MSCI United Kingdom ETF	EWU	32.37	1.1%	2.9%	0.1%	5.6%
iShares MSCI Austria Capped ETF	EWO	20.05	0.0%	-0.6%	-1.2%	5.5%
Energy Select Sector SPDR	XLE	91.25	-1.9%	2.7%	12.4%	4.3%
iShares Russell 2000 ETF	IWM	181.68	-1.4%	-1.6%	-3.0%	4.2%
Materials Select Sector SPDR	XLB	80.91	-1.3%	0.1%	-2.4%	4.2%
SPDR DJIA ETF	DIA	345.07	-0.6%	0.0%	0.4%	4.1%
DJIA	.DJI	34517.73	-0.4%	0.0%	0.3%	4.1%
iShares Russell 1000 Value ETF	IWD	157.80	-0.2%	0.5%	0.0%	4.1%
iShares MSCI Emerg Mkts ETF	EEM	38.85	-0.6%	1.2%	-1.8%	2.5%
Financial Select Sector SPDR	XLF	34.73	0.1%	2.2%	3.0%	1.5%
Shanghai Composite	.SSEC	3124.96	-0.4%	-0.2%	-2.4%	1.2%
SPDR S&P Retail ETF	XRT	60.91	-1.6%	-6.0%	-4.5%	0.8%
iShares Russell 2000 Value ETF	IWN	139.52	-1.0%	-1.8%	-0.9%	0.6%
iShares MSCI BRIC ETF	BKF	34.32	-0.7%	2.7%	0.3%	-0.1%
iShares MSCI Australia ETF	EWA	22.16	0.7%	3.3%	-1.7%	-0.3%
iShares US Telecomm ETF	IYZ	22.28	0.3%	1.4%	0.8%	-0.7%
iShares US Real Estate ETF	IYR	83.54	-1.0%	0.5%	-3.5%	-0.8%
iShares iBoxx \$ Invest Grade Corp Bond	LQD	104.22	-0.3%	0.1%	-3.6%	-1.1%
iShares MSCI Singapore ETF	EWS	18.38	0.0%	2.0%	-0.7%	-2.3%
Silver Future	SIc1	23.19	0.3%	2.2%	1.7%	-2.8%
iShares Silver Trust	SLV	22.26	0.7%	2.0%	1.9%	-3.1%
Health Care Select Sect SPDR	XLV	131.56	-0.9%	-1.5%	-0.9%	-3.2%
iShares Nasdaq Biotechnology ETF	IBB.O	125.71	-1.4%	0.2%	-1.0%	-4.3%
Consumer Staples Select Sector SPDR	XLP	71.37	-0.5%	-2.3%	-3.8%	-4.3%
iShares China Large Cap ETF	FXI	26.98	-1.2%	3.0%	-0.8%	-4.7%
iShares 20+ Year Treas Bond ETF	TLT	92.80	-1.5%	-1.0%	-9.9%	-6.8%
iShares MSCI Malaysia ETF	EWM	21.13	0.4%	1.0%	5.6%	-7.5%
Utilities Select Sector SPDR	XLU	64.02	0.8%	0.8%	-2.2%	-9.2%
SPDR S&P Bank ETF	KBE	37.60	-2.4%	-3.5%	4.4%	-16.7%
iShares MSCI Hong Kong ETF	EWH	17.47	-1.2%	-1.2%	-9.6%	-16.8%

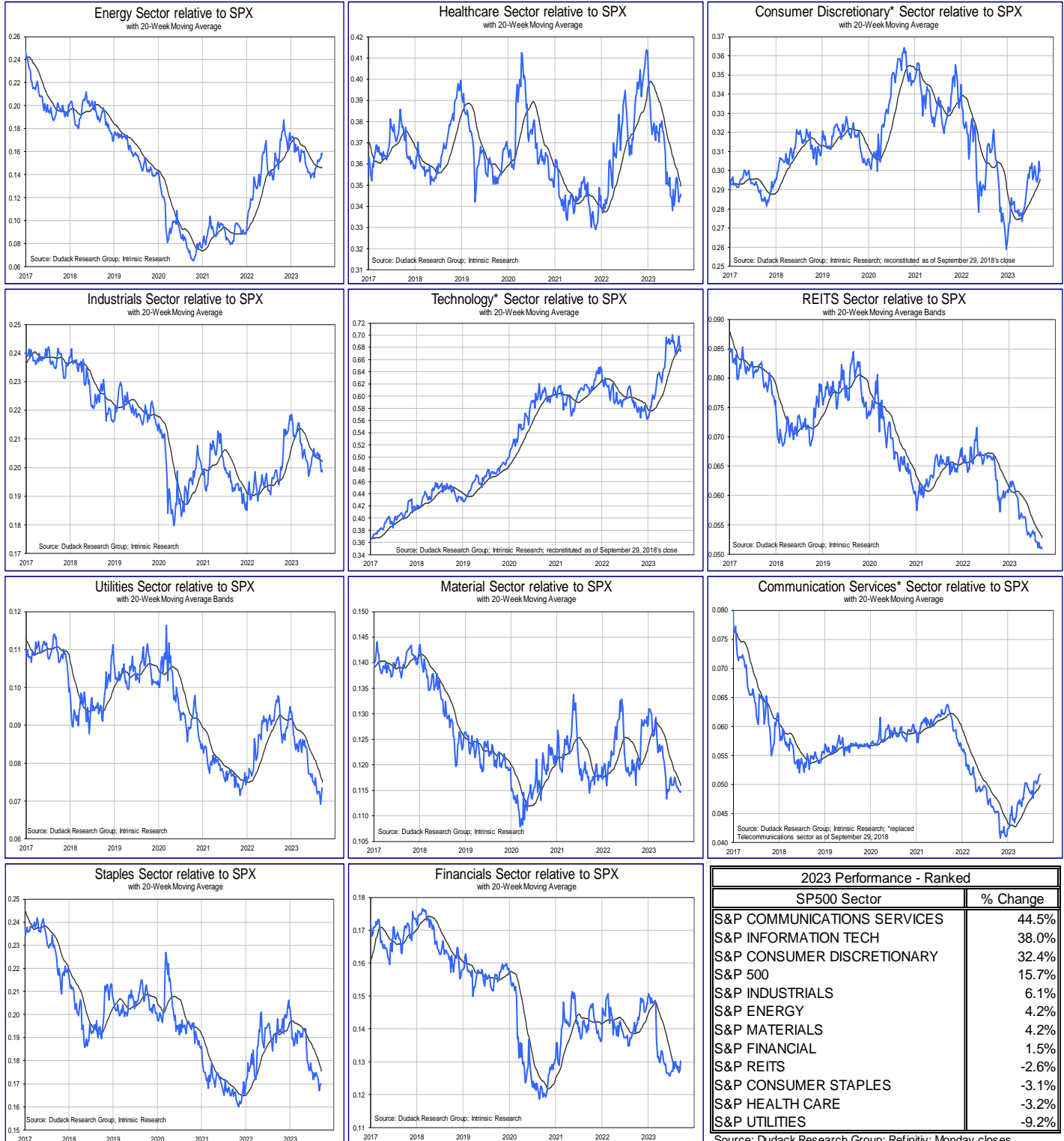
Outperformed SP500

Underperformed SP500

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

DRG Recommended Sector Weights		
Overweight		Neutral
Energy Industrials Staples Utilities		Healthcare Technology Materials Financials
		Underweight
		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.



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 Dow Jones Reported EPS**	S&P Dow Jones Operating EPS**	DRG Operating EPS Forecast	DRG EPS YOY %	IBES 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 %
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%	-2.8%	\$1,968.10	-4.7%
2021	4766.18	\$197.87	\$208.17	\$208.17	70.1%	\$208.12	49.0%	22.9X	1.3%	5.9%	\$2,382.80	21.1%
2022	3839.50	\$172.75	\$196.95	\$196.95	-5.4%	\$218.09	4.8%	19.5X	1.4%	2.1%	\$2,478.80	4.0%
2023E	~~~~~	\$200.68	\$220.20	\$212.00	7.6%	\$221.37	1.5%	20.2X	NA	NA	NA	NA
2024E	~~~~~	\$224.54	\$245.90	\$230.00	8.5%	\$247.94	12.0%	18.1X	NA	NA	NA	NA
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 3Q	3585.62	\$44.41	\$50.35	\$50.35	-3.2%	\$56.02	4.3%	17.6	1.8%	3.2%	\$2,543.00	3.5%
2022 4Q	3839.50	\$39.61	\$50.37	\$50.37	-11.2%	\$53.15	-1.5%	19.5	1.7%	2.6%	\$2,475.20	1.6%
2023 1QE	4109.31	\$48.41	\$52.54	\$52.54	6.4%	\$53.08	-3.1%	20.5	1.7%	2.0%	\$2,329.20	-1.9%
2023 2QE	4450.38	\$48.60	\$54.82	\$52.46	11.9%	\$54.49	-5.4%	21.4	NA	2.4%	\$2,367.20	-6.2%
2023 3QE*	4443.95	\$50.88	\$55.46	\$54.00	7.2%	\$56.06	0.1%	20.8	NA	NA	NA	NA
20244QE	~~~~~	\$52.79	\$57.38	\$53.00	5.2%	\$58.19	9.5%	20.2	NA	NA	NA	NA

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

*9/19/2023

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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“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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