



# US Strategy Weekly

## Caution is Wise

### FEDERAL DEBT DISTRESS

There are many things to worry about this week. At the top of the list are the wars in the Middle East and in Europe, which are proxy wars for any and all democratic societies, and which could have an impact on the price of crude oil. Earnings season has been a mixed bag and results have not been confidence-building. The Federal Reserve meets this week, but we doubt there will be any change in the fed funds rate given the uncertainty of the world's geopolitical situation. However, one of our main concerns is the rising level of government debt, the lack of political will to change current trends, and what this will mean for the future of interest rates. Total outstanding US debt has grown from \$31.5 trillion in June to \$33.17 trillion recently. And this level is up from \$23.2 trillion in pre-pandemic 2020, which equates to a shocking 43% increase in 3 ½ years. Meanwhile, Congress seems willing to put this issue on the back burner.

This year the Treasury sold roughly \$1.56 trillion of new Treasury bills through the end of September and the bulk of this materialized after Congress suspended the debt ceiling in June. This week the Department of the Treasury announced its estimates of privately held net marketable borrowing for this year's fourth quarter and next year's first quarter. The Treasury indicated it expects to borrow \$776 billion in privately held net marketable debt in the current quarter, down \$76 billion from its July estimate, due in large part to projections of higher receipts. Since this new estimate is lower than what was previously announced, the bond market responded favorably to the news.

But borrowing will increase. The Treasury also indicated it plans to borrow \$816 billion in privately held net marketable debt in the first quarter of 2023, assuming their projections of cash on hand are correct for December 2023. Treasury yields, especially on longer-dated securities, have risen in step with growing bond supply and supply is expected to continue to grow. By the end of fiscal 2028, White House forecasts show gross debt rising to \$42 trillion, a 28% increase from current levels, and debt held by the public rising to \$34.5 trillion, a 33% increase. See page 3.

There are many problems related to growing deficits. The first risk is that supply drives interest rates higher, but eventually, high levels of debt become a Catch-22. Interest payments on the debt increase deficits and raise interest rates which increase the interest payments on the debt, and so on. As we noted last week, while defense spending grew 7%, to \$774 billion in FY 2023, interest payments on the debt increased 33%, to \$711 billion. At this pace, interest on the debt will overtake defense spending in fiscal 2024.

Another warning sign is the high level of short-term government debt. The TBAC, or Treasury Borrowing Advisory Committee recommends keeping Treasury bills at 20% or less of total outstanding marketable US government debt. However, the current level of short-term debt already exceeds 20% which increases the rollover risk as interest rates rise. See page 4. In sum, the market may be too complacent about interest rates, particularly as the Fed leaves rates unchanged after two consecutive meetings, but we see the potential for the bond market to upset the stock market in the months ahead.

## ECONOMICS: A STRONG SEPTEMBER

The advance estimate for GDP in the third quarter was a surprisingly strong 4.9% and this follows a 2.1% gain in the second quarter. Consumer spending was an important source of growth as well as inventories. Residential investment made its first positive contribution to growth since early 2021. See page 5. In line with this was good news about September's personal income. It rose 4.7% YOY, disposable income rose 7.1% YOY, and real disposable income rose 3.5% YOY. Real personal disposable income has now been positive for nine consecutive months. However, personal consumption expenditures rose 5.9% YOY, which explains why the savings rate fell from 4.0% in August to 3.7% in September. See page 6.

It is worth noting that September's 3.7% saving rate is well below the 2000-2023 average of 5.7% and this suggests that the current rate of consumption is unsustainable. In addition, rising interest rates continue to pressure consumption. Personal interest payments were up 48% YOY in September and currently represent 2.8% of personal consumption. See page 7.

Therefore, we were not surprised that consumer sentiment indices were uniformly weak in October. The Conference Board confidence index fell from 104.3 to 102.6, with present conditions weakening from 146.2 to 143.1. The expectations index fell from 76.4 to 75.6. The University of Michigan sentiment index declined from 67.9 to 63.8, while present conditions fell from 71.1 to 70.6. The expectations component was much weaker, falling from 65.8 to 59.3. All in all, October has not been a good month for many households. See page 8.

## TECHNICAL BREAKDOWN

The deterioration in the technical charts of all the popular indices was obvious this week. However, the most significant development was the sell-off in the Russell 2000 index below the 1650 support level. This breakdown has not yet been confirmed since the index rebounded to 1662 on October 31, nonetheless, the pattern is worrisome. A confirmed breakdown will be a sign of lower prices for the overall market and the likelihood of another 5% to 10% downside risk. See page 10.

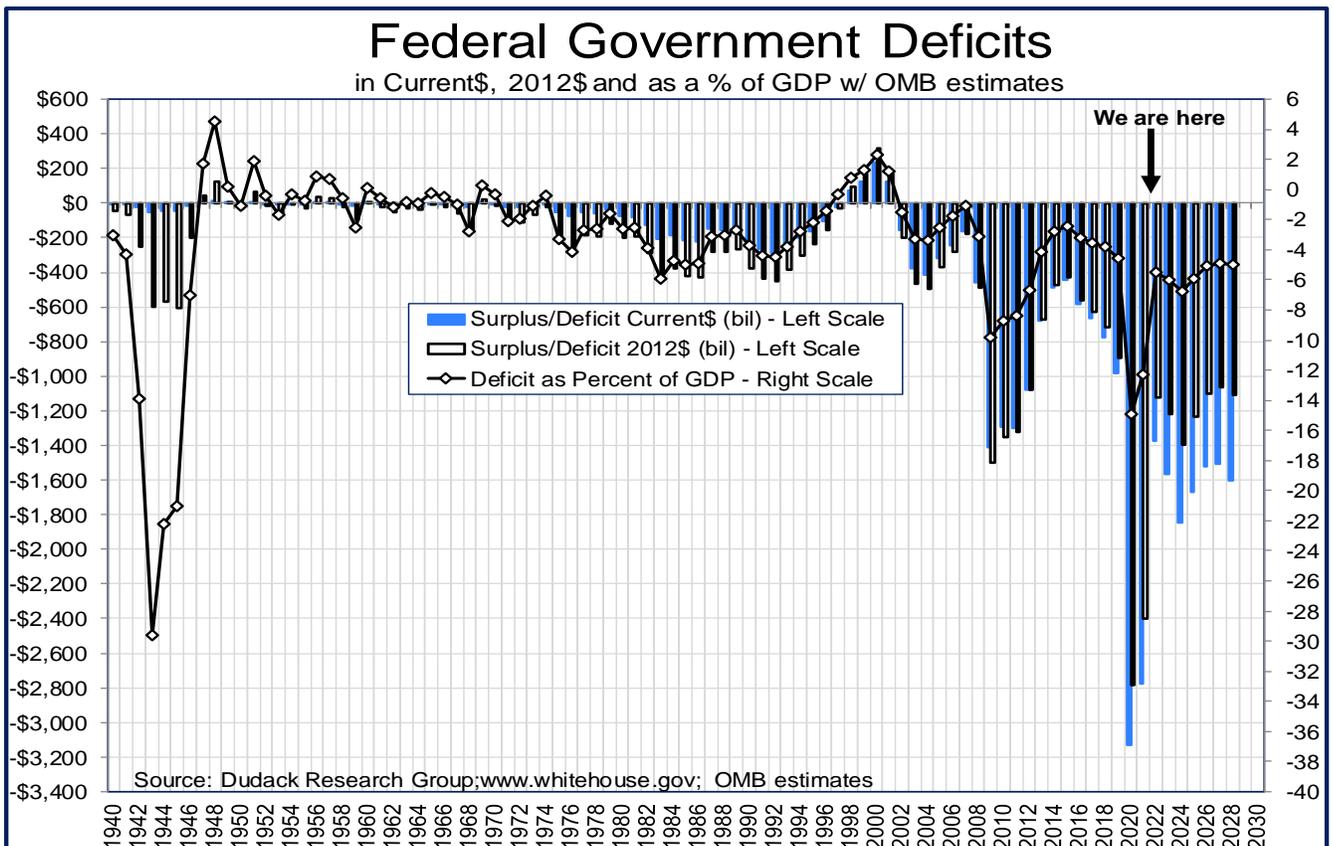
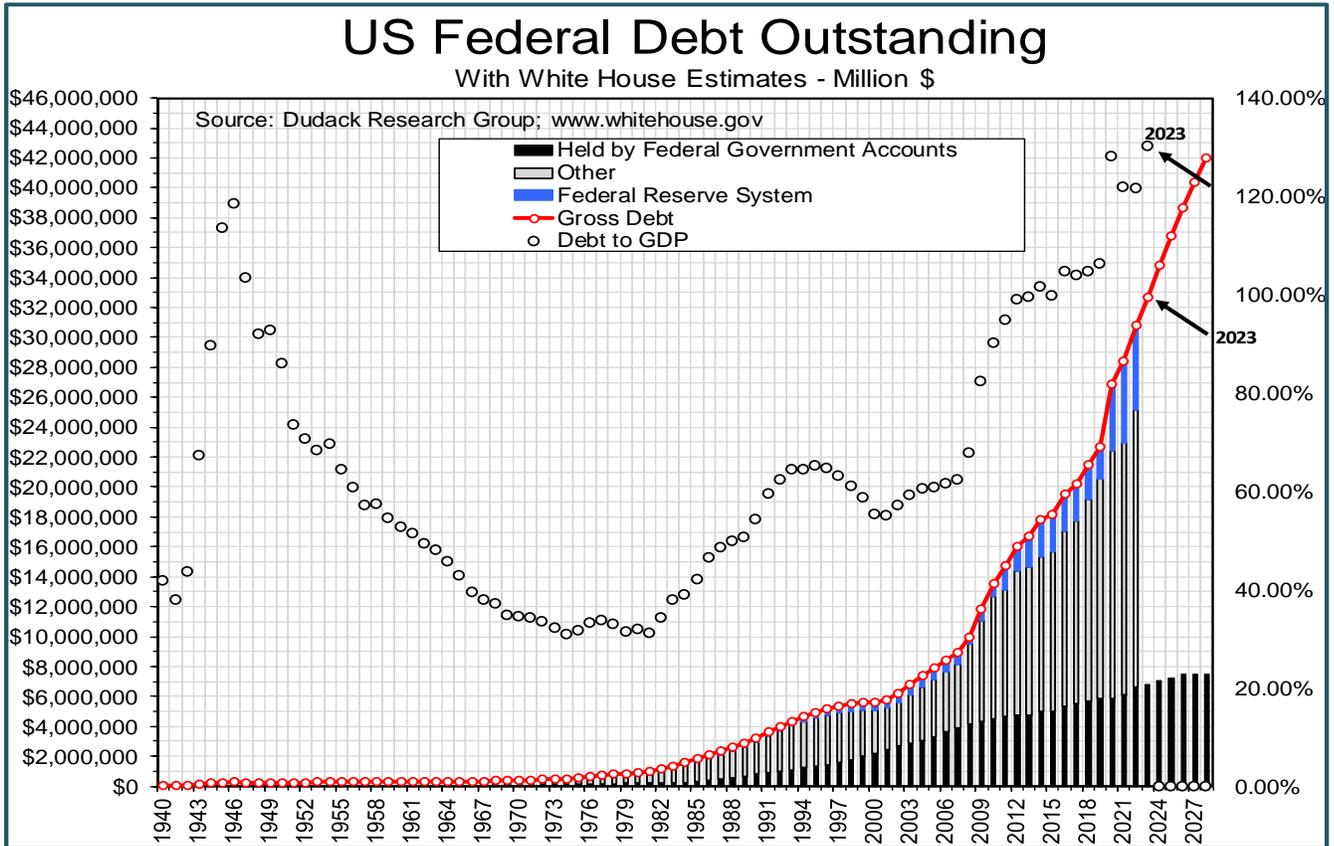
The 25-day up/down volume oscillator is at a negative 0.81 reading this week and neutral, after being in oversold territory for two consecutive trading days on October 20 and October 23 and for three out of four consecutive days on October 5 to October 9. It may surprise some readers that this oscillator did not reach an extreme oversold reading after last week's decline; however, the lack of a consistent oversold reading continues to suggest that the equity market is in an extended trading range. Keep in mind that broad trading ranges are often substitutes for bear markets and are simply another way for prices to come in line with valuation. See page 11.

The 10-day average of daily new highs is currently 34 and the 10-day average of new lows is at 454. This combination is negative with new highs well below 100 and new lows well above 100 since we assume 100 is the benchmark for defining the market's trend. The NYSE advance/decline line fell below the June low on September 22 and is now 40,491 net advancing issues from its 11/8/21 high. July was the first time in two years that the disparity between the AD line's peak and current levels was consistently less than 30,000 net advancing issues. However, in recent weeks this disparity has increased well above 30,000 issues once again. See page 12.

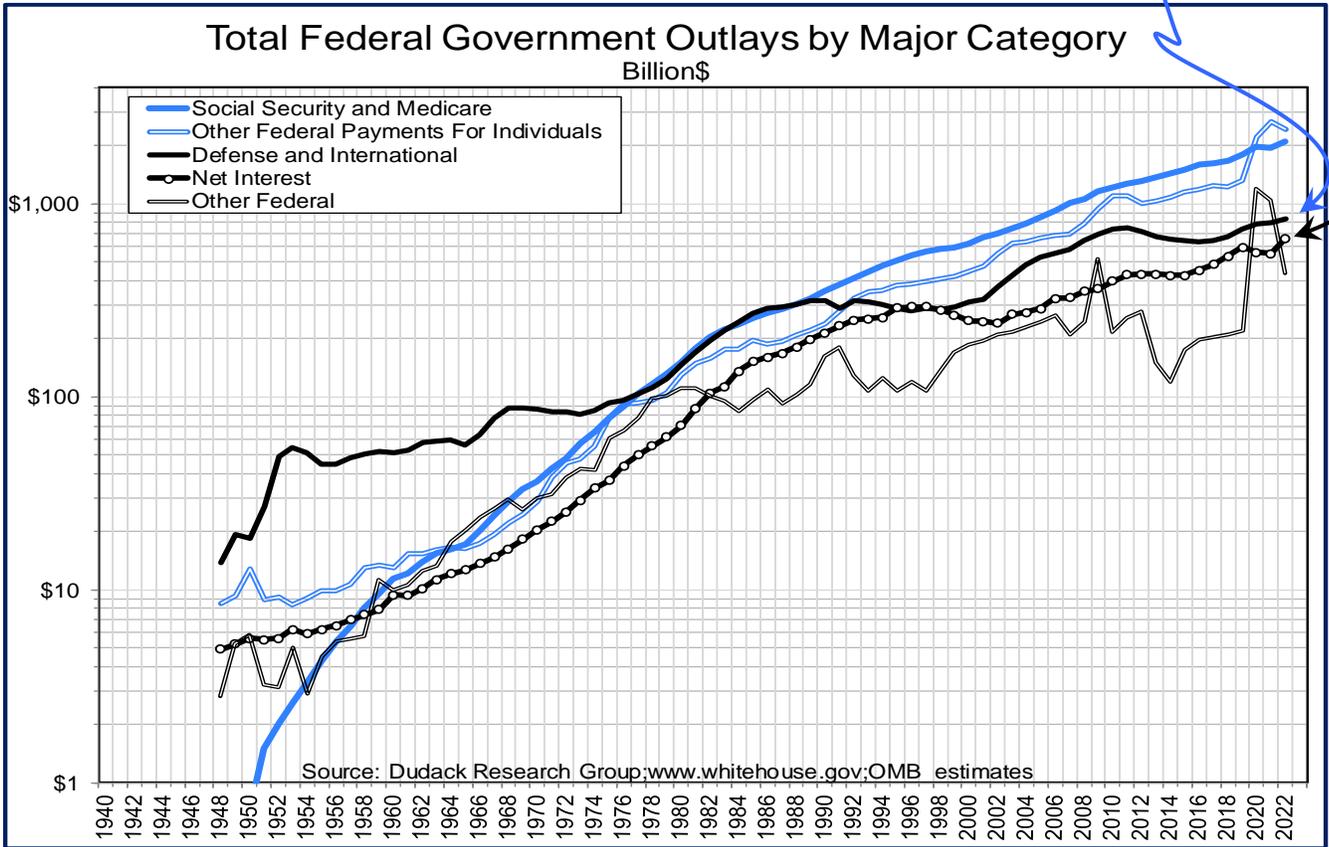
Last week's AAll readings showed a 4.8% decline in bullishness to 29.3%, and an 8.6% increase in bearishness to 43.2%. Bullish sentiment is below its historical average of 37.5% for the 9th time in 11 weeks. Pessimism is above its historical average of 31.0% for the 8th time in 10 weeks. After hitting a negative one-week reading the week of August 2, the 8-week bull/bear spread is now neutral and closing in on a positive reading.

We remain near-term cautious but sense a good intermediate-term buying opportunity is approaching.

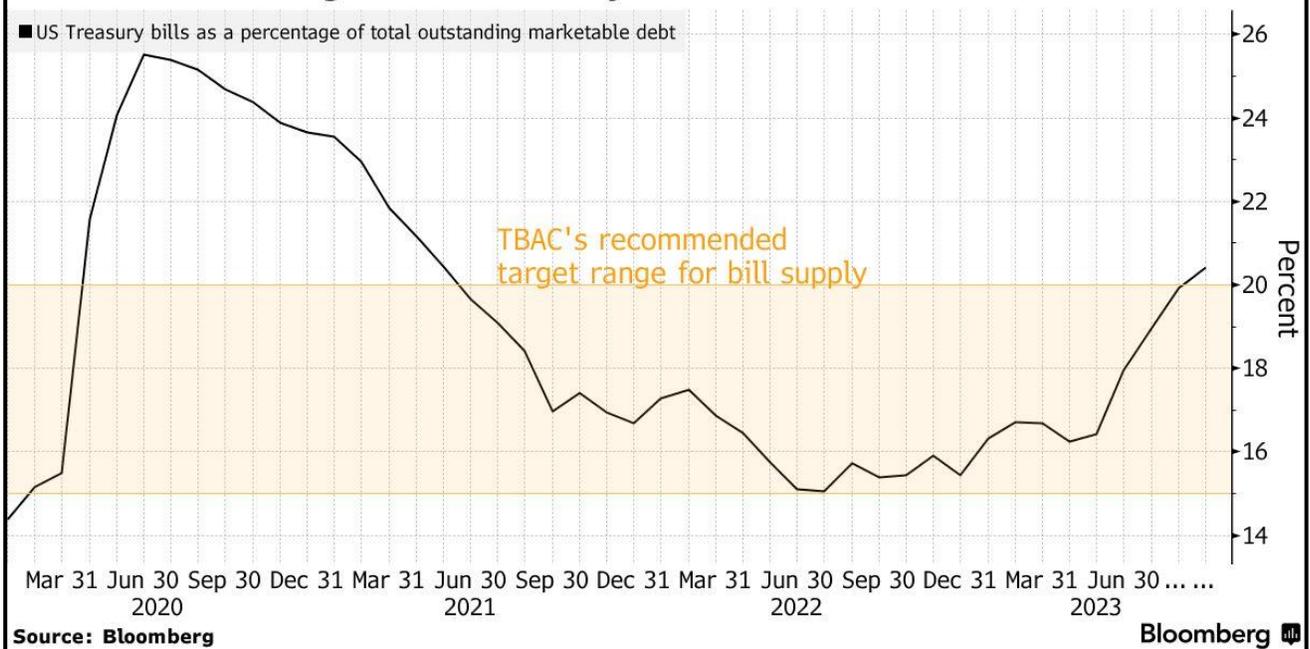
The US Treasury reported that gross US federal debt for the fiscal year 2023 deficit was \$33.17 trillion at the end of September. The White House estimated gross debt at \$32.7 trillion and federal debt held by the public at \$25.9 for fiscal 2023. More importantly, the White House forecasts gross debt to rise to \$42 trillion, a 28% increase, and debt held by the public to rise to \$34.5 trillion, a 33% increase, by the end of fiscal 2028.



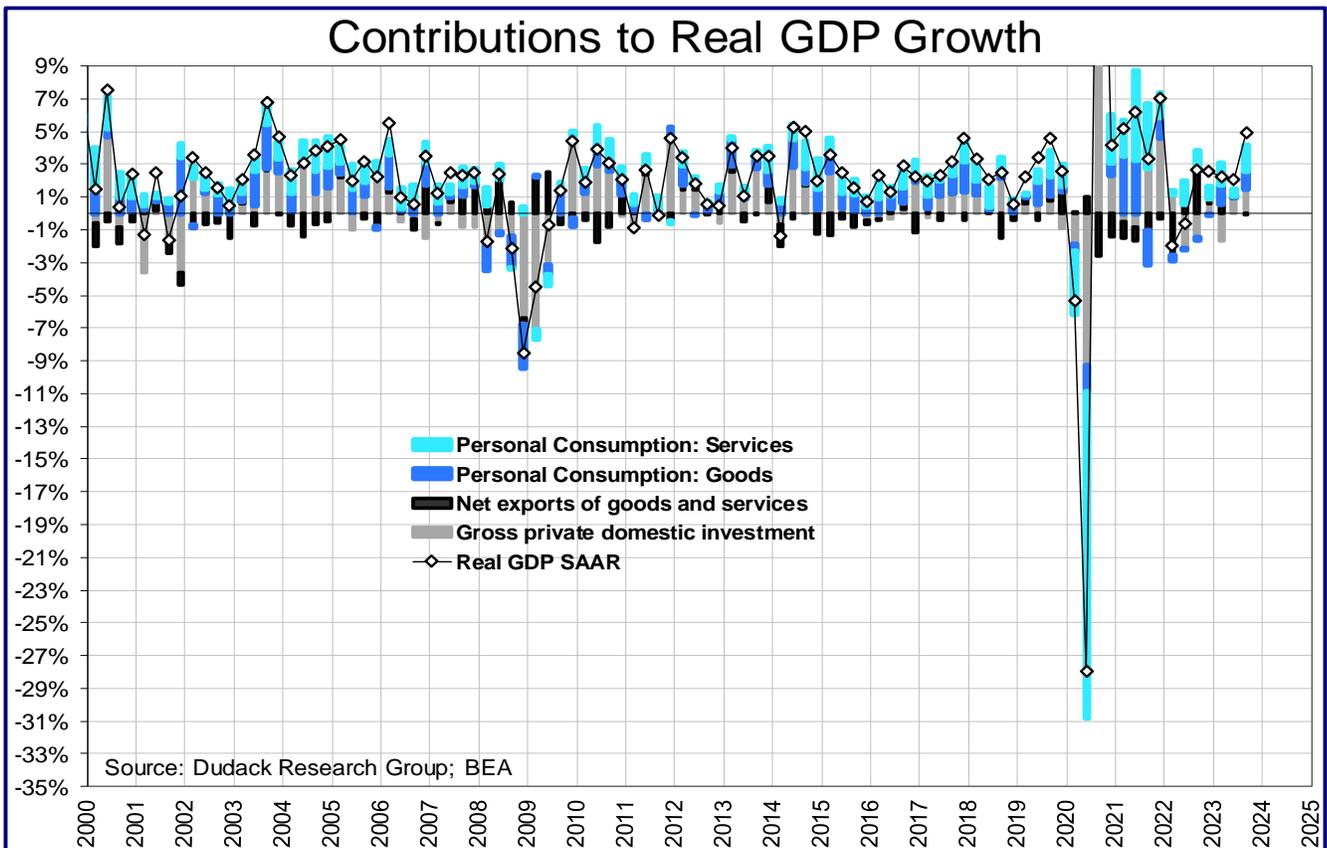
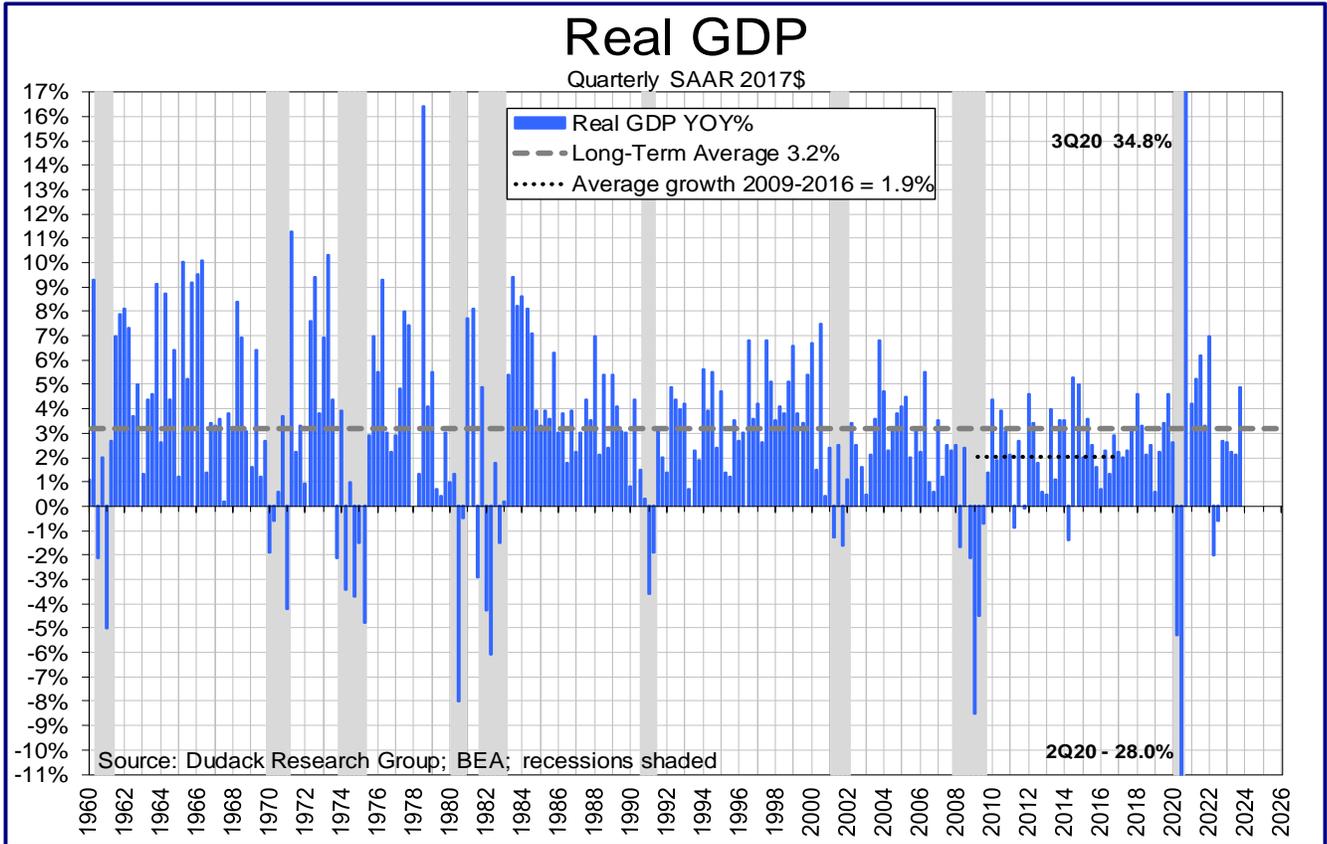
Financing this increase in debt will be the focus of bond investors in coming quarters, particularly in an era of rising interest rates. Therefore, the Fed is apt to remain on hold in November. But the problem of financing this debt is seen below. While defense spending grew 7%, to \$774 billion in FY 2023, interest payments on the debt increased 33%, to \$711 billion. At this pace, interest on the debt will overtake defense spending in fiscal 2023. Another warning sign is the high level of short-term government debt, which creates rollover risk as interest rates rise. The TBAC, or Treasury Borrowing Advisory Committee recommends keeping Treasury bills at 20% or less of total outstanding marketable US government debt.



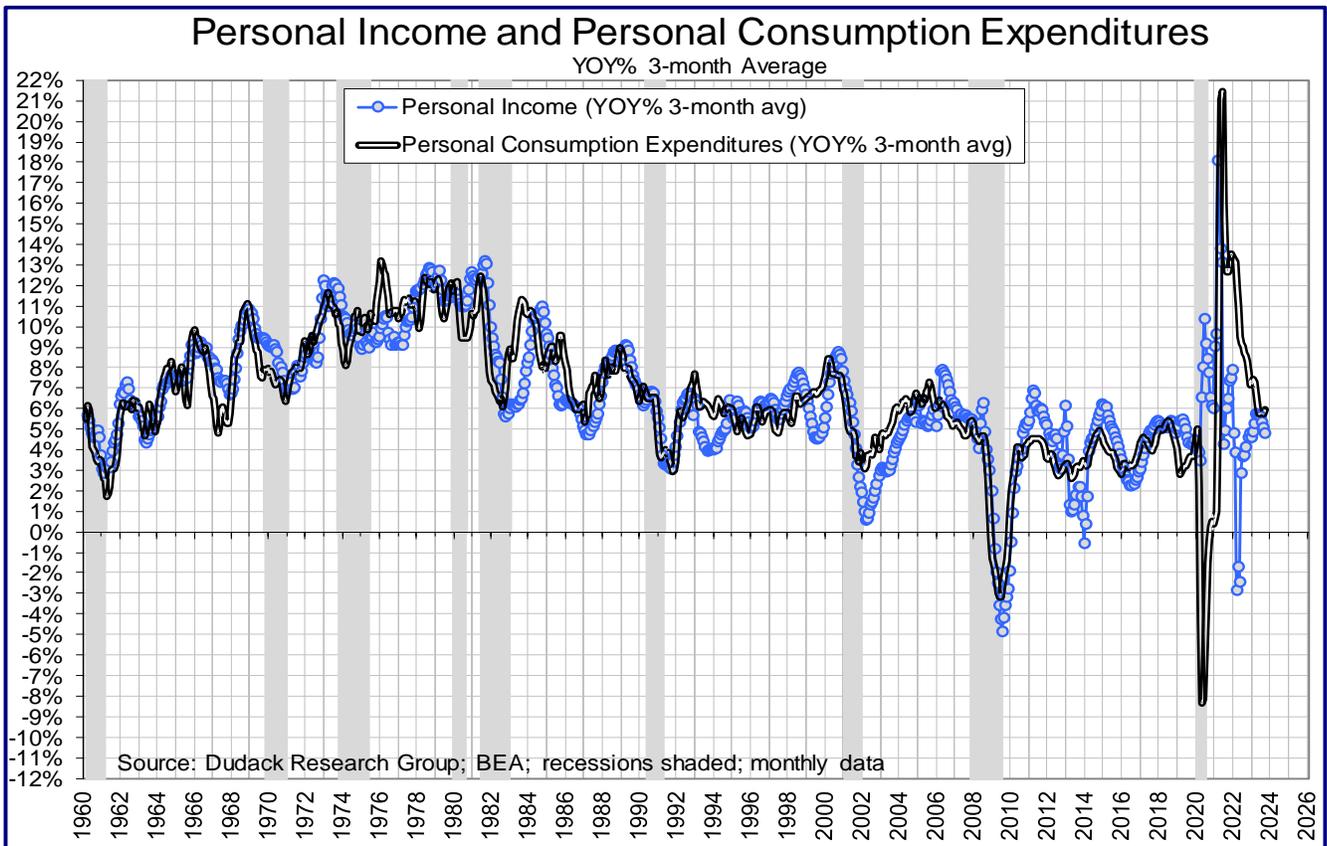
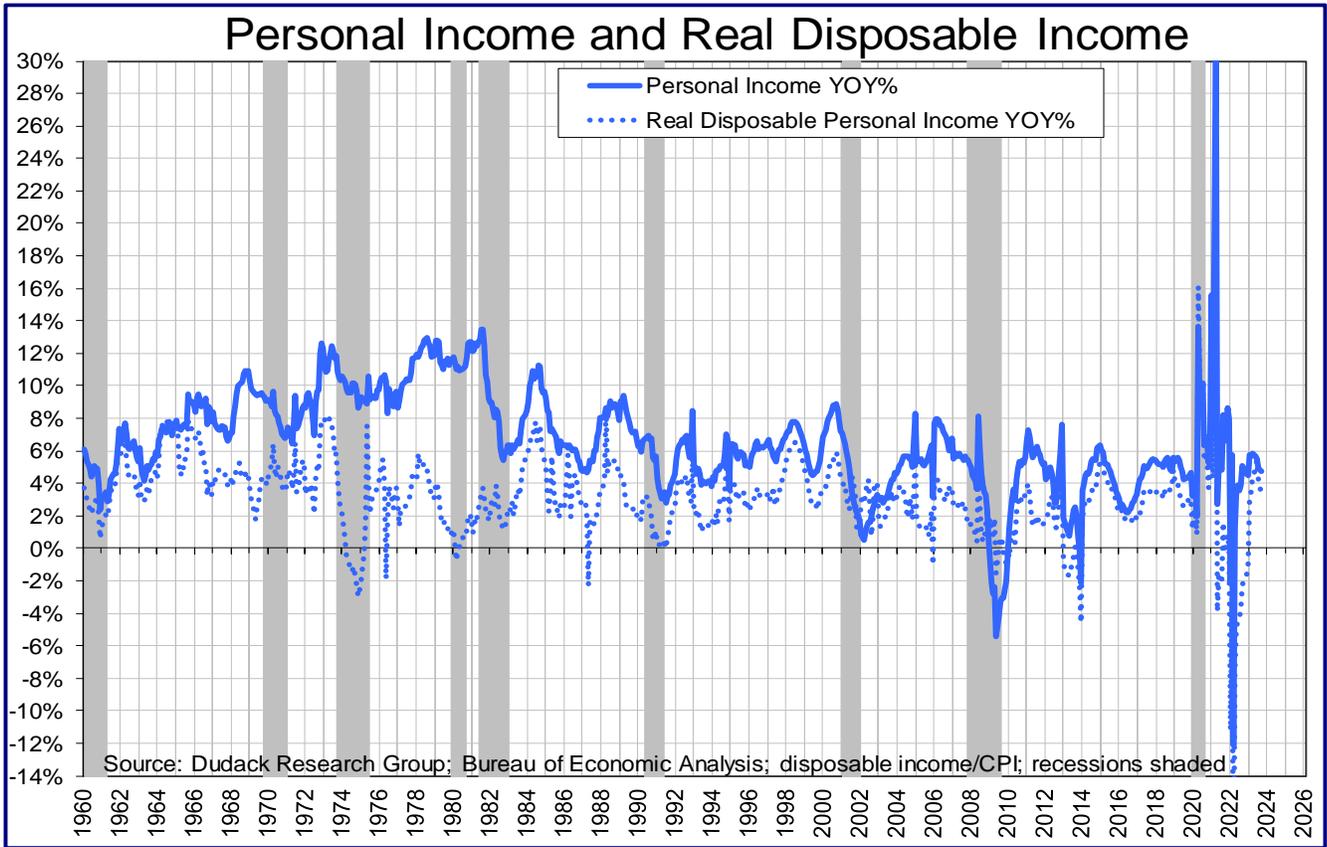
### Bills Make Up More Than 20% of US Government Debt That's above the range recommended by TBAC



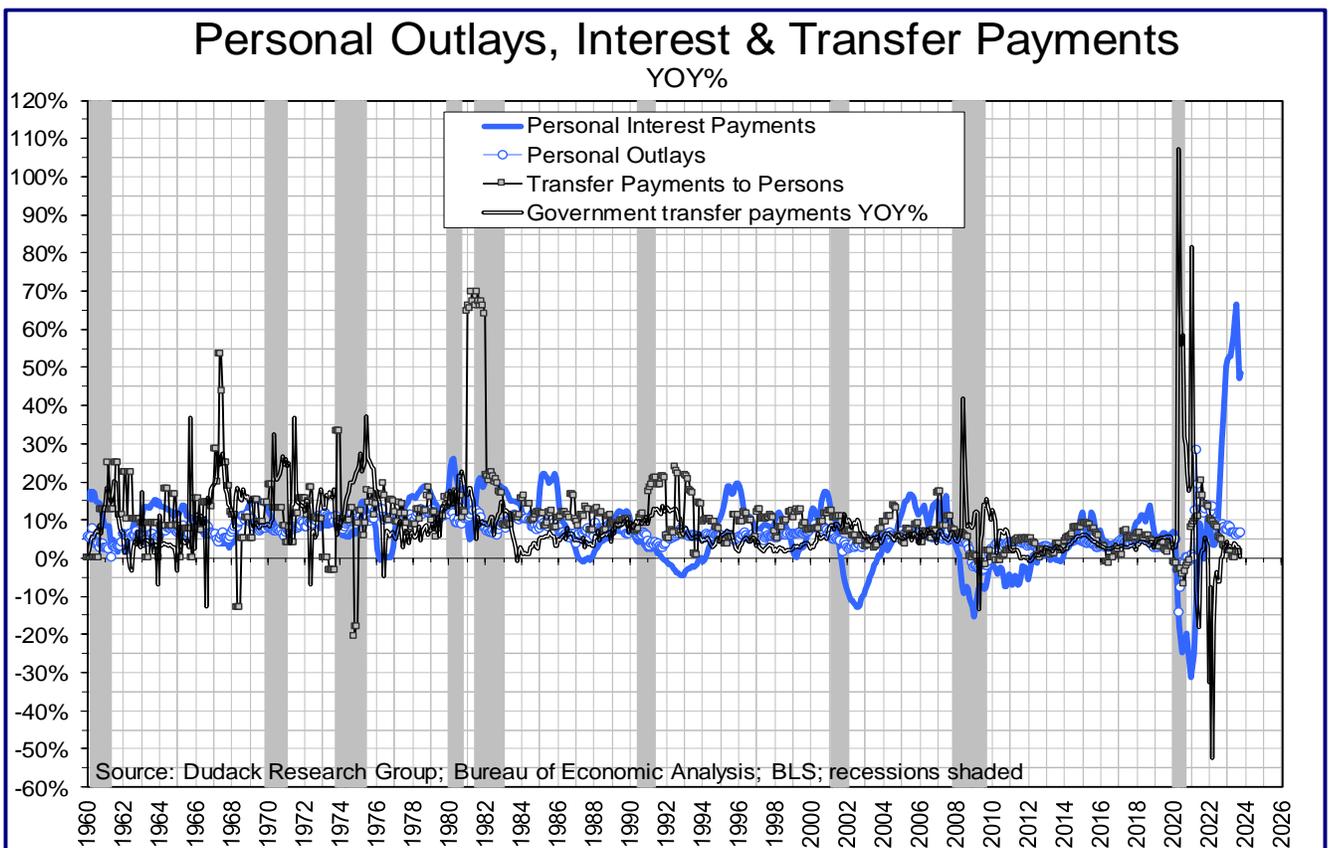
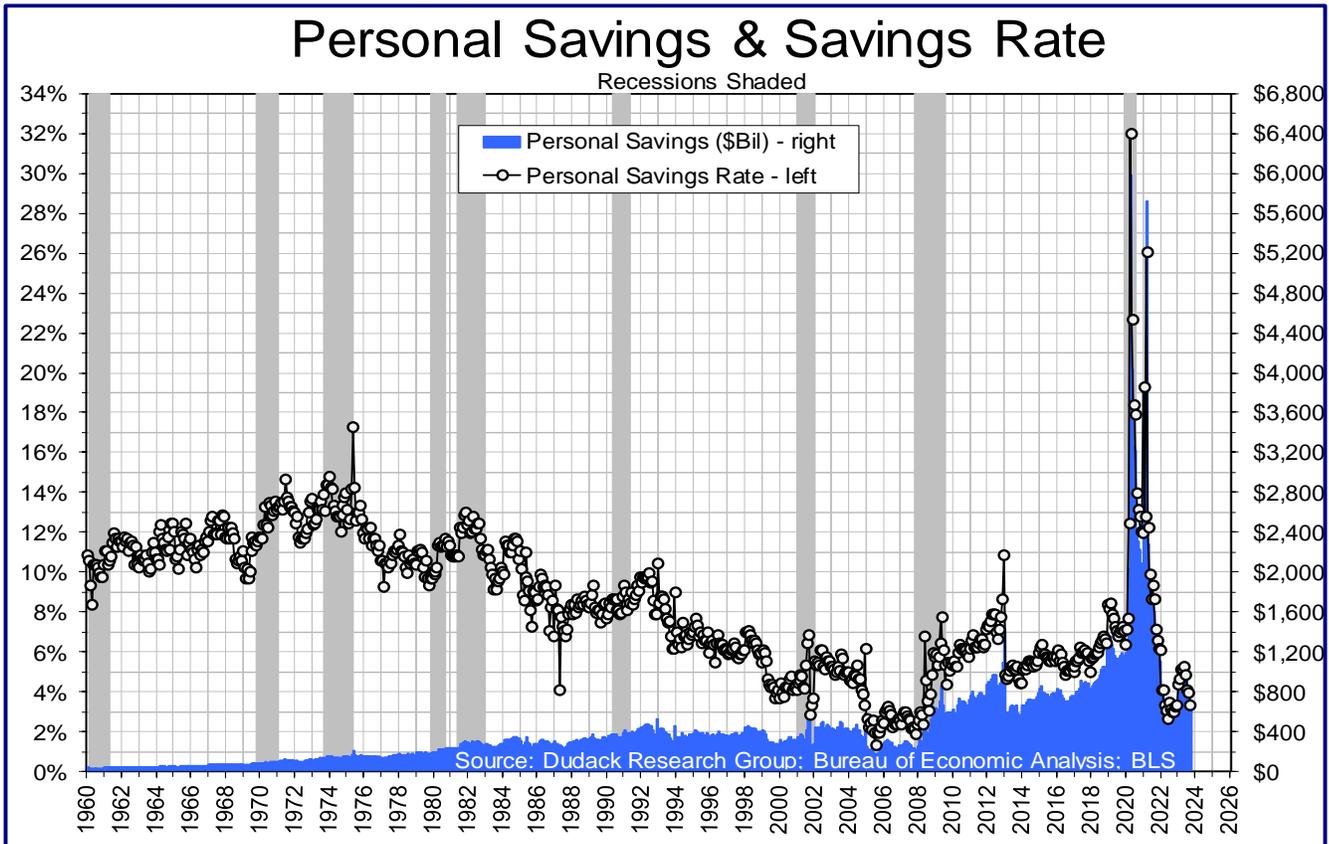
The advance estimate for the third quarter GDP was a surprisingly strong 4.9%, following a 2.1% gain in the second quarter. Consumer spending was an important source of growth as well as inventories. Residential investment made its first positive contribution to growth since early 2021.



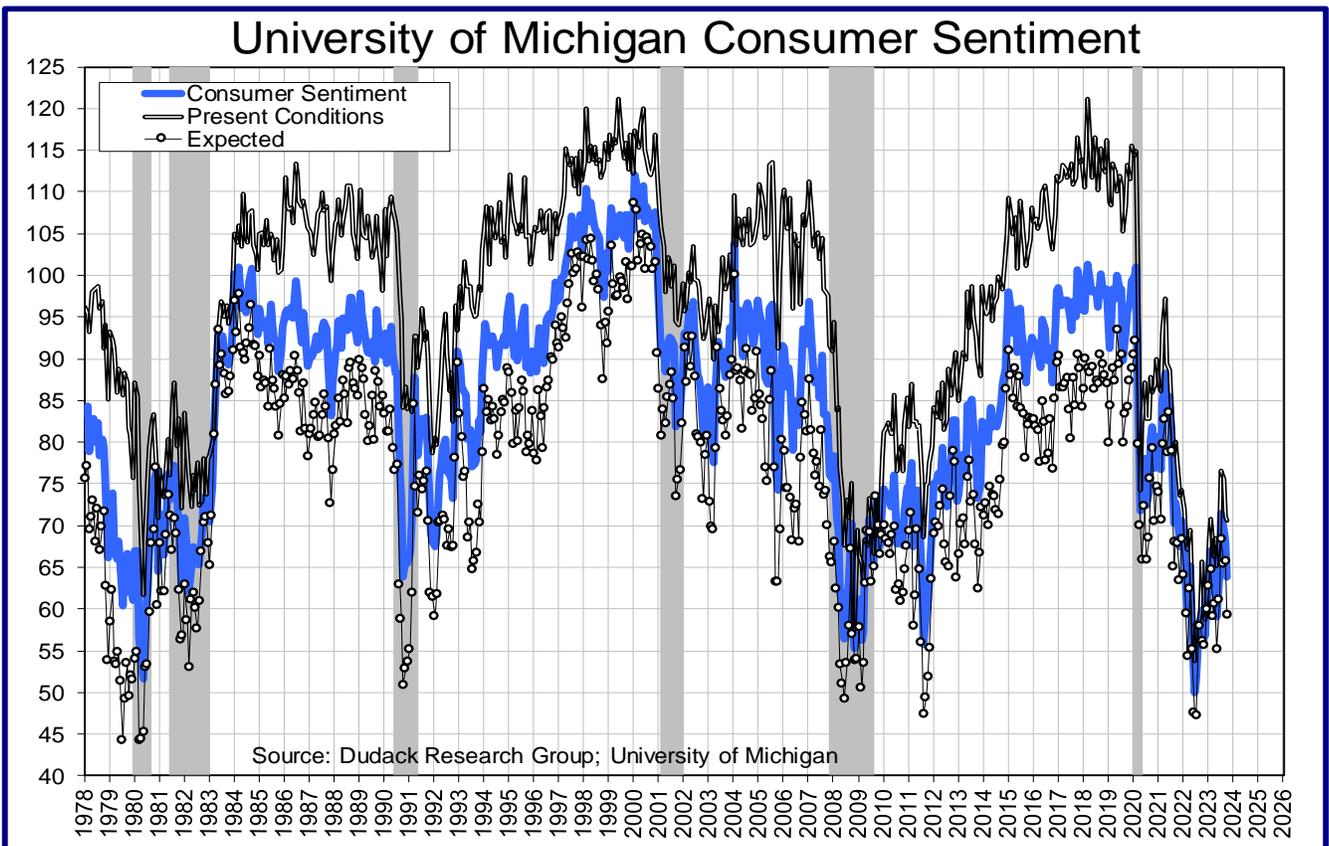
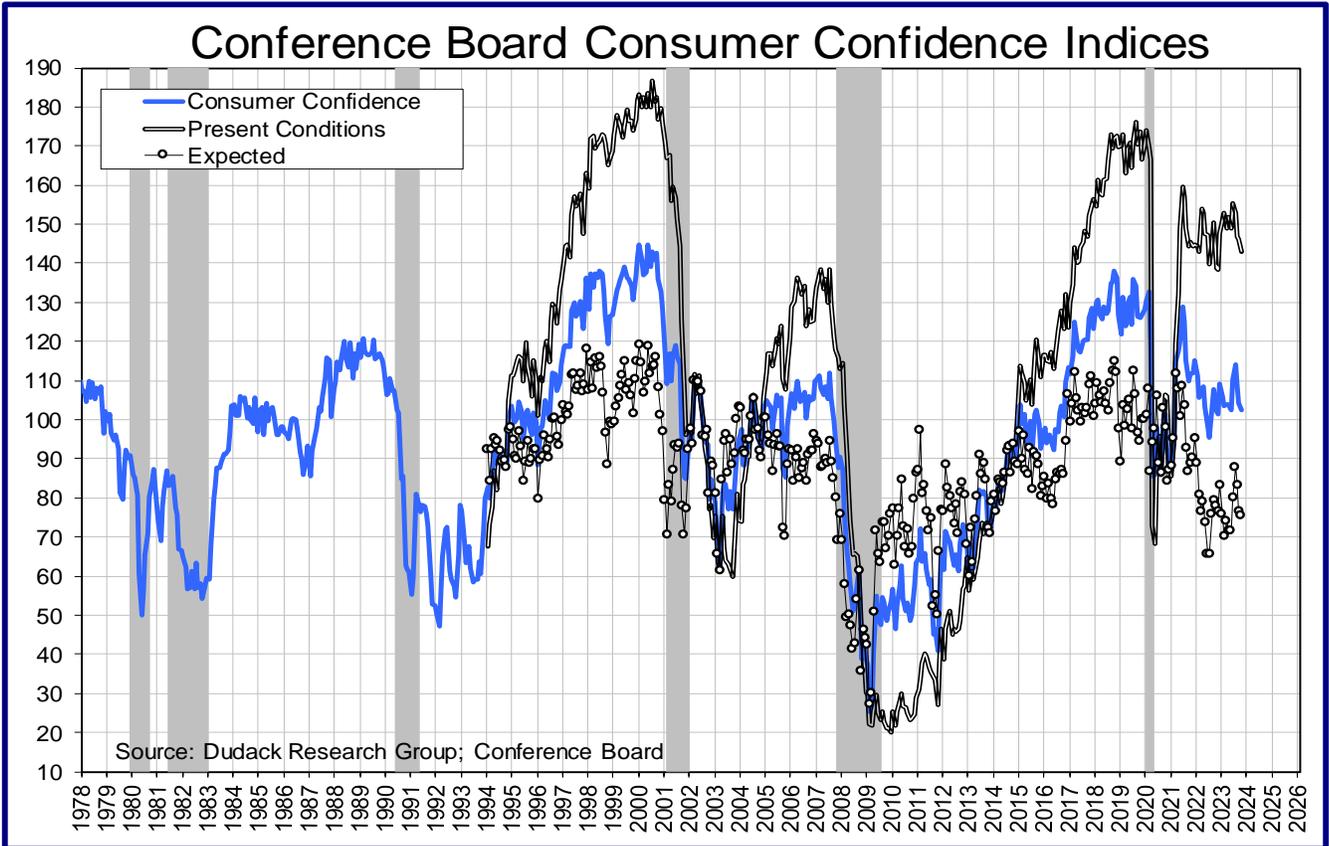
In September, personal income rose 4.7% YOY, disposable income rose 7.1% YOY, and real disposable income rose 3.5% YOY. Personal consumption expenditures rose 5.9% YOY, which explains why the savings rate fell from 4.0% in August to 3.7% in September.



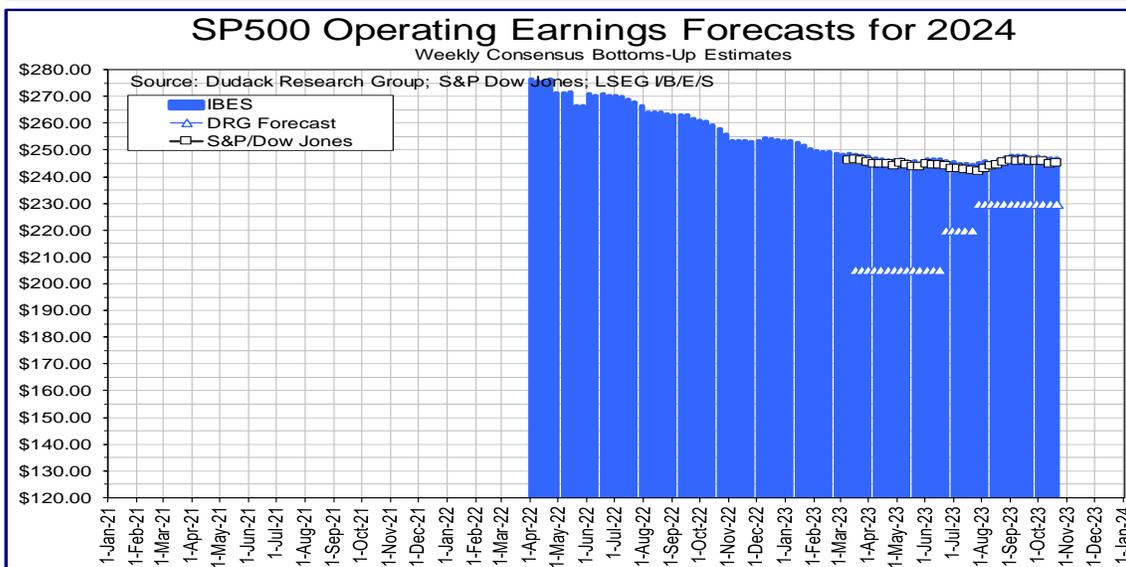
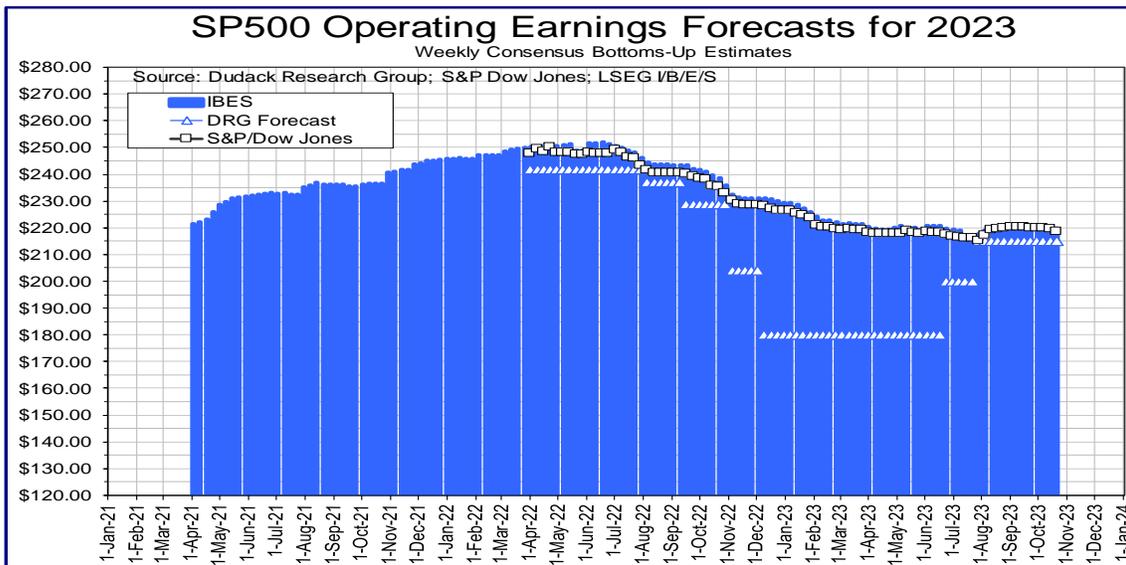
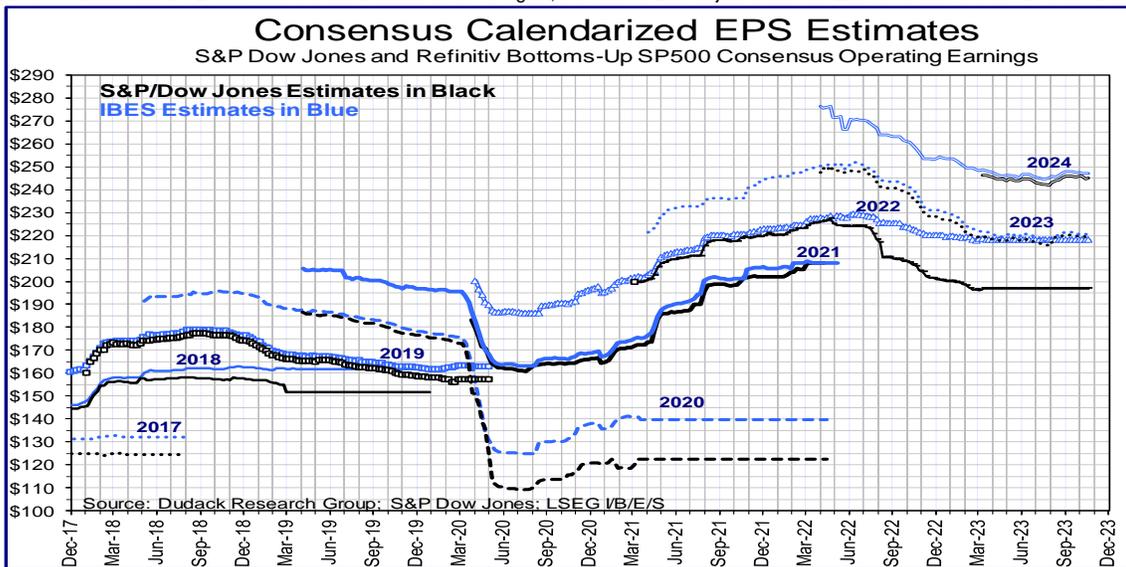
September's 3.7% saving rate is well below the 2000-2023 average of 5.7% and suggests that the current rate of consumption is unsustainable. Rising interest rates continue to pressure consumption and personal interest payments were up 48% YOY in September, and currently represent 2.8% of personal consumption.



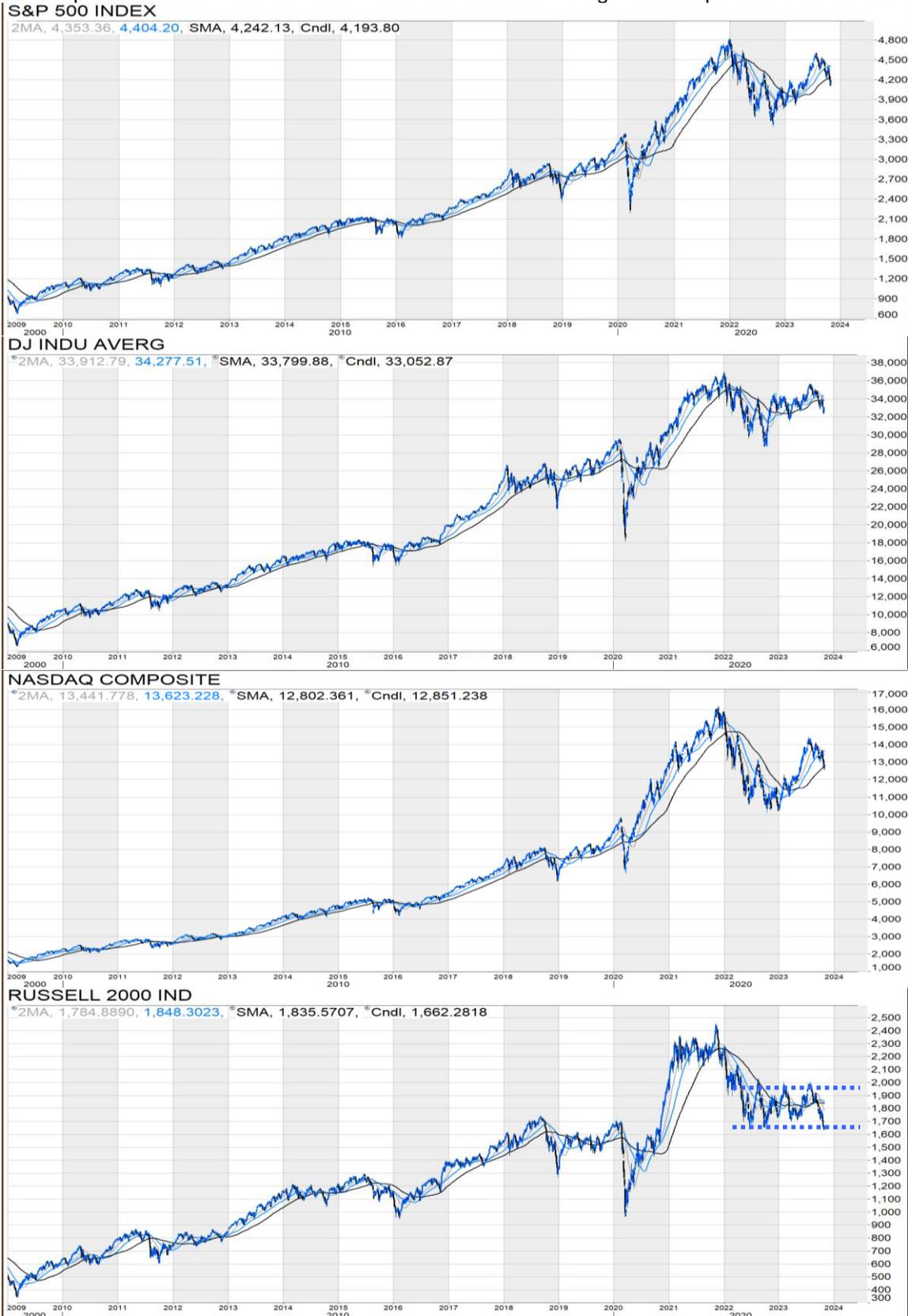
Consumer sentiment indices were uniformly weak in October. The Conference Board confidence index fell from 104.3 to 102.6, with present conditions weakening from 146.2 to 143.1. The expectations index fell from 76.4 to 75.6. The University of Michigan sentiment index declined from 67.9 to 63.8, while present conditions fell from 71.1 to 70.6. The expectations component was much weaker, falling from 65.8 to 59.3.



S&P Dow Jones consensus estimates for 2023 and 2024 are \$218.58 and \$244.58, respectively, down \$0.13, and \$0.39, respectively. LSEG IBES estimates for 2023 and 2024 are \$219.91 and \$246.10, up \$0.17, and down \$0.81, 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 \$219.91 for this year, equities remain overvalued with a PE of 19.1 times and inflation of 3.7%. Again, this sum of 23.1 is just under the 23.8 level that defines an overvalued equity market.



The breakdown in all the popular indices is obvious this week, but the most significant development is the decline in the Russell 2000 index below the 1650 support level. This breakdown is not confirmed since the index rebounded to 1662 on October 31, but the pattern is worrisome. A confirmed breakdown will be a sign of lower prices for the overall market.

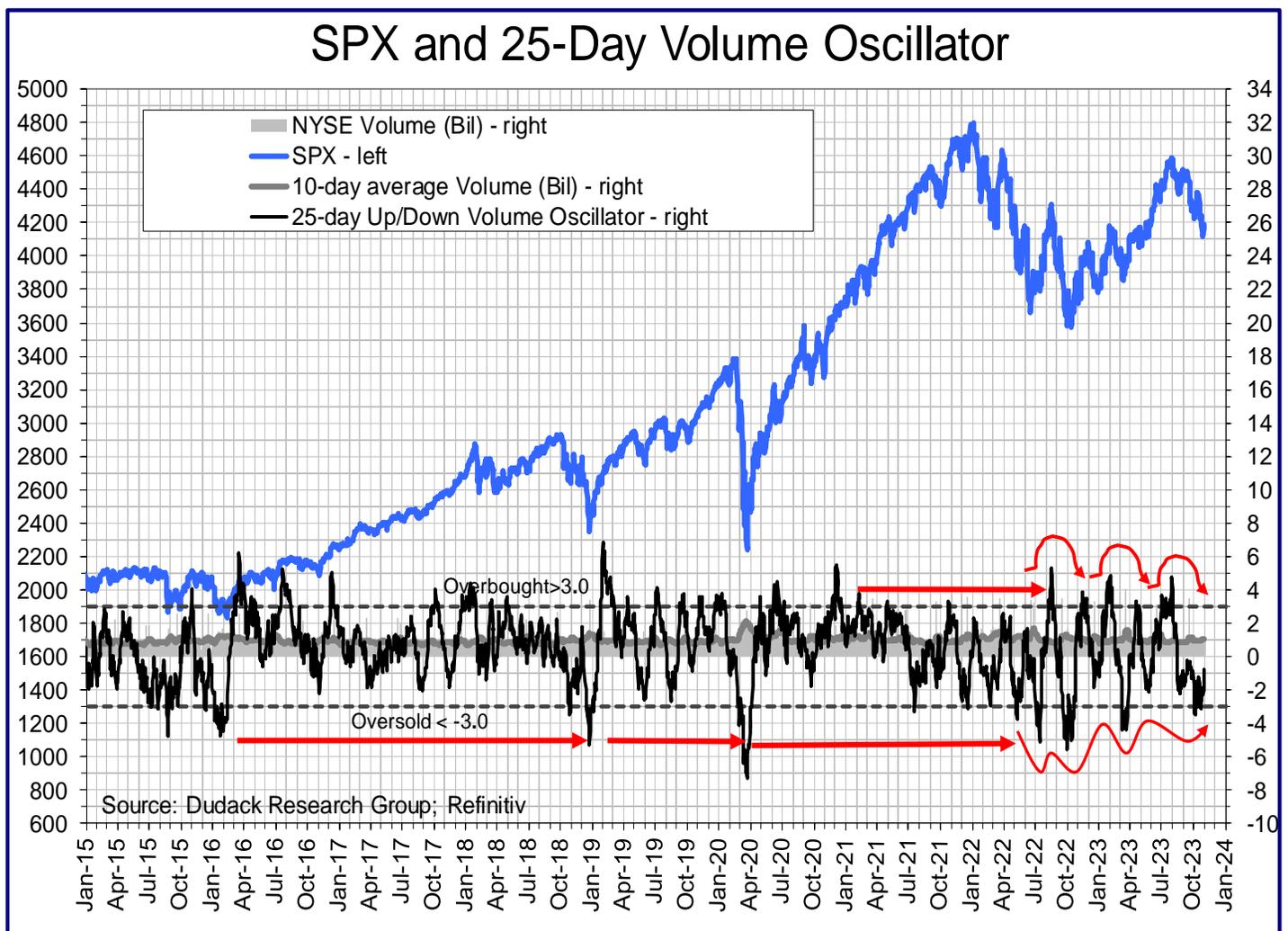


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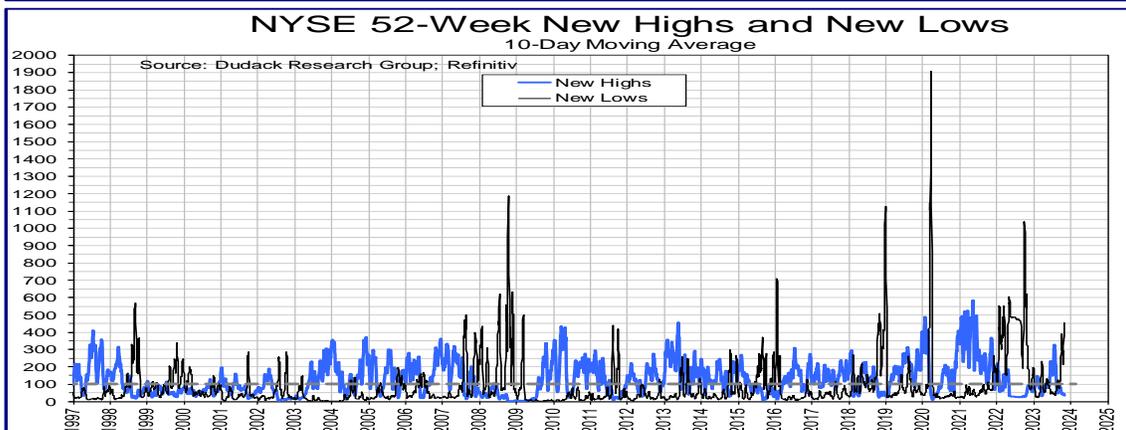
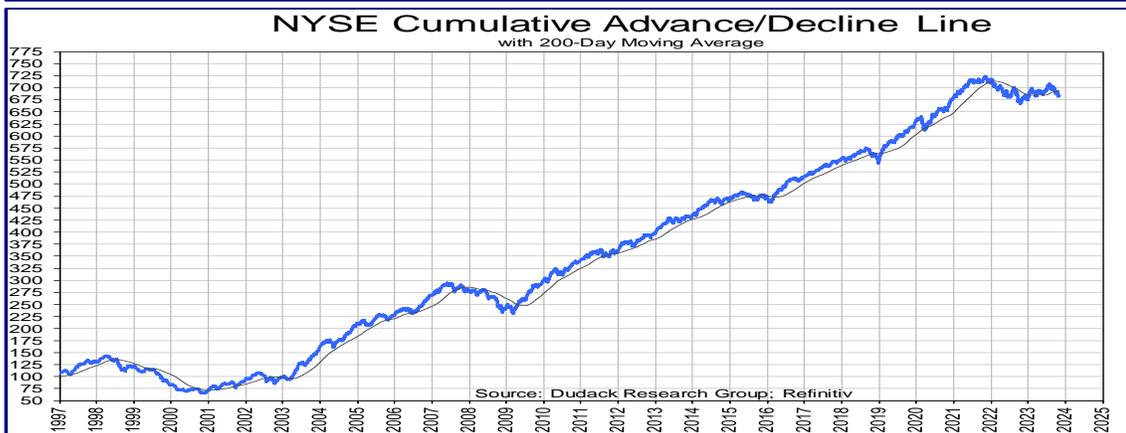
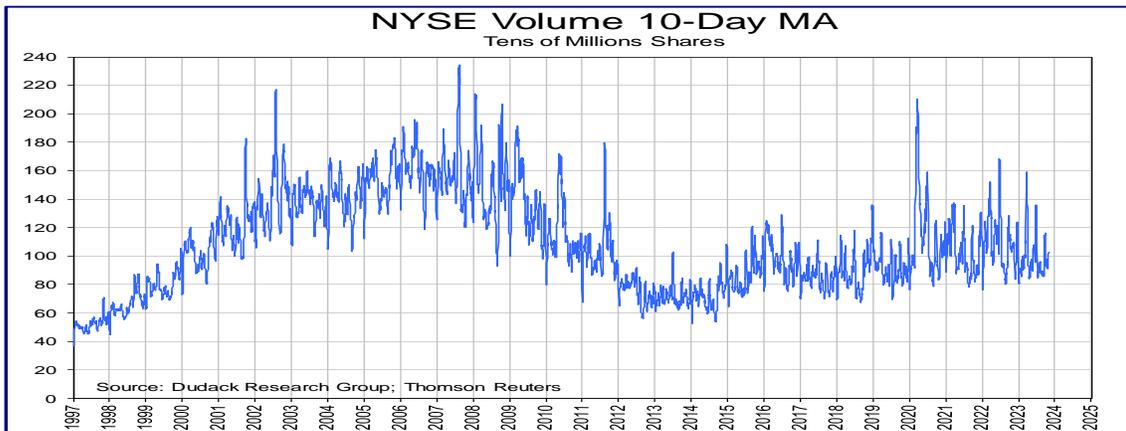
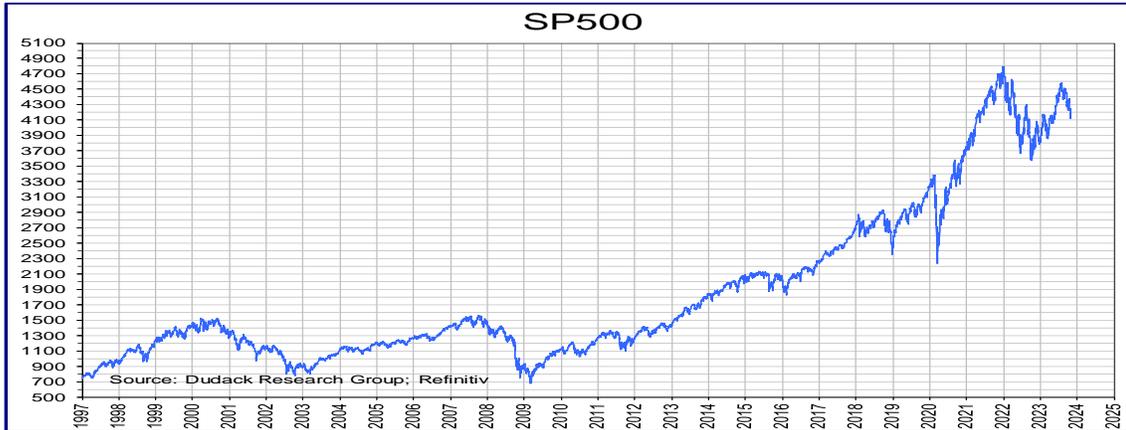
The 25-day up/down volume oscillator is at a negative 0.81 reading this week and neutral, after being in oversold territory for two consecutive trading days on October 20 and October 23 and for three out of four consecutive days on October 5 to October 9.

These oversold readings are the mirror image of the overbought readings seen 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 July's advance in the averages. Strong rallies should also include at least one extremely overbought day, and this was also missing.

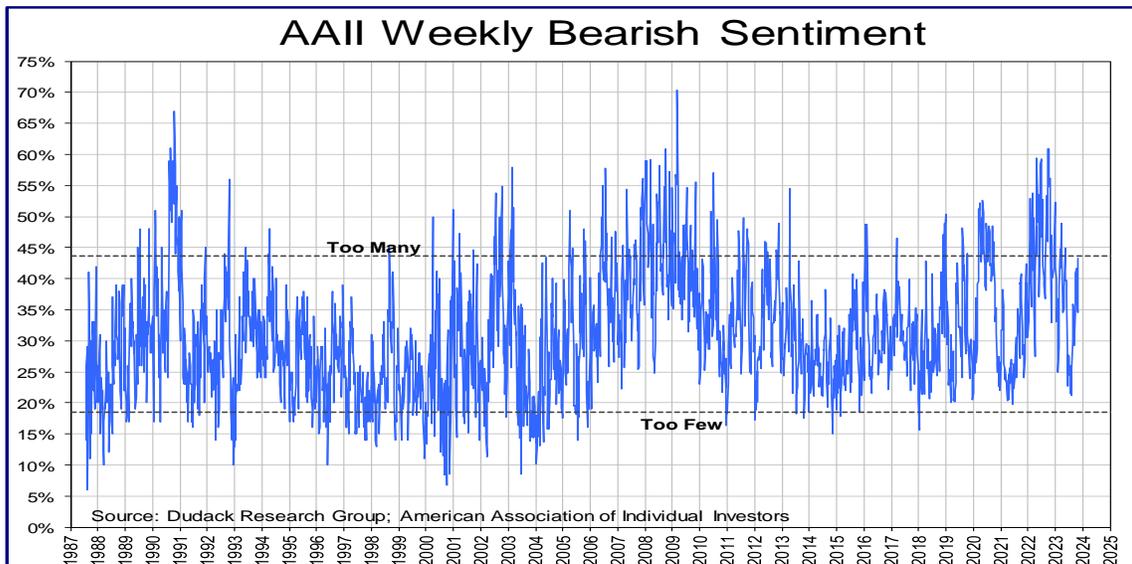
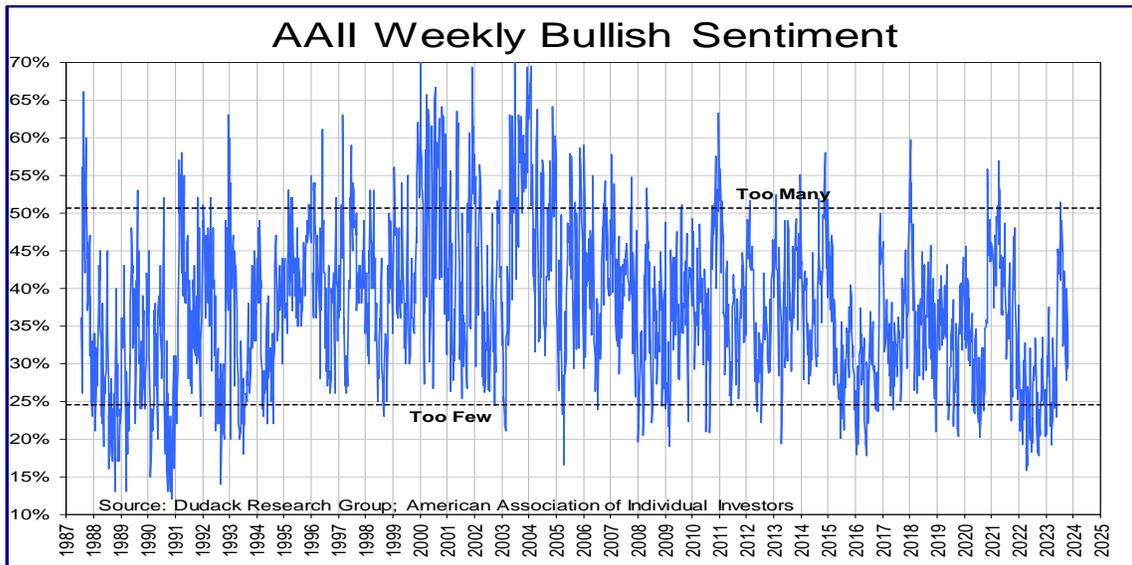
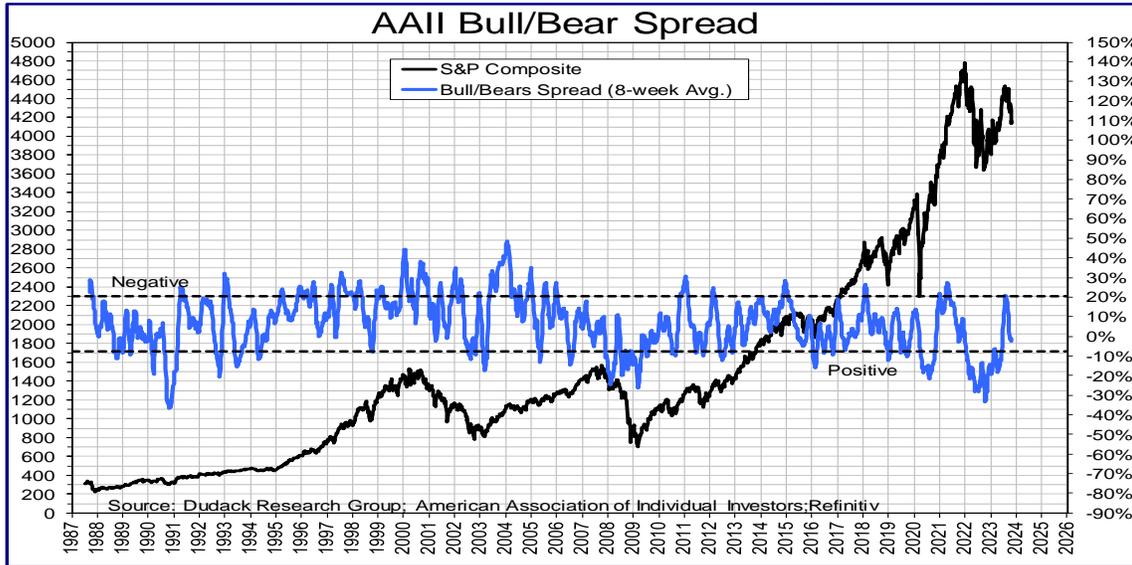
Now that this indicator has had oversold readings of minus 3.0 or less, the same is true – five consecutive trading days in oversold are needed to confirm that the decline is a confirmed downtrend. To date, there have not been five consecutive trading days in oversold, which means the decline is unconfirmed and the longer-term trend remains vulnerable, but neutral.



The 10-day average of daily new highs is 34 and new lows are 454. This combination is negative this week with new highs below 100 and new lows well above 100. The NYSE advance/decline line fell below the June low on September 22 and is 40,491 net advancing issues from its 11/8/21 high. July was the first time in two years that the disparity between the AD line's peak and current levels was consistently less than 30,000 net advancing issues. In recent weeks it has increased well above 30,000 issues once again.



Last week's AAI readings showed a 4.8% decline in bullishness to 29.3%, and an 8.6% increase in bearishness to 43.2%. Bullish sentiment is below its historical average of 37.5% for the 9th time in 11 weeks. Pessimism is above its historical average of 31.0% for the 8th time in 10 weeks. The 8-week bull/bear spread is neutral, but closing in on a positive reading, after hitting a negative one-week reading the week of August 2.



## 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         | 64.72          | -4.3%        | -1.3%        | -1.3%        | 34.9%        |
| Technology Select Sector SPDR                  | XLK         | 164.01         | -0.8%        | 0.0%         | 0.0%         | 31.8%        |
| <b>NASDAQ 100</b>                              | <b>NDX</b>  | 14409.78       | -2.3%        | 146.42       | -2.1%        | 31.7%        |
| Nasdaq Composite Index Tracking Stock          | ONEQ.O      | 50.65          | -2.2%        | -2.6%        | -2.6%        | 23.6%        |
| iShares Russell 1000 Growth ETF                | IWF         | 262.11         | -2.0%        | -1.5%        | -1.5%        | 22.3%        |
| SPDR Homebuilders ETF                          | XHB         | 71.62          | 1.0%         | -6.5%        | -6.5%        | 18.7%        |
| Consumer Discretionary Select Sector SPDR      | XLY         | 152.10         | -0.9%        | -5.5%        | -5.5%        | 17.8%        |
| iShares MSCI Mexico Capped ETF                 | EWX         | 54.80          | 3.0%         | -5.9%        | -5.9%        | 10.8%        |
| <b>SP500</b>                                   | <b>.SPX</b> | <b>4193.80</b> | <b>-1.3%</b> | <b>-2.2%</b> | <b>-2.2%</b> | <b>9.2%</b>  |
| iShares Russell 1000 ETF                       | IWB         | 229.31         | -1.3%        | -2.4%        | -2.4%        | 8.9%         |
| Gold Future                                    | GCc1        | 2681.10        | 0.2%         | 0.8%         | 0.8%         | 8.8%         |
| SPDR Gold Trust                                | GLD         | 184.09         | 0.6%         | 7.4%         | 7.4%         | 8.5%         |
| iShares MSCI Taiwan ETF                        | EWT         | 43.52          | -2.1%        | -2.3%        | -2.3%        | 8.4%         |
| iShares MSCI Japan ETF                         | EWJ         | 58.96          | 1.0%         | -2.2%        | -2.2%        | 8.3%         |
| United States Oil Fund, LP                     | USO         | 75.02          | -2.5%        | -7.2%        | -7.2%        | 7.0%         |
| iShares DJ US Oil Eqpt & Services ETF          | IEZ         | 22.60          | -2.7%        | -6.0%        | -6.0%        | 6.6%         |
| iShares MSCI Brazil Capped ETF                 | EWZ         | 29.77          | -1.5%        | -2.9%        | -2.9%        | 6.4%         |
| iShares MSCI India ETF                         | INDA.K      | 43.24          | -1.2%        | -2.2%        | -2.2%        | 3.6%         |
| iShares MSCI EAFE ETF                          | EFA         | 66.92          | -0.1%        | -2.9%        | -2.9%        | 2.0%         |
| iShares MSCI Austria Capped ETF                | EWO         | 19.36          | 1.6%         | -1.5%        | -1.5%        | 1.9%         |
| iShares MSCI Germany ETF                       | EWG         | 25.18          | -0.7%        | -3.9%        | -3.9%        | 1.8%         |
| SPDR S&P Semiconductor ETF                     | XSD         | 169.80         | -5.0%        | -13.4%       | -13.4%       | 1.5%         |
| Oil Future                                     | CLc1        | 81.02          | -3.2%        | -10.8%       | -10.8%       | 0.9%         |
| Industrial Select Sector SPDR                  | XLI         | 98.36          | -0.6%        | -3.0%        | -3.0%        | 0.2%         |
| Vanguard FTSE All-World ex-US ETF              | VEU         | 50.21          | -0.5%        | -3.2%        | -3.2%        | 0.1%         |
| SPDR DJIA ETF                                  | DIA         | 330.48         | -0.3%        | -1.3%        | -1.3%        | -0.3%        |
| <b>DJIA</b>                                    | <b>.DJI</b> | 33052.87       | <b>-0.3%</b> | <b>-1.4%</b> | <b>-1.4%</b> | <b>-0.3%</b> |
| iShares MSCI United Kingdom ETF                | EWU         | 30.50          | -1.1%        | -3.6%        | -3.6%        | -0.5%        |
| PowerShares Water Resources Portfolio          | PHO         | 50.82          | 0.2%         | -4.4%        | -4.4%        | -1.4%        |
| Materials Select Sector SPDR                   | XLB         | 76.06          | 1.0%         | -3.2%        | -3.2%        | -2.1%        |
| Shanghai Composite                             | .SSEC       | 3018.77        | 1.9%         | -2.9%        | -2.9%        | -2.3%        |
| Energy Select Sector SPDR                      | XLE         | 85.19          | -2.7%        | -5.8%        | -5.8%        | -2.6%        |
| iShares MSCI South Korea Capped ETF            | EWY         | 54.95          | -5.0%        | -6.8%        | -6.8%        | -2.7%        |
| SPDR S&P Retail ETF                            | XRT         | 58.69          | 0.2%         | -3.6%        | -3.6%        | -2.9%        |
| iShares MSCI Canada ETF                        | EWC         | 31.74          | -1.4%        | -5.1%        | -5.1%        | -3.0%        |
| iShares MSCI Emerg Mkts ETF                    | EEM         | 36.70          | -1.4%        | -3.3%        | -3.3%        | -3.2%        |
| iShares Russell 1000 Value ETF                 | IWD         | 146.42         | -0.5%        | -3.6%        | -3.6%        | -3.4%        |
| iShares Russell 2000 Growth ETF                | IWO         | 206.99         | -1.9%        | -7.7%        | -7.7%        | -3.5%        |
| Silver Future                                  | SIc1        | 22.84          | -0.6%        | 2.7%         | 2.7%         | -4.3%        |
| iShares Silver Trust                           | SLV         | 21.92          | -0.3%        | 3.1%         | 3.1%         | -4.6%        |
| iShares MSCI BRIC ETF                          | BKF         | 32.50          | -1.3%        | -3.3%        | -3.3%        | -5.3%        |
| Financial Select Sector SPDR                   | XLF         | 32.36          | 0.4%         | -2.4%        | -2.4%        | -5.4%        |
| <b>iShares Russell 2000 ETF</b>                | <b>IWM</b>  | 164.52         | <b>-1.2%</b> | <b>-6.9%</b> | <b>-6.9%</b> | <b>-5.6%</b> |
| iShares iBoxx \$ Invest Grade Corp Bond        | LQD         | 99.17          | -0.8%        | -2.8%        | -2.8%        | -5.9%        |
| iShares MSCI Australia ETF                     | EWA         | 20.74          | -0.9%        | -3.6%        | -3.6%        | -6.7%        |
| iShares MSCI Singapore ETF                     | EWS         | 17.52          | -1.3%        | -4.5%        | -4.5%        | -6.9%        |
| iShares US Telecomm ETF                        | IYZ         | 20.70          | -1.2%        | -2.8%        | -2.8%        | -7.7%        |
| iShares Russell 2000 Value ETF                 | IWN         | 127.40         | -0.3%        | -6.0%        | -6.0%        | -8.1%        |
| Health Care Select Sect SPDR                   | XLV         | 124.54         | -2.4%        | -3.3%        | -3.3%        | -8.3%        |
| Consumer Staples Select Sector SPDR            | XLP         | 67.86          | 0.2%         | -1.4%        | -1.4%        | -9.0%        |
| iShares MSCI Malaysia ETF                      | EWM         | 20.63          | 0.7%         | 0.2%         | 0.2%         | -9.7%        |
| iShares China Large Cap ETF                    | FXI         | 25.52          | -2.1%        | -3.8%        | -3.8%        | -9.8%        |
| iShares US Real Estate ETF                     | IYR         | 75.33          | 0.5%         | -3.6%        | -3.6%        | -10.5%       |
| iShares Nasdaq Biotechnology ETF               | IBB.O       | 113.68         | -3.1%        | -7.0%        | -7.0%        | -13.4%       |
| Utilities Select Sector SPDR                   | XLU         | 59.69          | 1.1%         | 1.3%         | 1.3%         | -15.3%       |
| iShares 20+ Year Treas Bond ETF                | TLT         | 83.58          | -2.1%        | -5.8%        | -5.8%        | -16.1%       |
| iShares MSCI Hong Kong ETF                     | EWH         | 16.78          | -1.6%        | -2.2%        | -2.2%        | -20.1%       |
| SPDR S&P Bank ETF                              | KBE         | 35.32          | 1.9%         | -4.2%        | -4.2%        | -21.8%       |

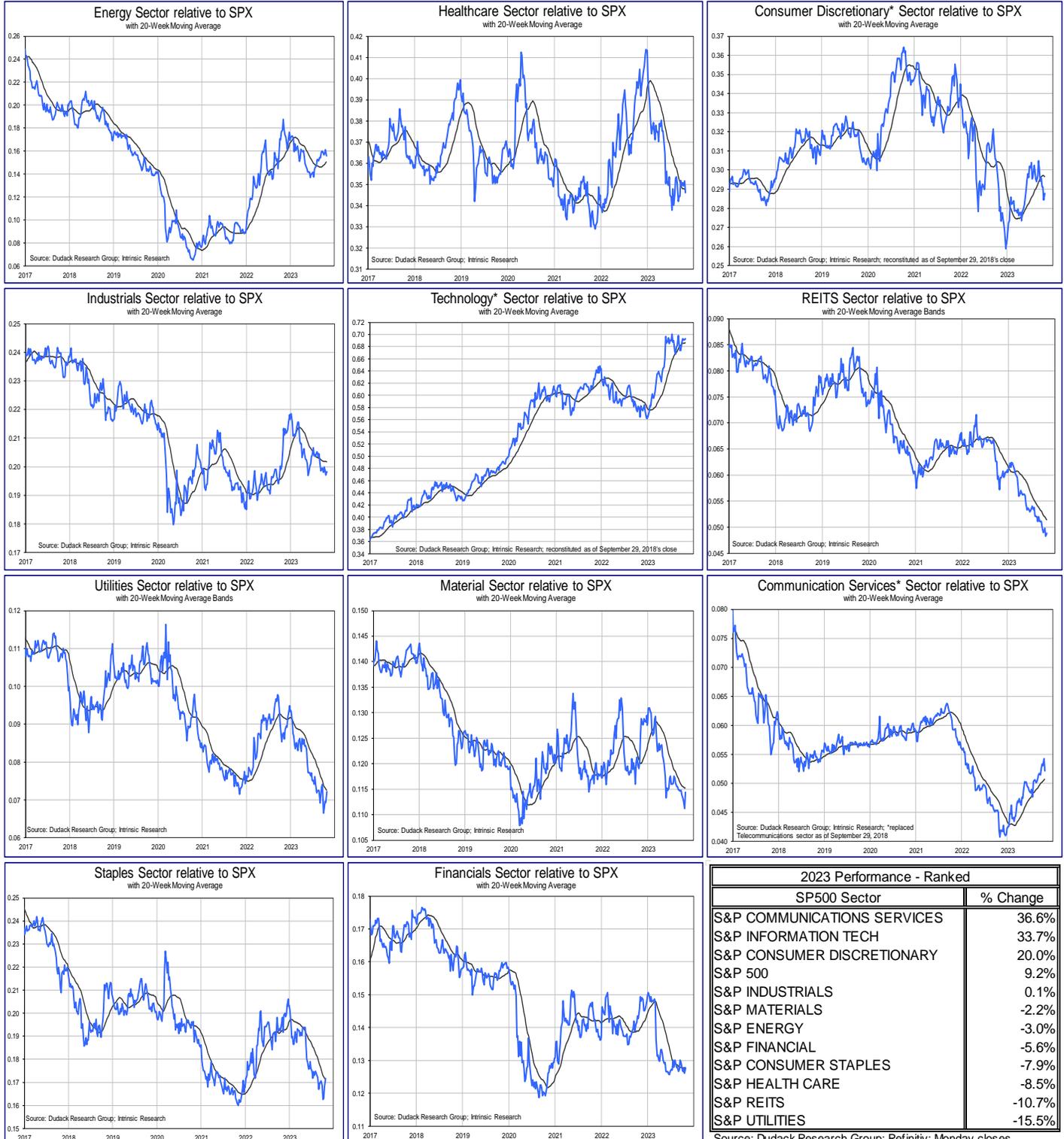
Outperformed SP500

Underperformed SP500

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

| DRG Recommended Sector Weights                |  |   |
|---|--|---|
| <b>Overweight</b>                             |  | <b>Neutral</b>  |
| Energy<br>Industrials<br>Staples<br>Utilities |  | Healthcare<br>Technology<br>Materials<br>Financials       |
|   |  | <b>Underweight</b>  |
|   |  | Consumer Discretionary<br>REITS<br>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     | ~~~~~         | \$201.46                     | \$218.58                      | \$212.38                   | 7.8%          | \$219.91                          | 0.8%                                   | 19.2X           | NA             | NA              | NA                               | NA     |
| 2024E     | ~~~~~         | \$227.16                     | \$244.59                      | \$230.00                   | 8.3%          | \$246.10                          | 11.9%                                  | 17.1X           | NA             | NA              | NA                               | NA     |
| 2016 1Q   | 2059.74       | \$21.72                      | \$23.97                       | \$23.97                    | -7.1%         | \$26.96                           | -5.7%                                  | 20.9            | 2.1%           | 2.3%            | \$1,777.50                       | -2.5%  |
| 2016 2Q   | 2098.86       | \$23.28                      | \$25.70                       | \$25.70                    | -1.7%         | \$29.61                           | -1.6%                                  | 21.4            | 2.1%           | 1.3%            | \$1,733.10                       | -3.8%  |
| 2016 3Q   | 2168.27       | \$25.39                      | \$28.69                       | \$28.69                    | 12.8%         | \$31.21                           | 4.1%                                   | 21.4            | 2.1%           | 2.9%            | \$1,754.80                       | -1.5%  |
| 2016 4Q   | 2238.83       | \$24.16                      | \$27.90                       | \$27.90                    | 21.0%         | \$31.30                           | 6.0%                                   | 21.1            | 2.0%           | 2.2%            | \$1,807.70                       | 7.7%   |
| 2017 1Q   | 2362.72       | \$27.46                      | \$28.82                       | \$28.82                    | 20.2%         | \$30.90                           | 14.6%                                  | 21.3            | 2.0%           | 2.0%            | \$1,911.40                       | 7.5%   |
| 2017 2Q   | 2423.41       | \$27.01                      | \$30.51                       | \$30.51                    | 18.7%         | \$32.58                           | 10.0%                                  | 20.9            | 1.9%           | 2.3%            | \$1,896.90                       | 9.5%   |
| 2017 3Q   | 2519.36       | \$28.45                      | \$31.33                       | \$31.33                    | 9.2%          | \$33.45                           | 7.2%                                   | 21.2            | 1.9%           | 3.2%            | \$1,927.00                       | 9.8%   |
| 2017 4Q   | 2673.61       | \$26.96                      | \$33.85                       | \$33.85                    | 21.3%         | \$36.02                           | 15.1%                                  | 21.5            | 1.8%           | 4.6%            | \$1,977.10                       | 9.4%   |
| 2018 1Q   | 2640.87       | \$33.02                      | \$36.54                       | \$36.54                    | 26.8%         | \$38.07                           | 23.2%                                  | 20.0            | 1.9%           | 3.3%            | \$2,028.40                       | 6.1%   |
| 2018 2Q   | 2718.37       | \$34.05                      | \$38.65                       | \$38.65                    | 26.7%         | \$41.00                           | 25.8%                                  | 19.4            | 1.9%           | 2.1%            | \$2,071.00                       | 9.2%   |
| 2018 3Q   | 2913.98       | \$36.36                      | \$41.38                       | \$41.38                    | 32.1%         | \$42.66                           | 27.5%                                  | 19.4            | 1.8%           | 2.5%            | \$2,072.00                       | 7.5%   |
| 2018 4Q   | 2506.85       | \$28.96                      | \$35.03                       | \$35.03                    | 3.5%          | \$41.18                           | 14.3%                                  | 16.5            | 2.1%           | 0.6%            | \$2,099.60                       | 6.2%   |
| 2019 1Q   | 2834.40       | \$35.02                      | \$37.99                       | \$37.99                    | 4.0%          | \$39.15                           | 2.8%                                   | 18.5            | 1.9%           | 2.2%            | \$2,124.50                       | 4.7%   |
| 2019 2Q   | 2941.76       | \$34.93                      | \$40.14                       | \$40.14                    | 3.9%          | \$41.31                           | 0.8%                                   | 19.0            | 1.9%           | 3.4%            | \$2,147.20                       | 3.7%   |
| 2019 3Q   | 2976.74       | \$33.99                      | \$39.81                       | \$39.81                    | -3.8%         | \$42.14                           | -1.2%                                  | 19.5            | 1.9%           | 4.6%            | \$2,220.30                       | 7.2%   |
| 2019 4Q   | 3230.78       | \$35.53                      | \$39.18                       | \$39.18                    | 11.8%         | \$41.98                           | 1.9%                                   | 20.6            | 1.8%           | 2.6%            | \$2,199.60                       | 4.8%   |
| 2020 1Q   | 2584.59       | \$11.88                      | \$19.50                       | \$19.50                    | -48.7%        | \$33.13                           | -15.4%                                 | 18.6            | 2.3%           | -5.3%           | \$1,993.80                       | -6.2%  |
| 2020 2Q   | 4397.35       | \$17.83                      | \$26.79                       | \$26.79                    | -33.3%        | \$27.98                           | -32.3%                                 | 35.1            | 1.9%           | -28.0%          | \$1,785.00                       | -16.9% |
| 2020 3Q   | 3363.00       | \$32.98                      | \$37.90                       | \$37.90                    | -4.8%         | \$38.69                           | -8.2%                                  | 27.3            | 1.7%           | 34.8%           | \$2,386.80                       | 7.5%   |
| 2020 4Q   | 3756.07       | \$31.45                      | \$38.19                       | \$38.19                    | -2.5%         | \$42.58                           | 1.4%                                   | 30.7            | 1.6%           | 4.2%            | \$2,137.60                       | -2.8%  |
| 2021 1Q   | 3972.89       | \$45.95                      | \$47.41                       | \$47.41                    | 143.1%        | \$49.13                           | 48.3%                                  | 26.4            | 1.5%           | 5.2%            | \$2,401.00                       | 20.4%  |
| 2021 2Q   | 4297.50       | \$48.39                      | \$52.03                       | \$52.03                    | 94.2%         | \$52.58                           | 87.9%                                  | 24.5            | 1.3%           | 6.2%            | \$2,596.30                       | 45.5%  |
| 2021 3Q   | 4307.54       | \$49.59                      | \$52.02                       | \$52.02                    | 37.3%         | \$53.72                           | 38.8%                                  | 22.7            | 1.4%           | 3.3%            | \$2,553.30                       | 7.0%   |
| 2021 4Q   | 4766.18       | \$53.94                      | \$56.71                       | \$56.71                    | 48.5%         | \$53.95                           | 26.7%                                  | 22.9            | 1.3%           | 7.0%            | \$2,521.90                       | 18.0%  |
| 2022 1Q   | 4530.41       | \$45.99                      | \$49.36                       | \$49.36                    | 4.1%          | \$54.80                           | 11.5%                                  | 21.6            | 1.4%           | -2.0%           | \$2,497.90                       | 4.0%   |
| 2022 2Q   | 3785.38       | \$42.74                      | \$46.87                       | \$46.87                    | -9.9%         | \$57.62                           | 9.6%                                   | 18.5            | 1.7%           | -0.6%           | \$2,712.60                       | 4.5%   |
| 2022 3Q   | 3585.62       | \$44.41                      | \$50.35                       | \$50.35                    | -3.2%         | \$56.02                           | 4.3%                                   | 17.6            | 1.8%           | 2.7%            | \$2,754.60                       | 7.9%   |
| 2022 4Q   | 3839.50       | \$39.61                      | \$50.37                       | \$50.37                    | -11.2%        | \$53.15                           | -1.5%                                  | 19.5            | 1.7%           | 2.6%            | \$2,700.10                       | 7.1%   |
| 2023 1Q   | 4109.31       | \$48.41                      | \$52.54                       | \$52.54                    | 6.4%          | \$53.08                           | -3.1%                                  | 20.5            | 1.7%           | 2.2%            | \$2,588.60                       | 3.6%   |
| 2023 2Q   | 4450.38       | \$48.58                      | \$54.84                       | \$54.84                    | 17.0%         | \$54.29                           | -5.8%                                  | 21.4            | 1.5%           | 2.1%            | \$2,601.80                       | -4.1%  |
| 2023 3QE  | 4288.05       | \$52.60                      | \$55.12                       | \$52.00                    | 3.3%          | \$56.74                           | 1.3%                                   | 20.1            | 1.6%           | 4.9%            | NA                               | NA     |
| 2023 4QE* | 4193.80       | \$51.87                      | \$56.08                       | \$53.00                    | 5.2%          | \$57.00                           | 7.2%                                   | 19.2            | NA             | NA              | NA                               | NA     |

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

\*10/31/2023

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