Dudack Research Group
A Division of Wellington Shields & Co. LLC Member NYSE, FINRA & SIPC
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DJIA: 37715.04
SPX: 4742.83
NASDAQ: 14765.94

US Strategy Weekly

History, Liquidity, and Valuation

A Bit of History

The media is filled with headlines stating that the S&P 500, the Dow Jones Industrial Average, and the Nasdaq Composite Index have booked nine consecutive weekly gains -- the longest weekly winning streak for the S&P 500 since January 2004, and the longest stretch for the Dow Jones Industrial Average and the Nasdaq Composite Index since early 2019. Many in the media have then suggested that this strong run means more gains are ahead. Indeed, double-digit gains in the equity indices don't suggest a bear market … unless there are three years in a row of double-digit gains. But as you can see from page 7, the full year 2004 had a fairly mediocre performance after its early advance. In 2019 an early advance in the first quarter stalled, then rallied, and in November, COVID-19 became a global pandemic, making comparisons difficult.

However, the parallel between 2004 and 2024 is not only due to the nine weekly gains, but that both are presidential election years. And they are years ending in "4." Depending upon which market index one uses, the presidential election year has the third or fourth best performance of the four-year cycle. In short, election years tend to be mediocre. The pre-election year is the year with the biggest stock gains in the four-year cycle. This is probably due to fiscal stimulus done early in the year to help the economy and to help the incumbent president win votes due to a strong economy. This pattern seems to fit the current cycle, even though it is a most unusual economic cycle.

However, one of the most interesting things about an election year is that it has some ability to predict the outcome of the presidential election. When the incumbent is about to win, equities tend to be weakest in May in July. The May decline sets up a classic summer rally which is followed by a weak July. Typically, July is the fourth best performing month of the year, so this works against seasonality. In years when the incumbent loses, the weakest months of the year tend to appear in January, February, September, and October. January has a history of being the sixth best performing month, on the heels of good gains in November and December. So, this too, goes against seasonality and weakness early in the year is a bad omen for an incumbent president. In both cases, or most election years, the strongest months tend to be November and December. See page 8.

This is also a year ending in 4, and the decennial pattern suggests it will be a year with an average gain of 7.1%, leaving it tied for fifth place in the 10-year cycle. Still, "4" years have produced gains in nine of the last 14 cycles, so there is a bullish bias to years ending in 4. See page 6. <u>All in all, history points to an up year, but more in line with a single-digit gain than a double-digit gain.</u>

Liquidity

The dramatic gains seen at the end of 2023 were driven by the widely held belief that interest rates are coming down in 2024. Federal Reserve Chairman Jerome Powell attempted to dampen these expectations in subsequent days, however, his comments after the last FOMC meeting did indicate that rate cuts were likely in 2024. This suggestion triggered a swift decline in long-term interest rates and a rush out of cash and into equities. The momentum of the equity market is strong, and this is seen in our technical indicators. However, behind good momentum tends to be good liquidity. For this, we looked at Federal Reserve data on commercial banks. What we found was that banks hold nearly $19 trillion in customers' liquid short-term assets. This number is the sum of $4.99 trillion in demand deposits, $1.7 trillion in retail money market funds, $1.0 trillion in small-denomination time deposits, and nearly $11 trillion in other liquid deposits. See page 4. In recent years, money flowed into short-term assets as interest rates rose and the threat of recession was looming. Powell's "pivot" on interest rates created a "pivot" in investor sentiment and their opinion of cash. In a Cinderella world of falling interest rates, declining inflation, and no recession, $19 trillion is a substantial amount of potential demand for equities. Moreover, we know that the cash held at commercial banks is a majority, but not all inclusive, of household cash coffers.

Nevertheless, we have experienced liquidity-driven markets in the past and have learned that it is important to put any "liquidity cache" in perspective to the size of the overall market. If we compare current cash assets to total US market capitalization, we find that it represents 38% of total US market capitalization. This is a substantial, but not historic ratio, of cash. See page 4. Most secular bull cycles began when cash equals 50% or more of market capitalization. In short, cash levels support a strong momentum-driven market for a while, but do not suggest this is the start of a major secular bull market.

Valuation

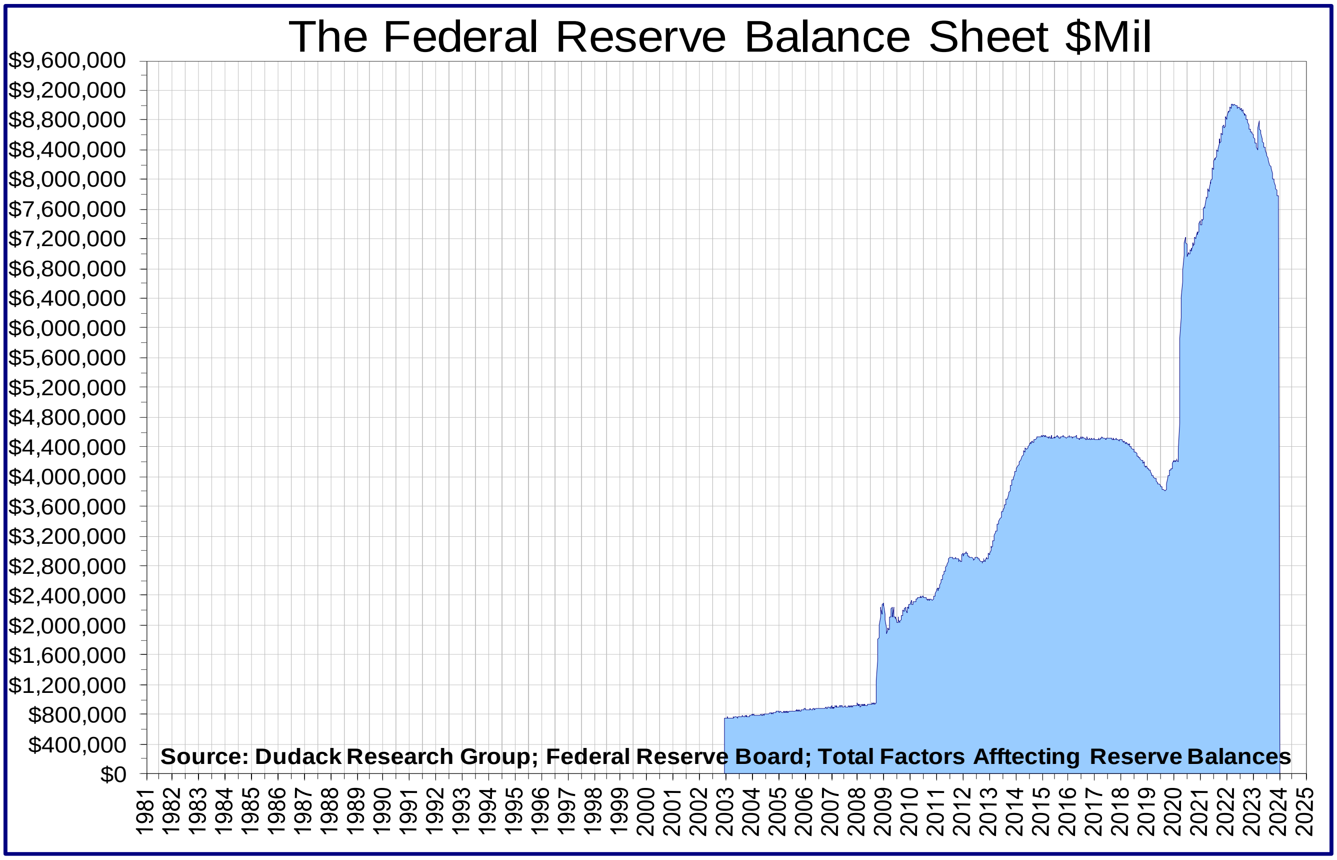
If the equity market is on the verge of a bubble market, we will know fairly quickly since bubbles are driven by sentiment, liquidity, and leverage, not by earnings or fundamentals. At present, the fundamentals are not supportive of the bulls. There are many ways to measure valuation, but most show the market to be richly valued today. On page 9, we show the Rule of 23, which implies that when the sum of the trailing PE and inflation exceeds 23.8, the stock market is extended and overvalued. The current trailing PE is 22.3 times and the S&P PE based on 2024 earnings estimates is 19.6 times. With inflation at 3.2% and potentially easing, when coupled with the trailing PE of 22.3, the sum of 25.5 is well above the dangerous 23.8 level. Perhaps more importantly, if we add the estimated 2024 forward PE ratio of 19.6 times to inflation of 3.2%, the sum of 22.8 is only two points below the 23.8 danger level. In short, the stock market's valuation has already discounted a substantial decline in inflation and all of this year's potential earnings growth. This implies that every CPI report and every earnings reporting season has the potential to be a market-moving event.

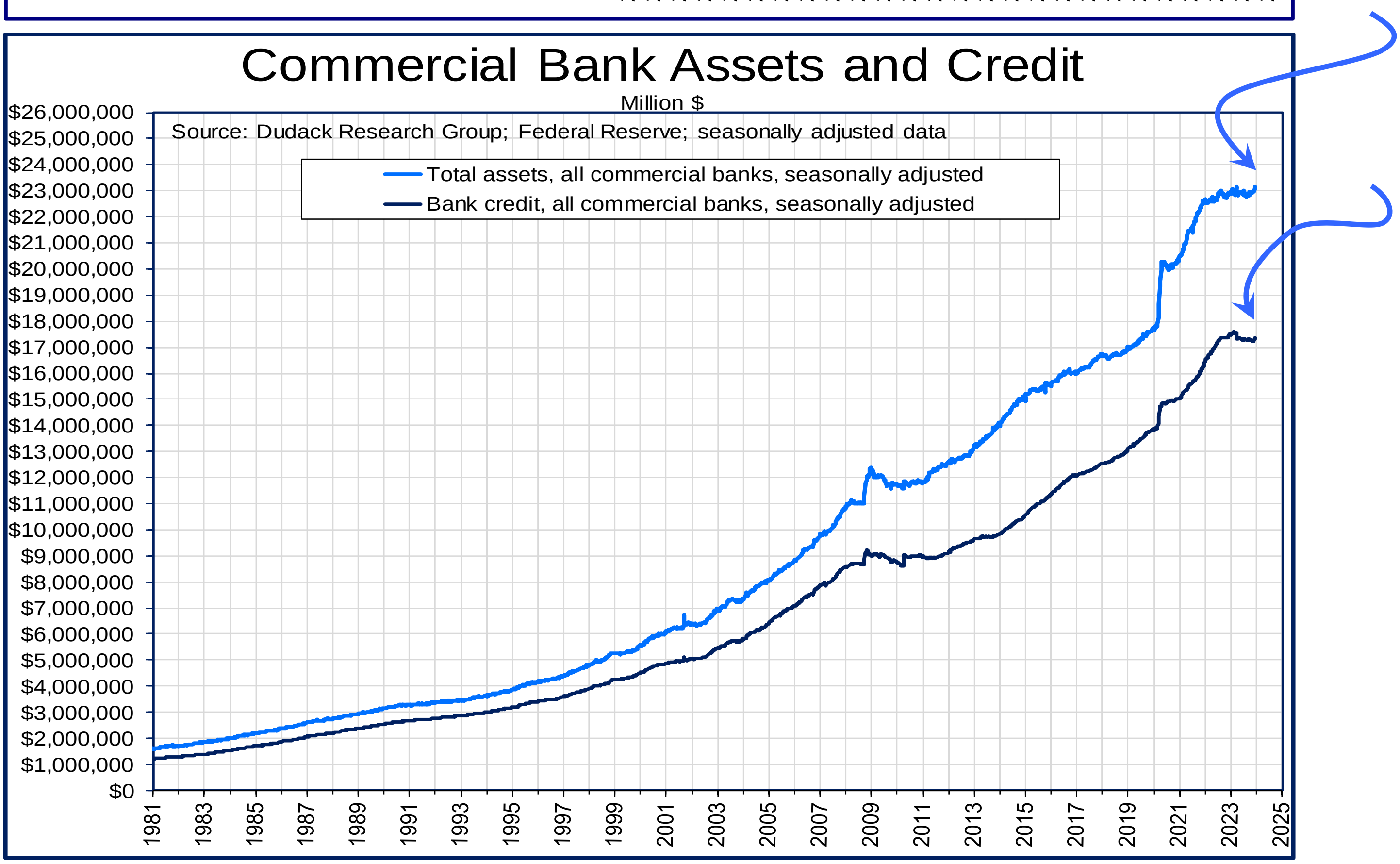
Bullish Technicals

What keeps us from getting too negative about valuation too soon is the significant change in our technical indicators. The breakouts in all four charts of the popular indices are both perpendicular and dramatic, but to date, only the DJIA has managed to make a new all-time high. The SPX is most interesting at this juncture since it has been fractionally away from a new record high for several sessions but is yet to better its January 3, 2022 peak of 4796.56. The Russell 2000, after beating key resistance at the 2000 level, is now testing this level as support. If the Russell begins to trade below 2000 once again, it could neutralize what is now a very bullish technical pattern. See page 11.

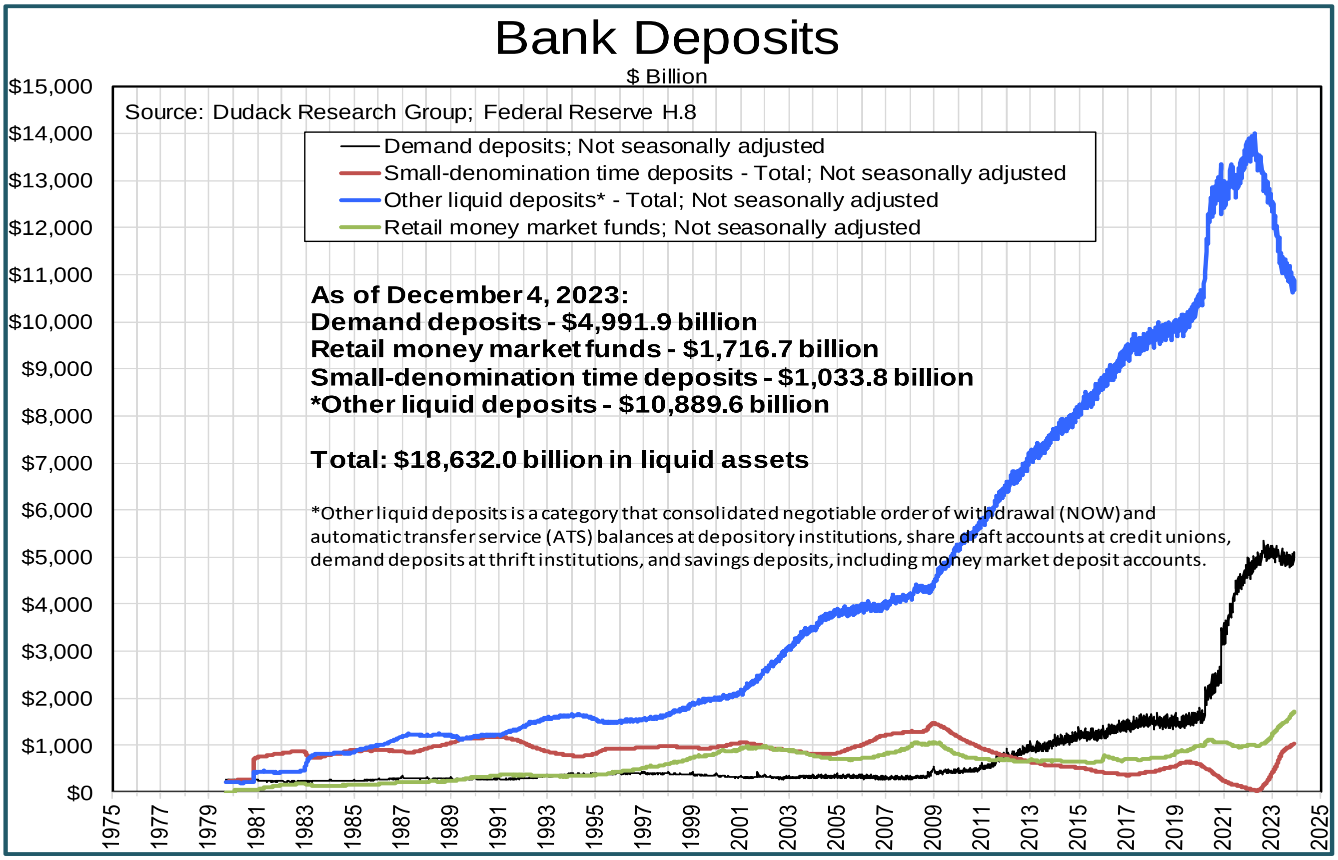
The 25-day up/down volume oscillator is at 3.45 this week and has been in overbought territory of 3.0 or higher for 19 of the last 22 consecutive trading days. To confirm the recent advance this indicator needed to remain in overbought territory for a minimum of five consecutive trading sessions, which means the oscillator has definitely confirmed the recent uptrend as "significant." The current 19-day overbought reading is far better than the 11-day reading seen between January 25, 2022 and February 8, 2022. The only missing ingredient to the current strength of this indicator is an overbought reading in excess of 5.0. Extreme overbought readings of 5.0 or more are often seen at the start of a new bull market cycle. However, this is not a requirement for a significant advance. What will be important is that any pullback in the equity market ends once this indicator approaches an oversold reading. In a bull market oversold readings tend to be brief or nonexistent.

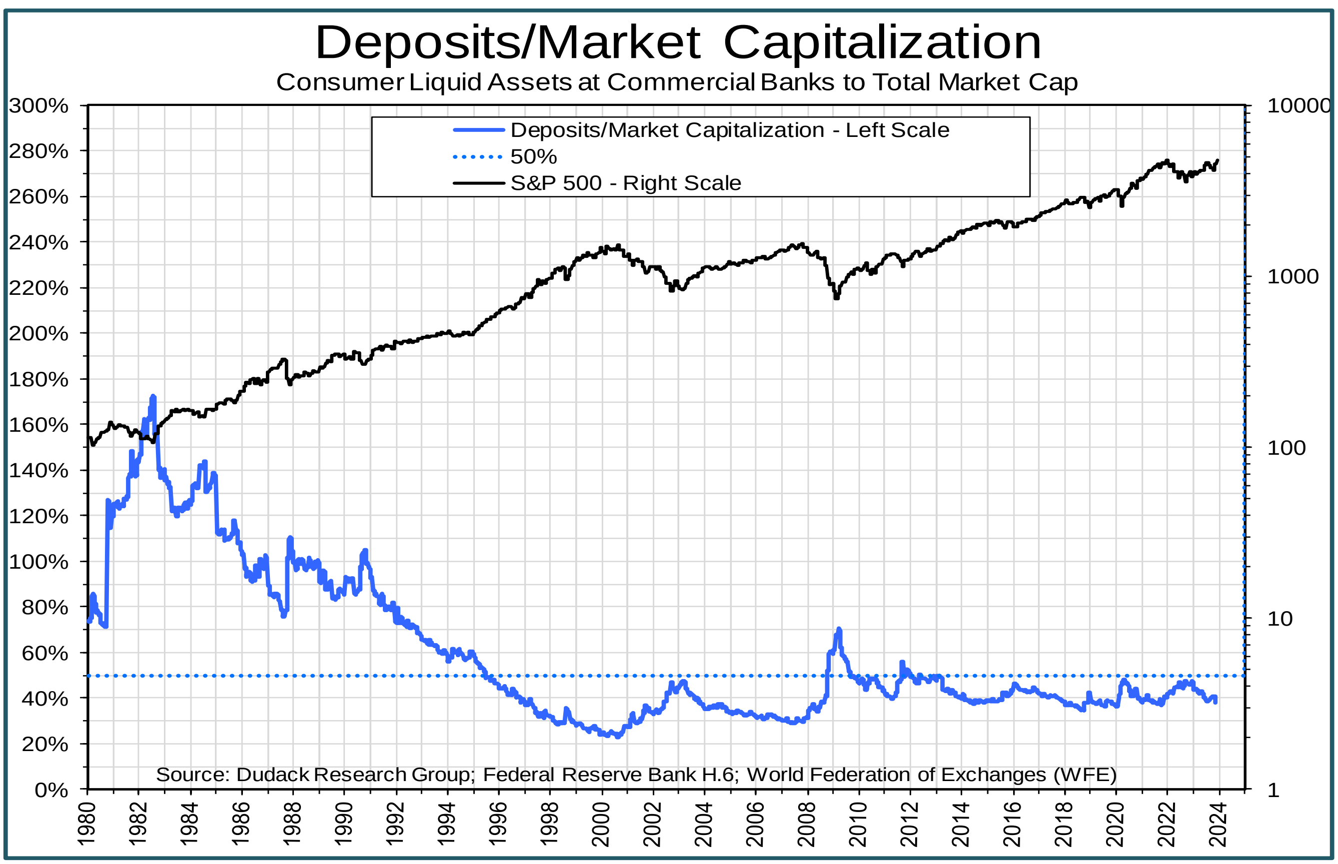
The Federal Reserve, by reducing its balance sheet and increasing interest rates, has been in tightening mode for nearly three years. However, at yearend 2023, despite the Fed's QT, bank assets and credit began to grow, a sign that credit was easing. This is potentially stimulative to the economy.



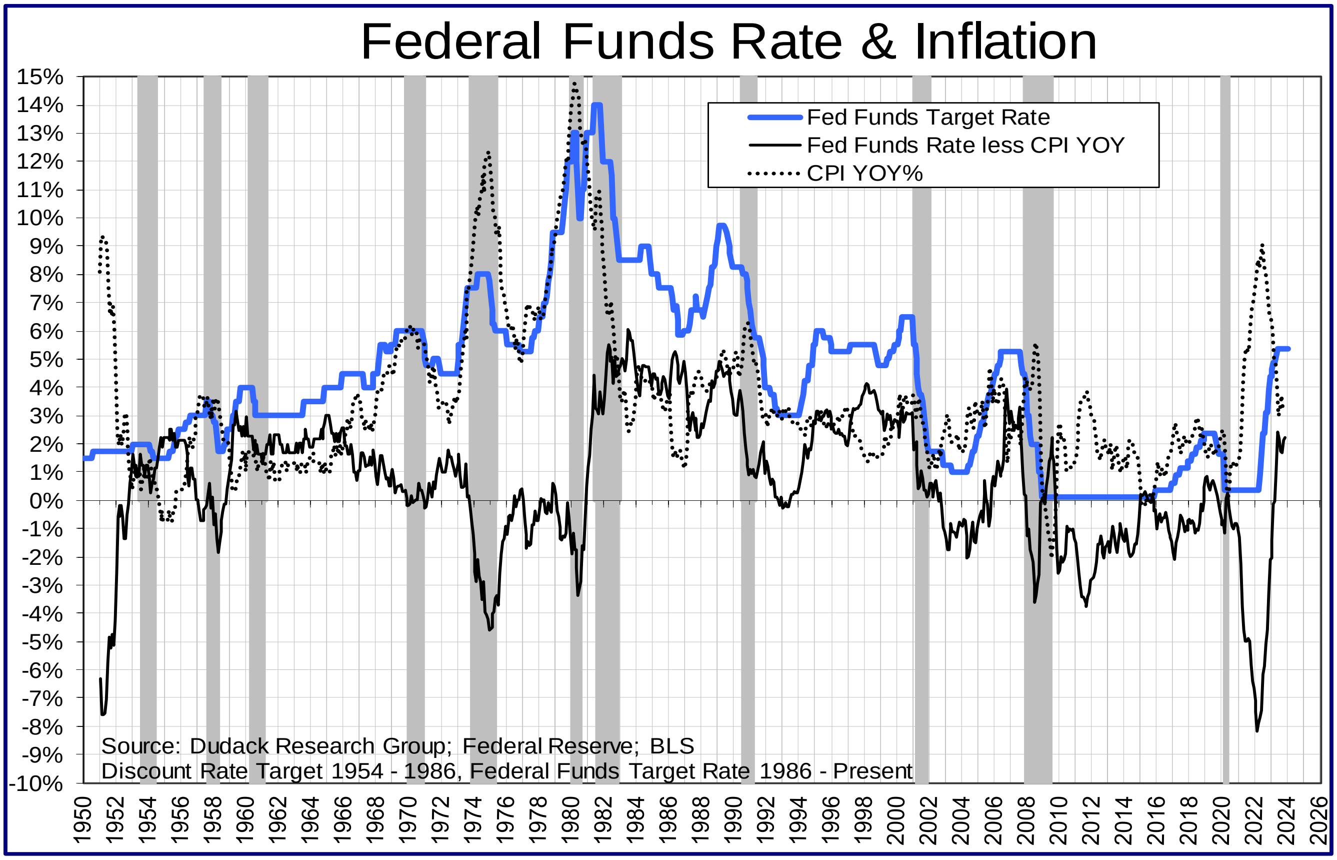


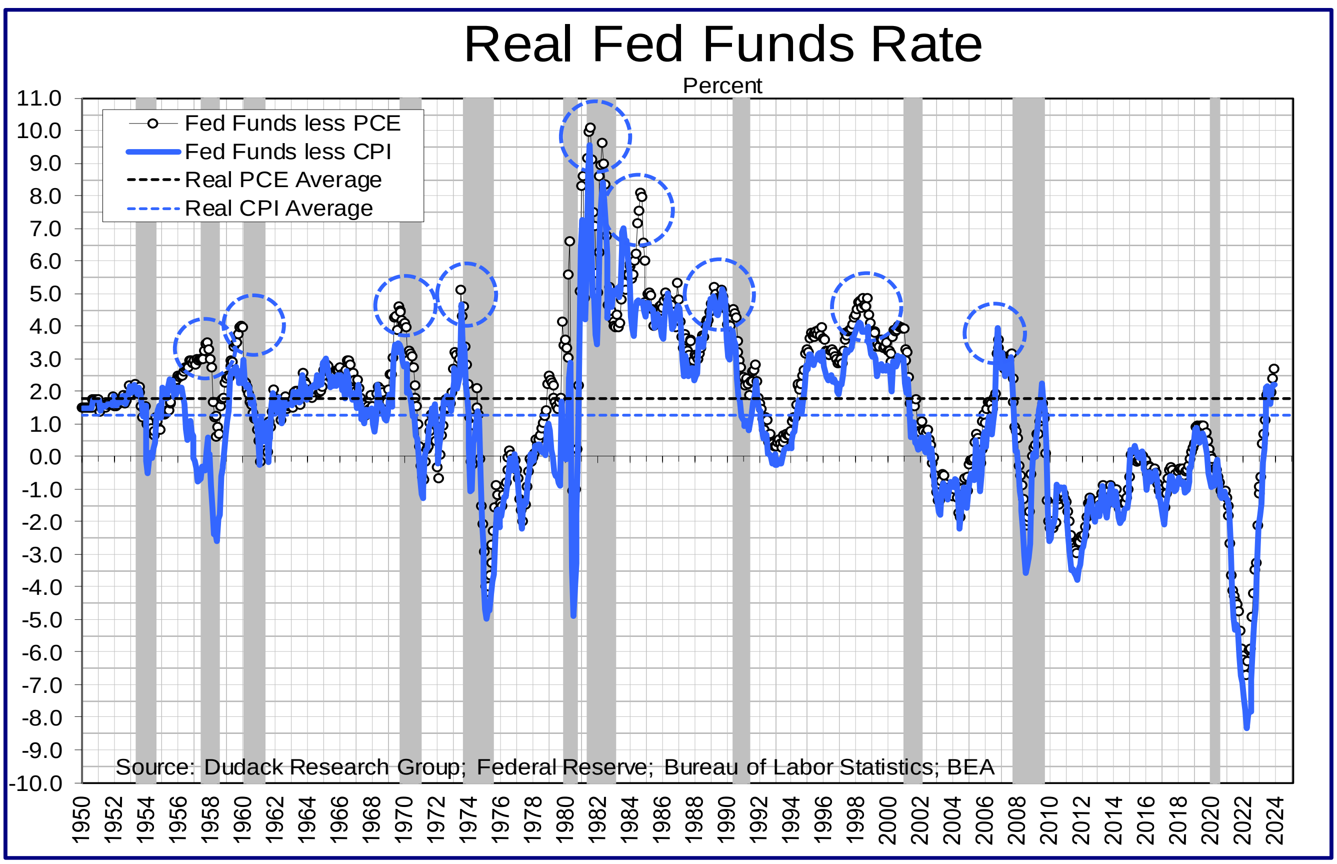
Chairman Powell's implication that interest rates could fall in 2024, unleashed an historic advance in equities buoyed by the $18.9 trillion of consumers' liquid assets held in commercial banks. This cash hoard has the potential to drive equities substantially higher. However, if we measure these cash assets in relation to total US market capitalization, we find that it represents 38% of market capitalization, a substantial, but not historic level. Most secular bull cycles began when cash equaled 50% or more of market capitalization.



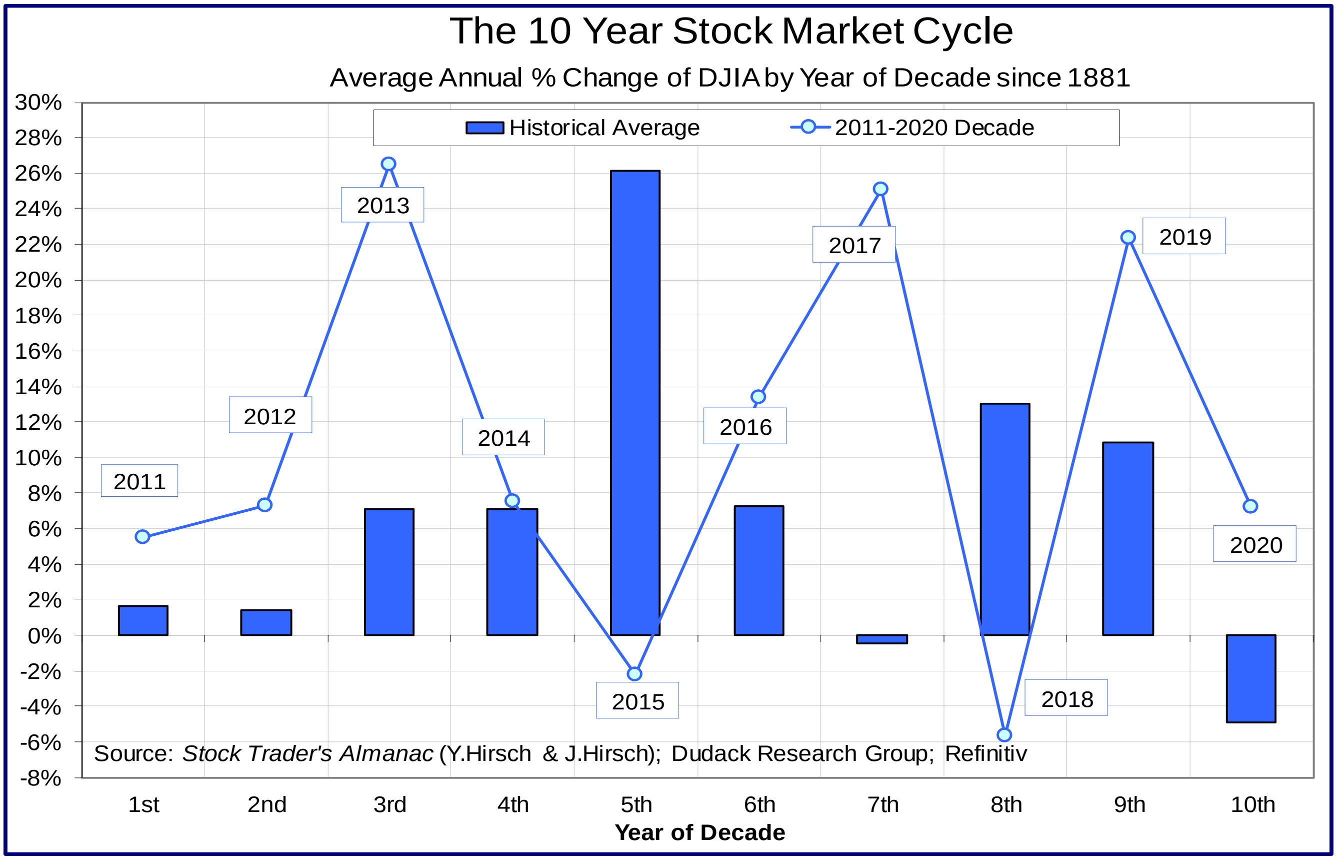


Inflation might become more manageable in 2024 if crude oil prices, down 10% YOY at yearend, continue to fall. However, conflict in the Red Sea could trigger energy and other supply issues once again. Most Fed tightening cycles ended with a real fed funds rate of 400 bp, not the 220 bp seen today. But 400 bp might be dangerously high with federal debt escalating and a record amount in Treasury bills.





The decennial cycle suggests 2024 could be an average year, overall.



The Ten Year Stock Market Cycle; Annual % change in DJIA

Presidential Election Years highlighted in blue

Year of Decade	xxx1	xxx2	xxx3	xxx4	xxx5	xxx6	xxx7	xxx8	xxx9	xx10
1881 1890	3.0%	-2.9%	-8.5%	-18.8%	20.1%	12.4%	-8.4%	4.8%	5.5%	-14.1%
1891 1900	17.6%	-6.6%	-24.6%	-0.6%	2.3%	-1.7%	21.3%	22.5%	9.2%	7.0%
1901 1910	-8.7%	-0.4%	-23.6%	41.7%	38.2%	-1.9%	-37.7%	46.6%	15.0%	-17.9%
1911 1920	0.4%	7.6%	-10.3%	-5.4%	81.7%	-4.2%	-21.7%	10.5%	30.5%	-32.9%
1921 1930	12.7%	21.7%	-3.3%	26.2%	30.0%	0.3%	28.8%	48.2%	-17.2%	-33.8%
1931 1940	-52.7%	-23.1%	66.7%	4.1%	38.5%	24.8%	-32.8%	28.1%	-2.9%	-12.7%
1941 1950	-15.4%	7.6%	13.8%	12.1%	26.6%	-8.1%	2.2%	-2.1%	12.9%	17.6%
1951 1960	14.4%	8.4%	-3.8%	44.0%	20.8%	2.3%	-12.8%	34.0%	16.4%	-9.3%
1961 1970	18.7%	-10.8%	17.0%	14.6%	10.9%	-18.9%	15.2%	4.3%	-15.2%	4.8%
1971 1980	6.1%	14.6%	-16.6%	-27.6%	38.3%	17.9%	-17.3%	-3.1%	4.2%	14.9%
1981 1990	-9.2%	19.6%	20.3%	-3.7%	27.7%	22.6%	2.3%	11.8%	27.0%	-4.3%
1991 2000	20.3%	4.2%	13.7%	2.1%	33.5%	26.0%	22.6%	16.1%	25.2%	-6.2%
2001 2010	-7.1%	-16.8%	25.3%	3.1%	-0.6%	16.3%	6.4%	-33.8%	18.8%	11.0%
2011 2020	5.5%	7.3%	26.5%	7.5%	-2.2%	13.4%	25.1%	-5.6%	22.3%	7.2%
2021 2030	18.7%	-8.8%	13.7%							
Average	**1.6%**	**1.4%**	**7.1%**	**7.1%**	**26.1%**	**7.2%**	**-0.5%**	**13.0%**	**10.8%**	**-4.9%**

The Ten Year Stock Market Cycle

	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th
Total % Change	24.4%	21.6%	106.3%	99.3%	365.8%	101.2%	-6.8%	182.2%	151.8%	-68.6%
Avg % Change	**1.6%**	**1.4%**	**7.1%**	**7.1%**	**26.1%**	**7.2%**	**-0.5%**	**13.0%**	**10.8%**	**-4.9%**
Up Years	10	8	8	9	12	9	8	10	11	6
Down Years	5	7	7	5	2	5	6	4	3	8
Total Years	15	15	15	14	14	14	14	14	14	14

Source: Stock Trader's Almanac (Y.Hirsch & J.Hirsch); Data beginning in 1881; Blue= Election Year; Refinitiv

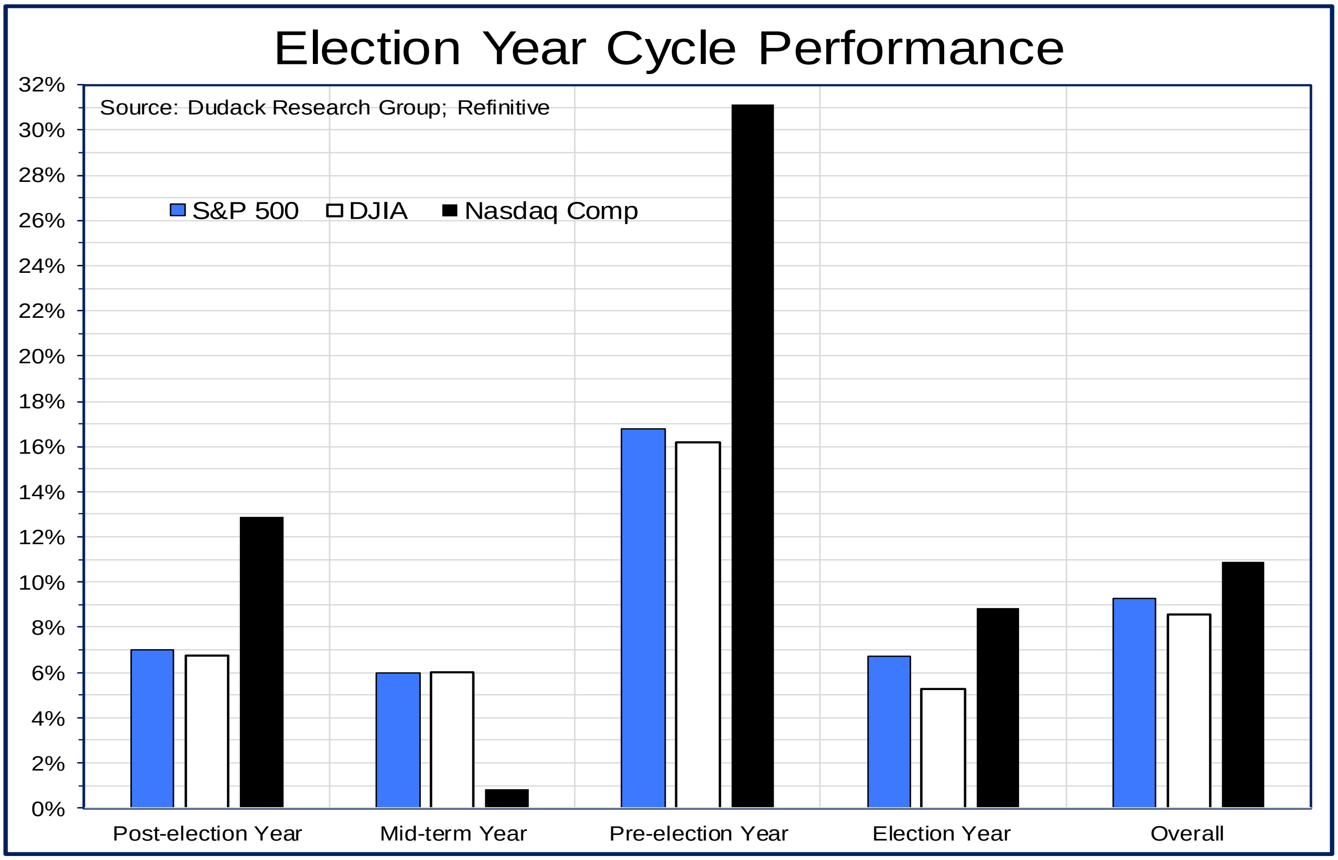
There have been periods of 3 consecutive years of double-digit gains in equities, but these preceded major bear markets. Instances of 2 consecutive years of double-digit gains are highlighted in light blue.

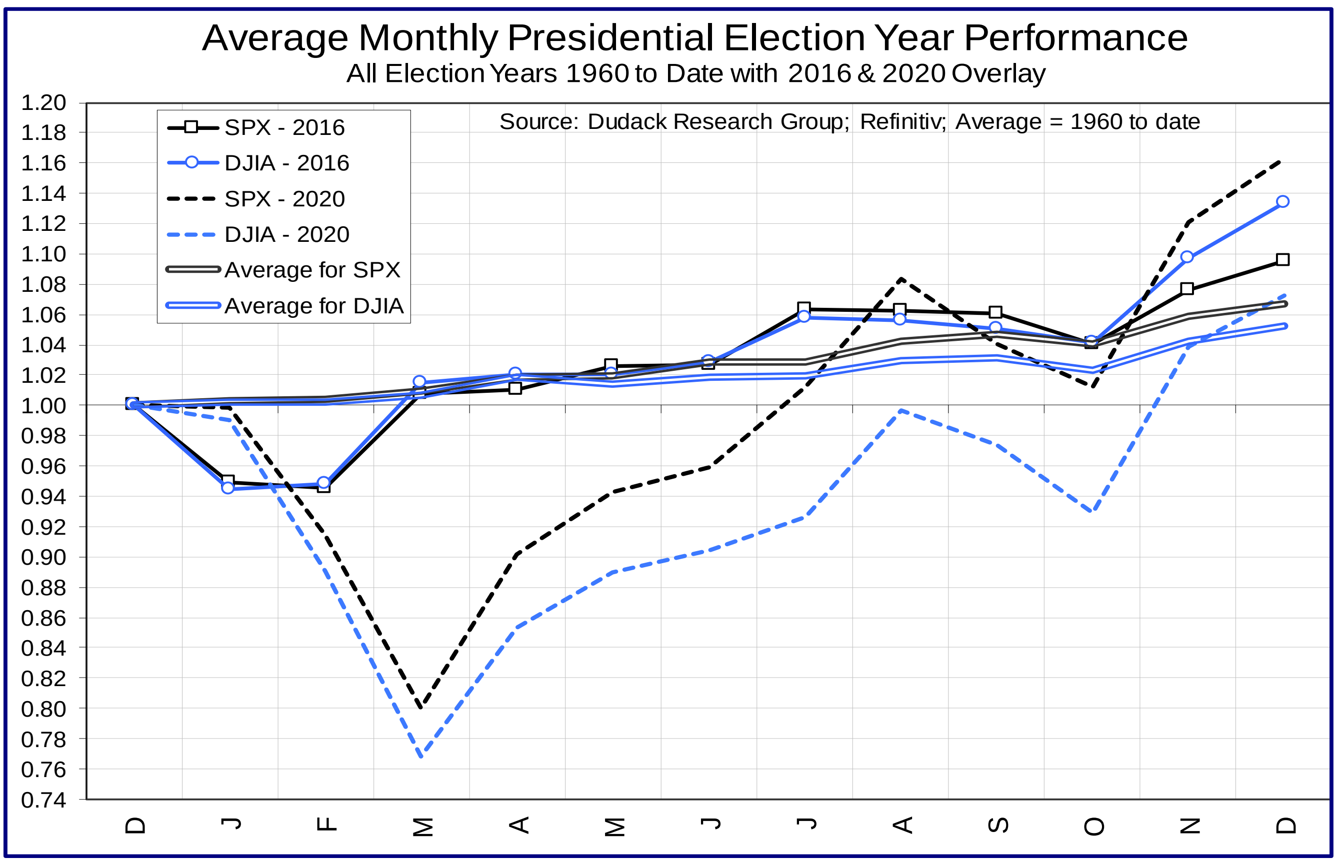
Annual Performance

	DJIA	SP500	NASQ		DJIA	SP500	NASQ		DJIA	SP500	NASQ
1901	-8.7%	---------	---------	1942	7.6%	12.4%	---------	1983	20.3%	17.3%	19.9%
1902	-0.4%	---------	---------	1943	13.8%	19.4%	---------	1984	-3.7%	1.4%	-11.2%
1903	-23.6%	---------	---------	1944	12.1%	13.8%	---------	1985	27.7%	26.3%	31.4%
1904	41.7%	---------	---------	1945	26.6%	30.7%	---------	1986	22.6%	14.6%	7.4%
1905	38.2%	---------	---------	1946	-8.1%	-11.9%	---------	1987	2.3%	2.0%	-5.3%
1906	-1.9%	---------	---------	1947	2.2%	0.0%	---------	1988	11.8%	12.4%	15.4%
1907	-37.7%	---------	---------	1948	-2.1%	-0.7%	---------	1989	27.0%	27.3%	19.3%
1908	46.6%	---------	---------	1949	12.9%	10.3%	---------	1990	-4.3%	-6.6%	-17.8%
1909	15.0%	---------	---------	1950	17.6%	21.8%	---------	1991	20.3%	26.3%	56.8%
1910	-17.9%	---------	---------	1951	14.4%	16.5%	---------	1992	4.2%	4.5%	15.5%
1911	0.4%	---------	---------	1952	8.4%	11.8%	---------	1993	13.7%	7.1%	14.7%
1912	7.6%	---------	---------	1953	-3.8%	-6.6%	---------	1994	2.1%	-1.5%	-3.2%
1913	-10.3%	---------	---------	1954	44.0%	45.0%	---------	1995	33.5%	34.1%	39.9%
1914	-30.7%	---------	---------	1955	20.8%	26.4%	---------	1996	26.0%	20.3%	22.4%
1915	81.7%	---------	---------	1956	2.3%	2.6%	---------	1997	22.6%	31.0%	21.5%
1916	-4.2%	---------	---------	1957	-12.8%	-14.3%	---------	1998	16.1%	26.7%	40.1%
1917	-21.7%	---------	---------	1958	34.0%	38.1%	---------	1999	25.2%	19.5%	85.6%
1918	10.5%	---------	---------	1959	16.4%	8.5%	---------	2000	-6.2%	-10.1%	-39.3%
1919	30.5%	---------	---------	1960	-9.3%	-3.0%	---------	2001	-7.1%	-13.0%	-21.1%
1920	-32.9%	---------	---------	1961	18.7%	23.1%	---------	2002	-16.8%	-23.4%	-31.5%
1921	12.7%	---------	---------	1962	-10.8%	-11.8%	---------	2003	25.3%	26.4%	50.0%
1922	21.7%	---------	---------	1963	17.0%	18.9%	---------	2004	3.1%	9.0%	8.6%
1923	-3.3%	---------	---------	1964	14.6%	13.0%	---------	2005	-0.6%	3.0%	1.4%
1924	26.2%	---------	---------	1965	10.9%	9.1%	---------	2006	16.3%	13.6%	9.5%
1925	30.0%	---------	---------	1966	-18.9%	-13.1%	---------	2007	6.4%	3.5%	9.8%
1926	0.3%	---------	---------	1967	15.2%	20.1%	---------	2008	-33.8%	-38.5%	-40.5%
1927	28.8%	---------	---------	1968	4.3%	7.7%	20.6%	2009	18.8%	23.5%	43.9%
1928	48.2%	---------	---------	1969	-15.2%	-11.4%	-0.8%	2010	11.0%	12.8%	16.9%
1929	-17.2%	---------	---------	1970	4.8%	0.1%	-13.7%	2011	5.5%	0.0%	-1.8%
1930	-33.8%	---------	---------	1971	6.1%	10.8%	27.7%	2012	7.3%	13.4%	15.9%
1931	-52.7%	---------	---------	1972	14.6%	15.6%	17.2%	2013	26.5%	29.6%	38.3%
1932	-23.1%	-15.1%	---------	1973	-16.6%	-17.4%	-31.1%	2014	7.5%	11.4%	13.4%
1933	66.7%	46.6%	---------	1974	-27.6%	-29.7%	-35.1%	2015	-2.2%	-0.7%	5.7%
1934	4.1%	-5.9%	---------	1975	38.3%	31.5%	29.8%	2016	13.4%	9.5%	7.5%
1935	38.5%	41.4%	---------	1976	17.9%	19.1%	26.1%	2017	25.1%	19.4%	28.2%
1936	24.8%	27.9%	---------	1977	-17.3%	-11.5%	7.3%	2018	-5.6%	-6.2%	-3.9%
1937	-32.8%	-38.6%	---------	1978	-3.1%	1.1%	12.3%	2019	22.3%	28.9%	35.2%
1938	28.1%	25.2%	---------	1979	4.2%	12.3%	28.1%	2020	7.2%	16.3%	43.6%
1939	-2.9%	-5.5%	---------	1980	14.9%	25.8%	33.9%	2021	18.7%	26.9%	21.4%
1940	-12.7%	-15.3%	---------	1981	-9.2%	-9.7%	-3.2%	2022	-8.8%	-19.4%	-33.1%
1941	-15.4%	-17.9%	---------	1982	19.6%	14.8%	18.7%	2023	13.7%	24.2%	43.4%

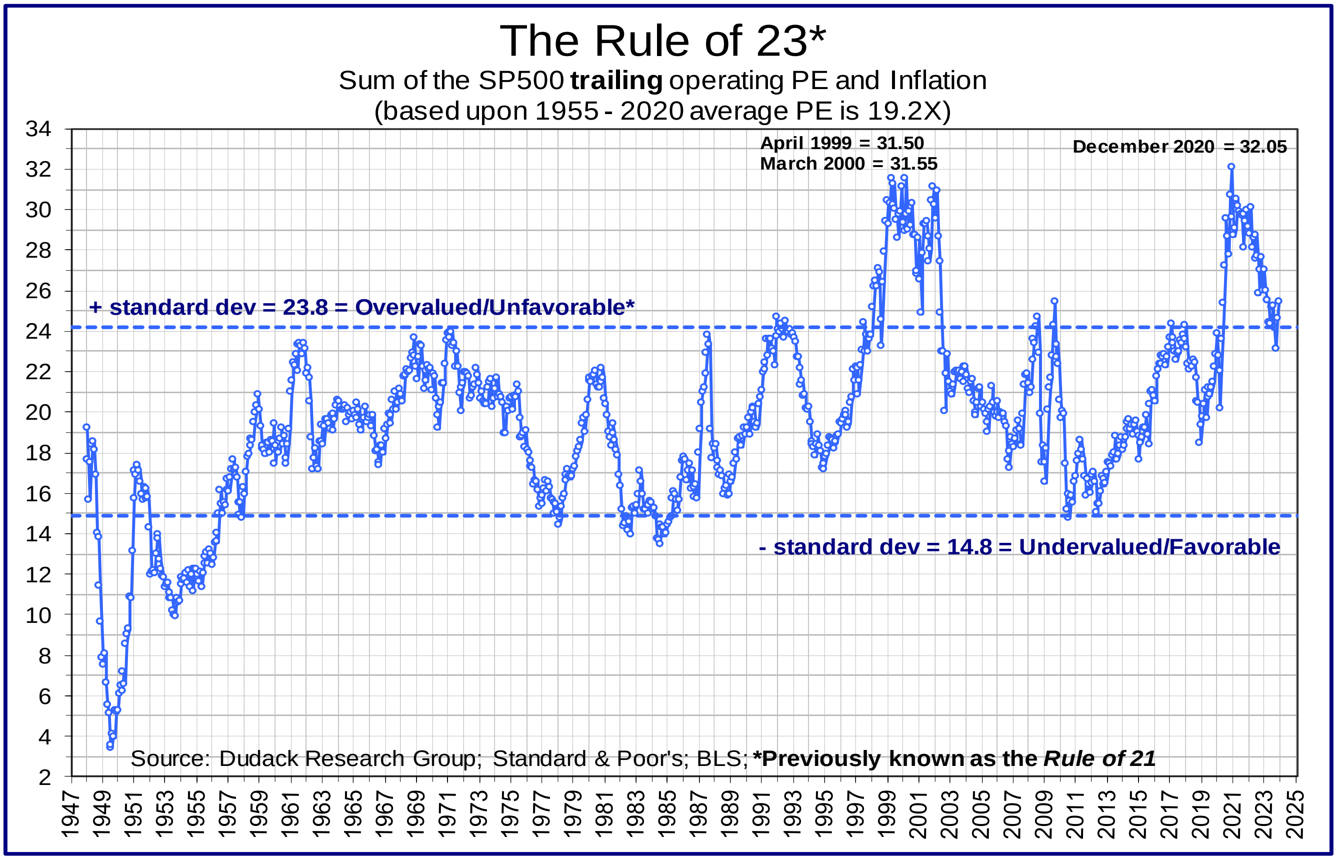
Source: Dudack Research Group; Refinitiv; Blue = 3 or more consecutive years of double digit gains

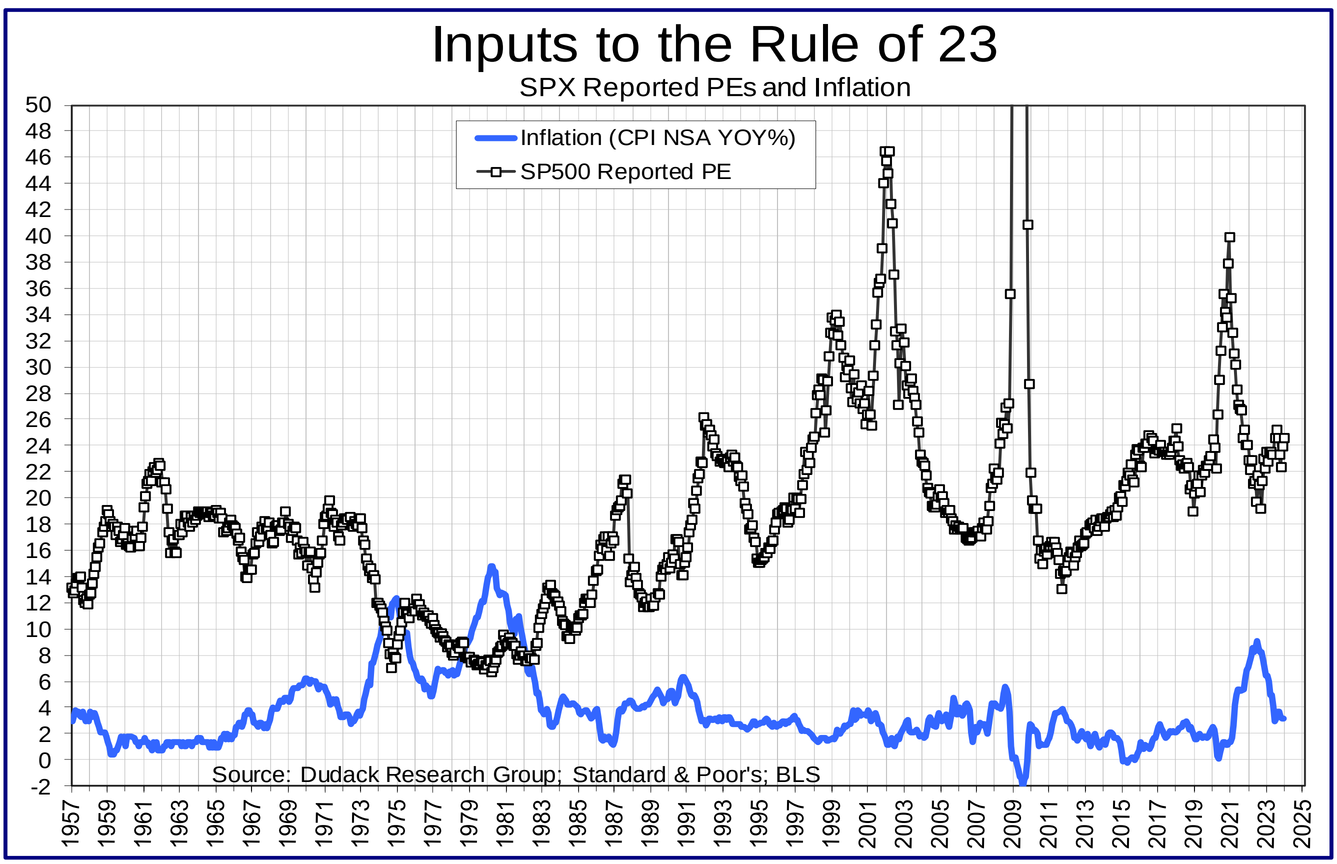
Pre-election year markets tend to generate substantial gains whereas election year markets tend to be mediocre. There is also a tendency for the first half of the year to be subpar, and for gains to be concentrated in the final quarter of the year. History also shows that when the incumbent is about to win, equities are weakest in May and July. In years when the incumbent loses, the weakest months tend to be January, February, September, and October.



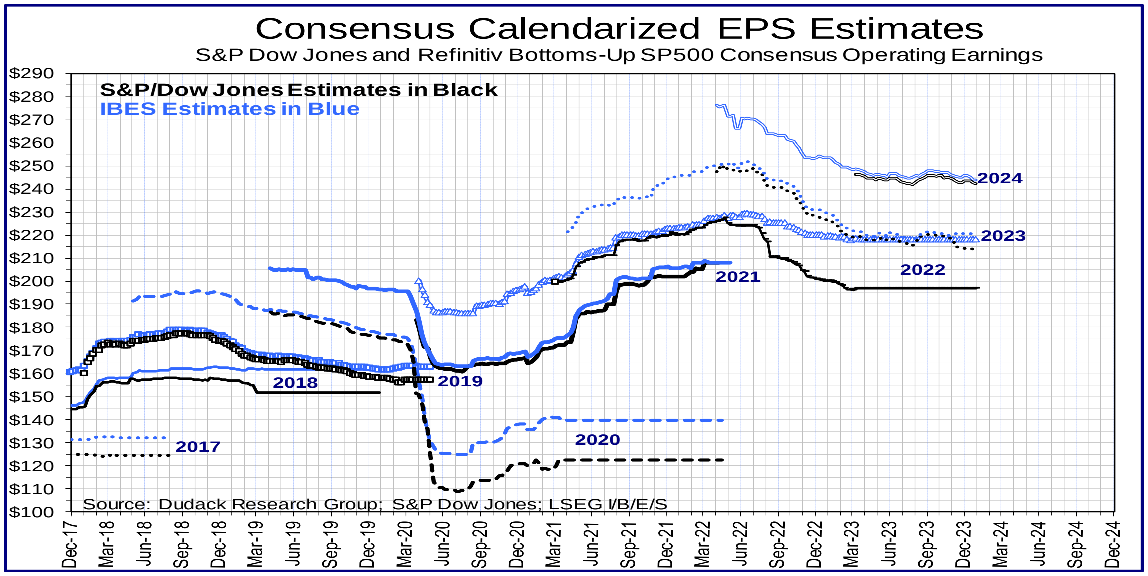


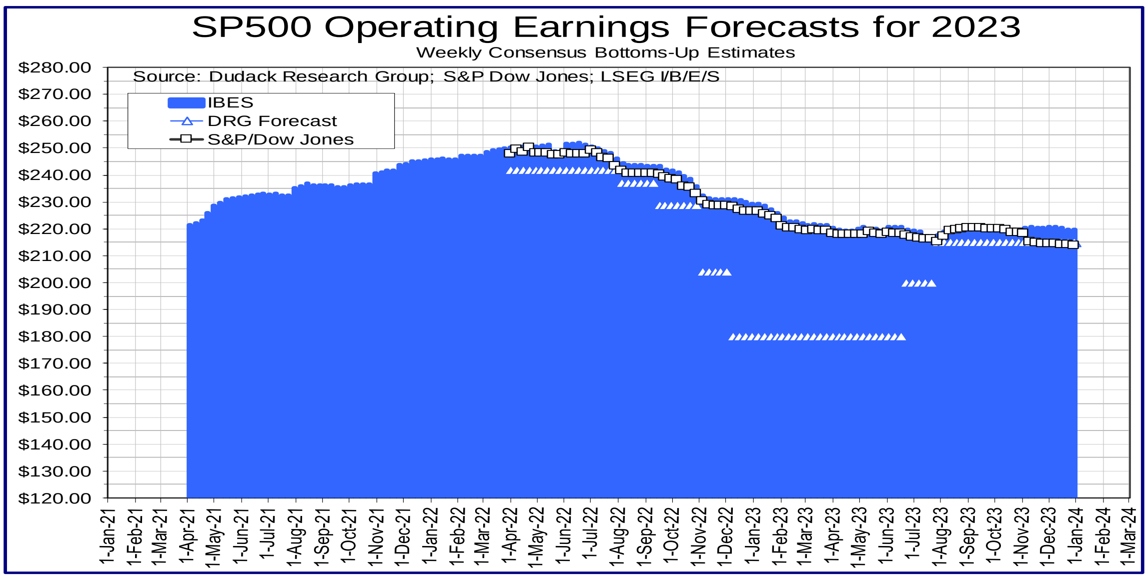
There are many ways to measure valuation, but all of them show the market to be richly valued today. The current trailing PE is 22.3 times and the S&P PE based on 2024 earnings estimates is 19.6 times. Even with inflation at 3.2%, when coupled with the trailing PE of 22.3, the sum of 25.5 is well above 23.8, denoting an overvalued market.

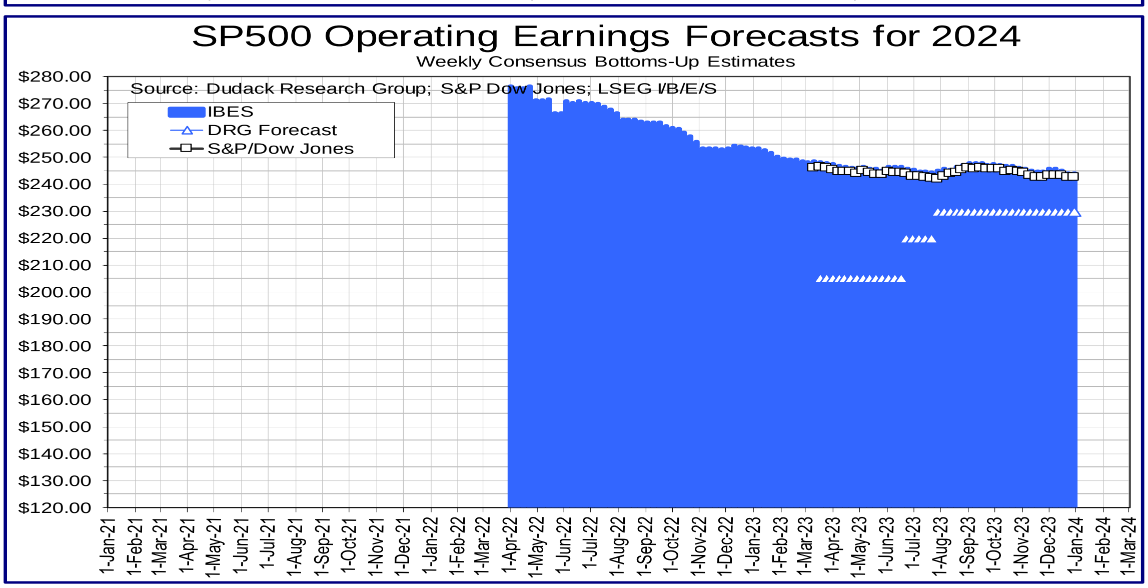




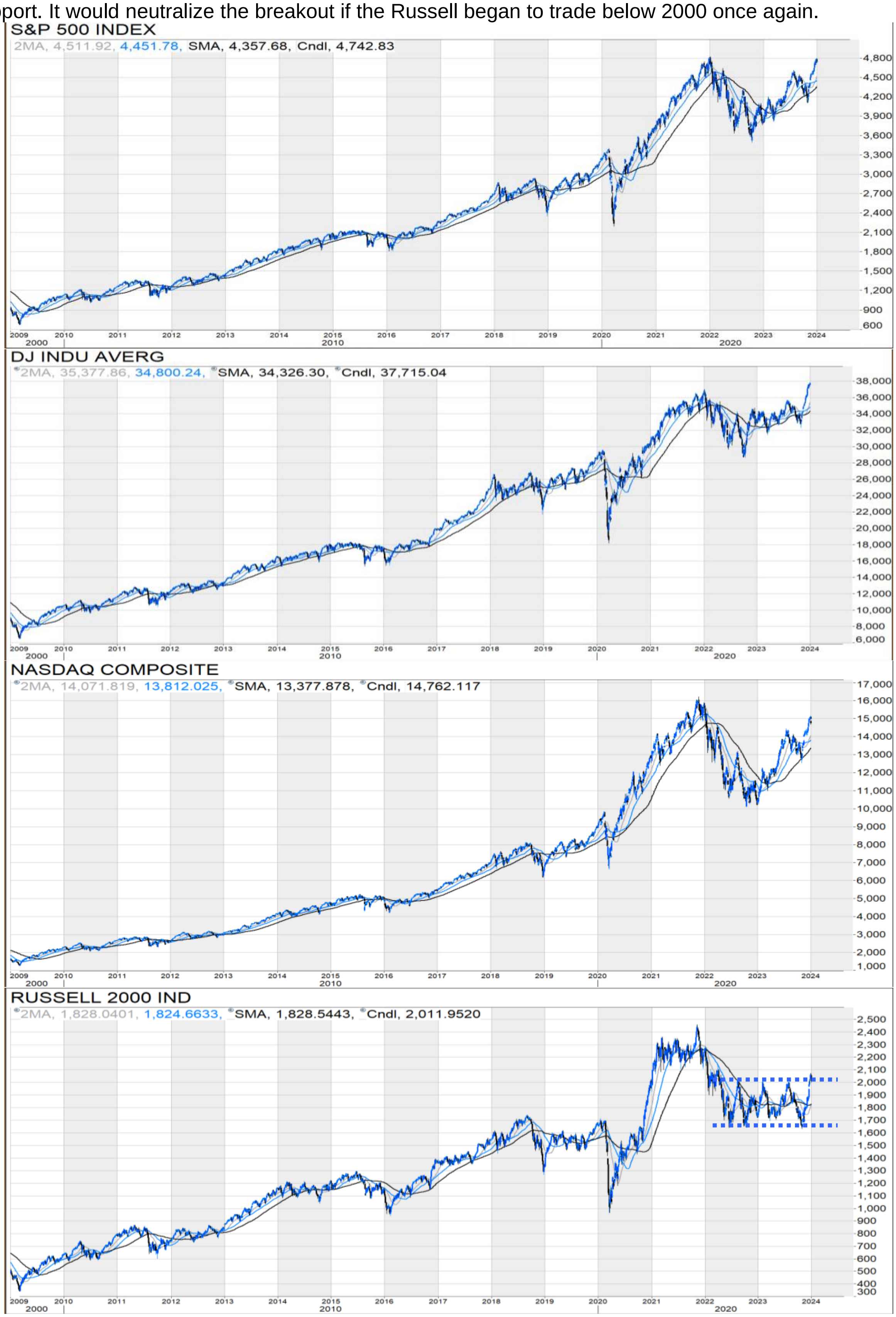
S&P Dow Jones consensus estimates for 2023 and 2024 are $213.84 and $242.45, down $0.10, and $0.03, respectively. LSEG IBES estimates for 2023 and 2024 were unavailable at publishing time but were $219.67 and $243.98, down $0.93, and $1.23, respectively, a week earlier. Based upon the IBES EPS estimate of $243.98 for this year, equities remain overvalued with a PE of 19.4 times and inflation of 3.2%. This sum of 22.6 is just below the 23.8 level that defines an overvalued equity market. Note: based upon the S&P estimate of $242.45, the 2024 PE is 19.6 times.







The breakouts in all four of these popular indices are perpendicular and dramatic, but only the DJ Industrials have moved to an all-time high. The SPX is most interesting at this juncture since it is only fractionally away from a new record but is yet to better the January 3, 2022 high of 4796.56. The Russell 2000, after beating key resistance at 2000, is now testing this level as support. It would neutralize the breakout if the Russell began to trade below 2000 once again.



Source: Refinitiv

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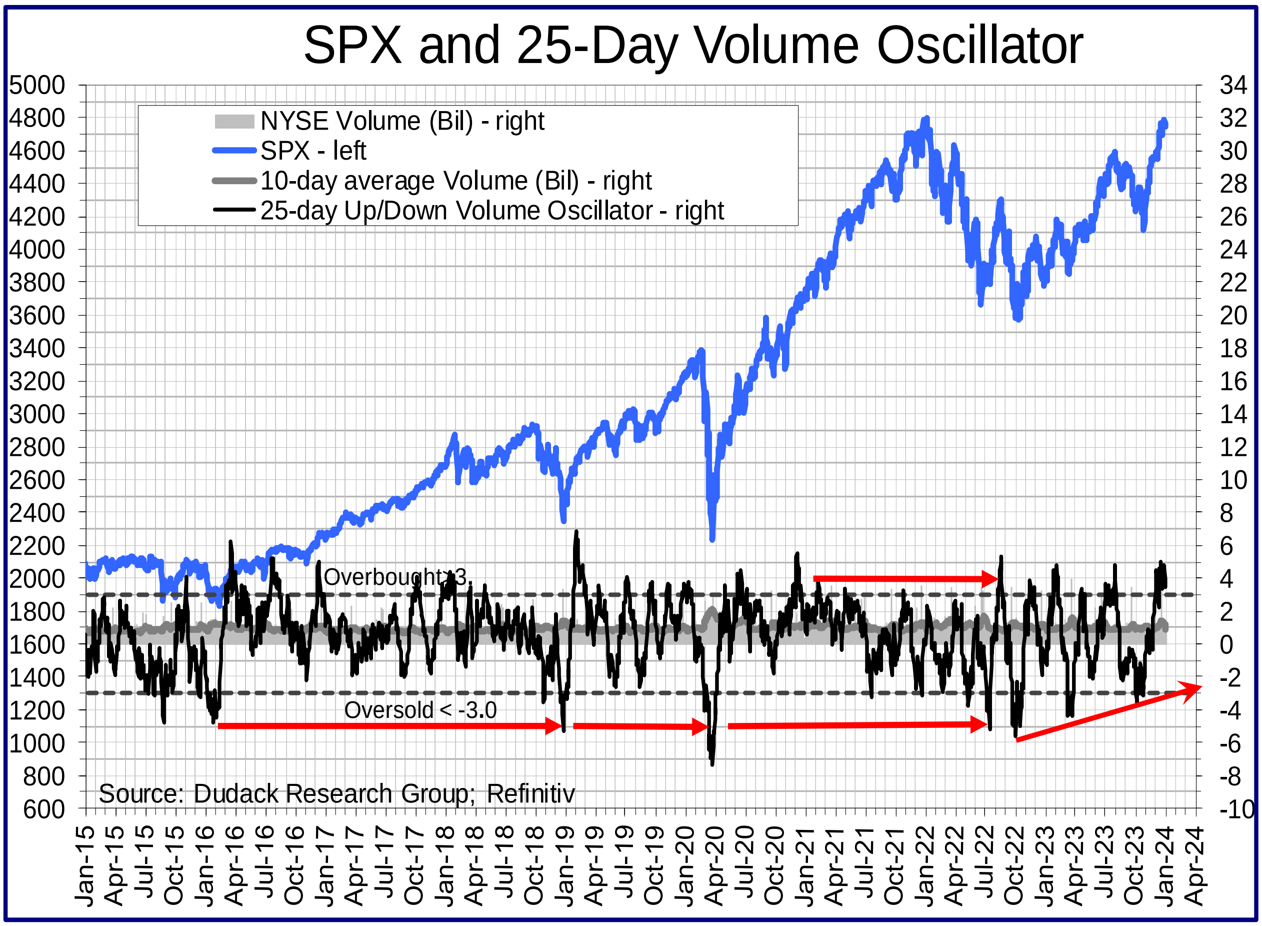
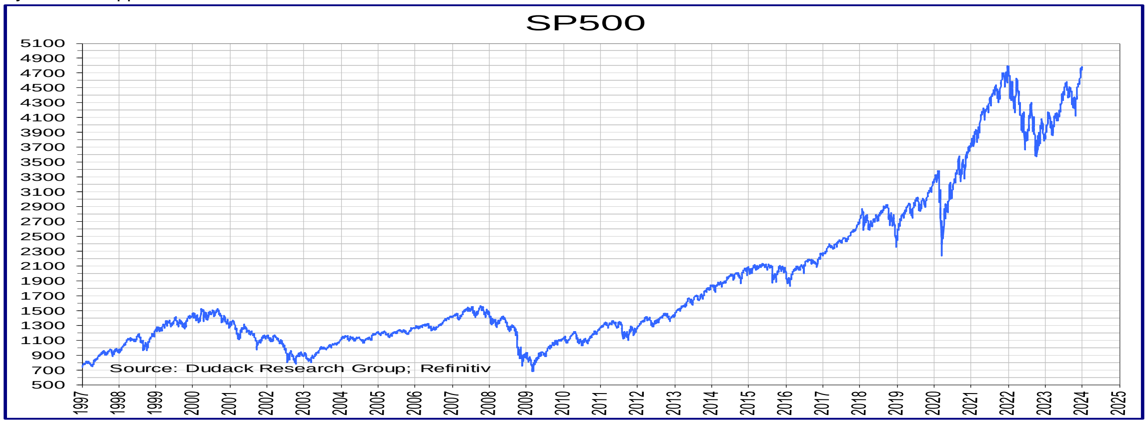
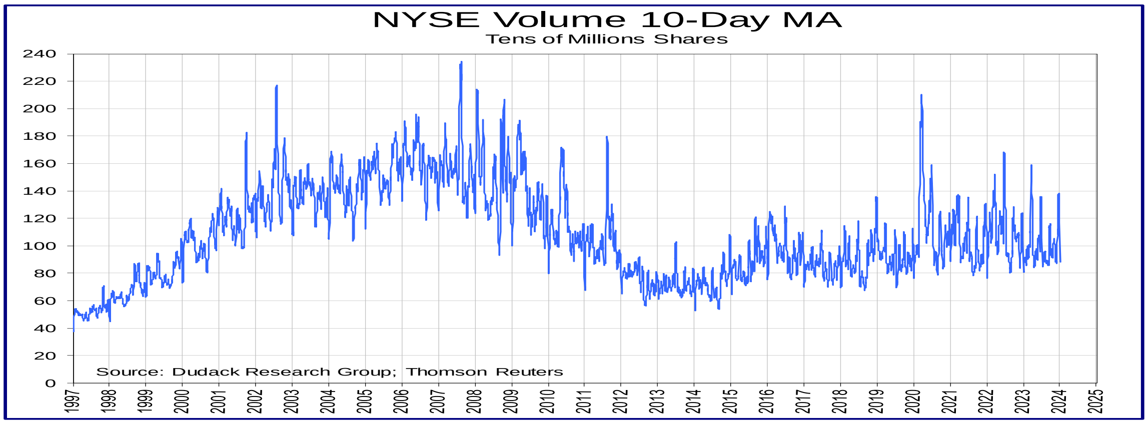
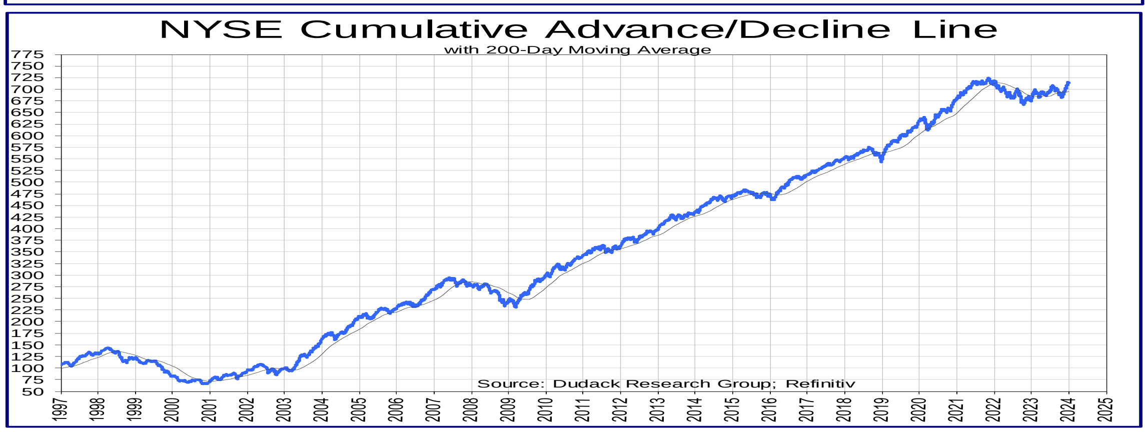
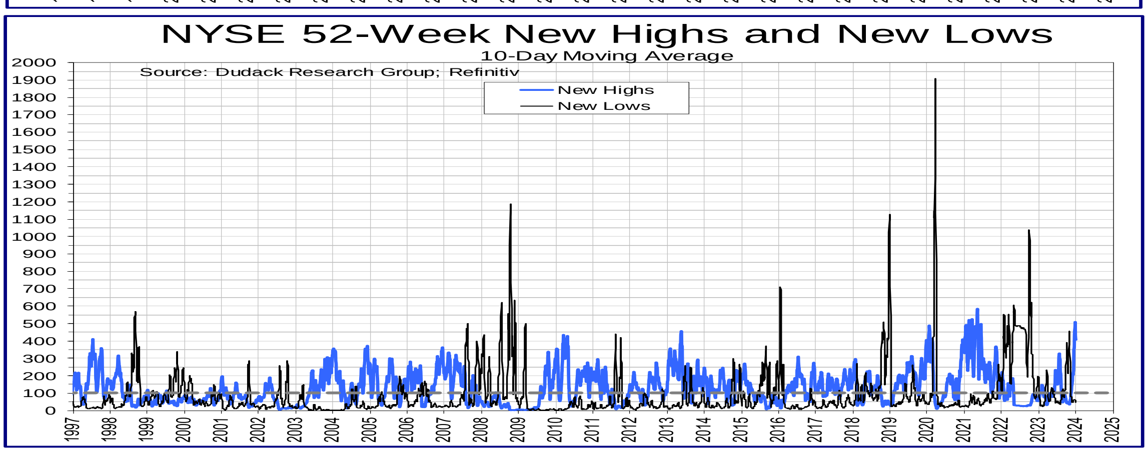


The 10-day average of daily new highs is 406 and new lows are 48. This combination reversed recently when new highs rose above 100 and new lows fell below 100, which is a positive combination. July was the first time in two years that the disparity between the AD line's peak and current levels was consistently less than 30,000 net advancing issues. In recent days it has dropped to 10,778 issues.

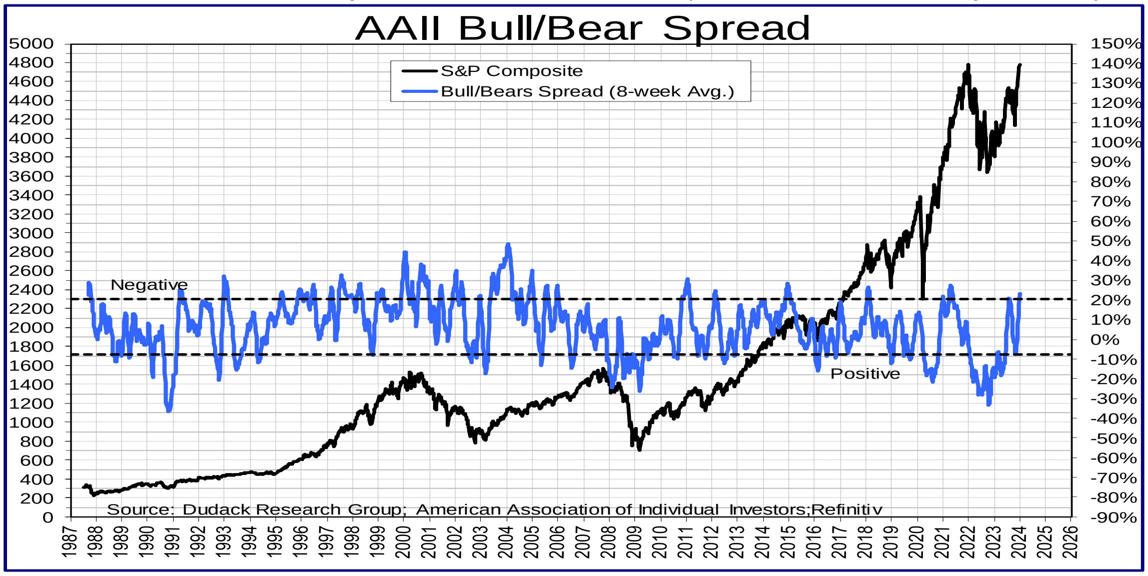


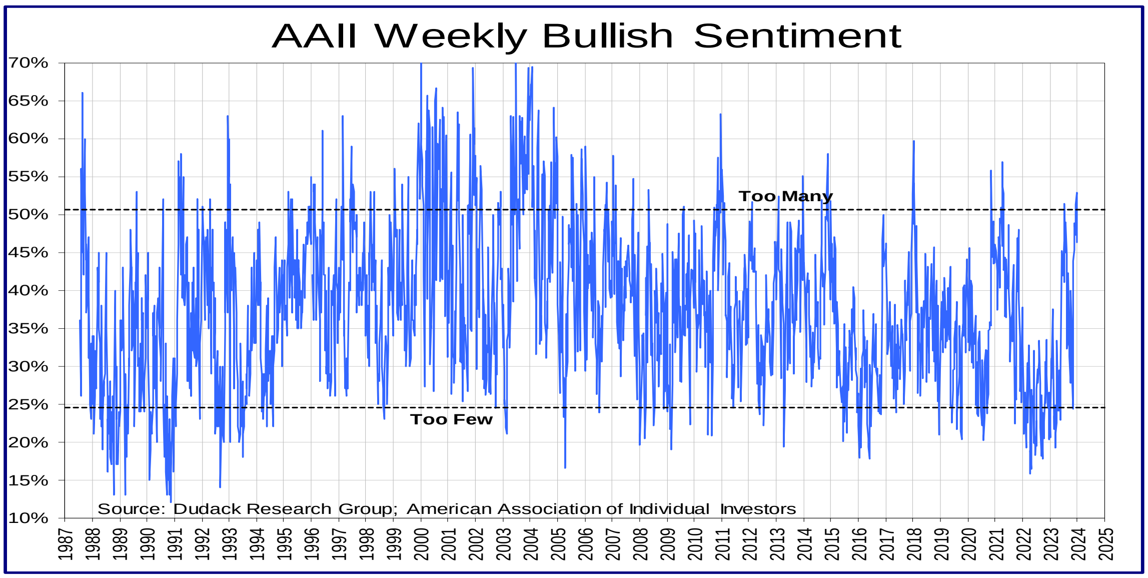


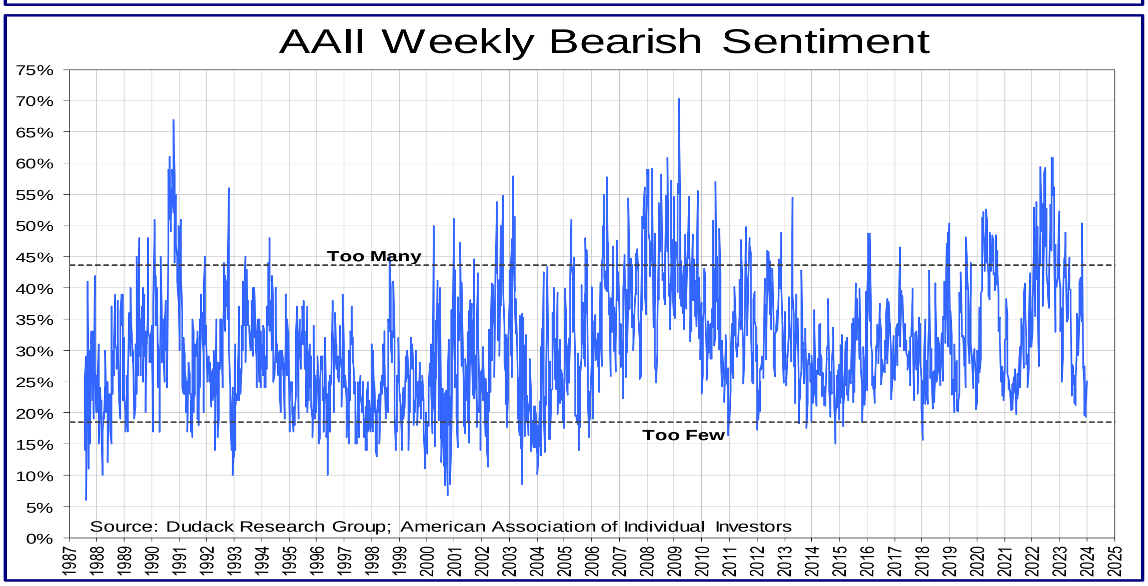




Last week's AAII readings showed a 6.6% decrease in bullishness to 46.3%, and a 4.2% increase in bearishness to 25.1%. Bullish sentiment remains above average, and bearishness is below average for the 8th consecutive week. On December 13, bearishness was 19.6%, its lowest level since January 3, 2018 levels of 15.6%, and bullishness was also high at 51.3%. The 8-week bull/bear spread is 23.4% and now in negative territory.







Global Markets and Commodities - Ranked by 20-day Trading Performance

Index/EFT	Symbol	Price	5-Day%	20-Day%	QTD%	YTD%
iShares Nasdaq Biotechnology ETF	IBB.O	138.07	2.3%	12.6%	1.6%	1.6%
SPDR Homebuilders ETF	XHB	94.48	-1.7%	10.6%	-1.2%	-1.2%
SPDR S&P Bank ETF	KBE	46.20	-0.8%	9.9%	0.4%	0.4%
SPDR S&P Semiconductor ETF	XSD	218.17	-4.8%	8.0%	-2.9%	-2.9%
iShares Russell 2000 ETF	IWM	199.52	-2.2%	7.9%	-0.6%	-0.6%
iShares Russell 2000 Value ETF	IWN	154.81	-2.1%	7.9%	-0.3%	-0.3%
iShares Russell 2000 Growth ETF	IWO	249.85	-2.4%	7.8%	-0.9%	-0.9%
SPDR S&P Retail ETF	XRT	72.26	-0.6%	7.8%	-0.1%	-0.1%
iShares US Real Estate ETF	IYR	92.22	0.8%	6.5%	0.9%	0.9%
iShares 20+ Year Treas Bond ETF	TLT	98.31	-0.5%	5.7%	-0.6%	-0.6%
iShares MSCI Mexico Capped ETF	EWW	67.20	-1.6%	5.3%	-1.0%	-1.0%
iShares MSCI Australia ETF	EWA	24.15	-1.2%	5.3%	-0.8%	-0.8%
Health Care Select Sect SPDR	XLV	138.78	2.6%	5.3%	1.8%	1.8%
PowerShares Water Resources Portfolio	PHO	60.38	-1.0%	5.2%	-0.8%	-0.8%
iShares MSCI India ETF	INDA.K	48.67	0.3%	4.9%	-0.3%	-0.3%
Financial Select Sector SPDR	XLF	37.76	0.7%	4.4%	0.4%	0.4%
iShares US Telecomm ETF	IYZ	22.85	1.1%	4.4%	0.4%	0.4%
iShares Russell 1000 Value ETF	IWD	165.83	0.4%	4.2%	0.4%	0.4%
DJIA	.DJI	37715.04	0.5%	4.1%	0.1%	0.1%
SPDR DJIA ETF	DIA	377.09	0.5%	3.9%	0.1%	0.1%
Industrial Select Sector SPDR	XLI	112.84	-1.0%	3.8%	-1.0%	-1.0%
Consumer Discretionary Select Sector SPDR	XLY	177.15	-1.7%	3.5%	-0.9%	-0.9%
NASDAQ 100	NDX	16543.94	-2.0%	3.4%	-1.7%	-1.7%
Communication Services Select Sector SPDR Fund	XLC	72.25	-0.9%	3.3%	-0.6%	-0.6%
SP500	.SPX	4742.83	-0.7%	3.2%	-0.6%	-0.6%
iShares Russell 1000 ETF	IWB	260.67	-0.7%	3.2%	-0.6%	-0.6%
Nasdaq Composite Index Tracking Stock	ONEQ.O	58.14	-2.2%	3.0%	-1.9%	-1.9%
Consumer Staples Select Sector SPDR	XLP	72.84	1.8%	2.7%	1.1%	1.1%
iShares iBoxx $ Invest Grade Corp Bond	LQD	109.91	-0.4%	2.6%	-0.7%	-0.7%
Materials Select Sector SPDR	XLB	85.39	-0.7%	2.4%	-0.2%	-0.2%
iShares Russell 1000 Growth ETF	IWF	298.67	-1.7%	2.3%	-1.5%	-1.5%
iShares MSCI Canada ETF	EWC	36.30	-1.4%	2.3%	-1.0%	-1.0%
iShares MSCI South Korea Capped ETF	EWY	64.74	0.7%	2.2%	-1.2%	-1.2%
iShares MSCI Germany ETF	EWG	29.34	-1.2%	2.1%	-1.2%	-1.2%
iShares MSCI EAFE ETF	EFA	74.51	-0.7%	1.8%	-1.1%	-1.1%
Vanguard FTSE All-World ex-US ETF	VEU	55.51	-0.5%	1.3%	-1.1%	-1.1%
Utilities Select Sector SPDR	XLU	64.25	2.0%	1.1%	1.5%	1.5%
iShares MSCI Singapore ETF	EWS	18.38	1.6%	1.0%	-1.7%	-1.7%
Technology Select Sector SPDR	XLK	187.44	-2.8%	1.0%	-2.6%	-2.6%
Gold Future	GCc1	2725.10	0.1%	0.8%	0.0%	0.0%
iShares MSCI Japan ETF	EWJ	63.56	0.4%	0.6%	-0.9%	-0.9%
iShares MSCI Hong Kong ETF	EWH	16.93	-0.5%	0.4%	-2.5%	-2.5%
iShares MSCI Emerg Mkts ETF	EEM	39.74	0.1%	0.0%	-1.2%	-1.2%
iShares MSCI Brazil Capped ETF	EWZ	34.37	-2.2%	-0.1%	-1.7%	-1.7%
iShares MSCI Austria Capped ETF	EWO	21.29	-1.2%	-0.2%	-1.5%	-1.5%
Energy Select Sector SPDR	XLE	84.74	-1.1%	-0.3%	1.1%	1.1%
iShares MSCI United Kingdom ETF	EWU	32.74	-1.1%	-0.4%	-0.9%	-0.9%
iShares DJ US Oil Eqpt & Services ETF	IEZ	21.75	-3.8%	-0.6%	-0.8%	-0.8%
SPDR Gold Trust	GLD	190.72	-0.5%	-0.7%	-0.2%	-0.2%
iShares MSCI BRIC ETF	BKF	33.73	0.3%	-1.0%	-1.3%	-1.3%
iShares MSCI Malaysia ETF	EWM	21.07	-0.2%	-1.4%	-0.8%	-0.8%
Shanghai Composite	.SSEC	2962.28	2.2%	-2.3%	-0.4%	-0.4%
Oil Future	CLc1	70.38	-6.9%	-5.0%	-1.8%	-1.8%
United States Oil Fund, LP	USO	65.77	-6.3%	-5.0%	-1.3%	-1.3%
iShares China Large Cap ETF	FXI	23.24	0.1%	-6.6%	-3.3%	-3.3%
Silver Future	SIc1	23.73	-1.7%	-6.9%	-0.5%	-0.5%
iShares Silver Trust	SLV	22.64	-2.6%	-7.1%	-0.6%	-0.6%
iShares MSCI Taiwan ETF	EWT	44.97	-1.0%	-8.3%	-2.3%	-2.3%

Outperformed SP500
Underperformed SP500

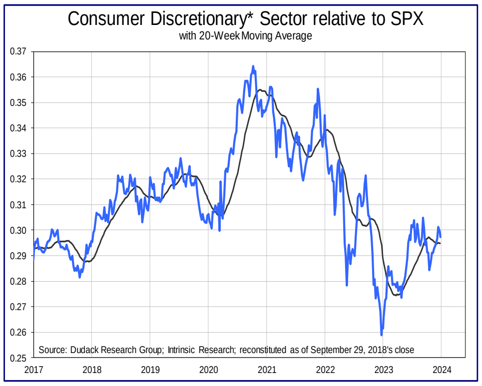
Source: Dudack Research Group; Refinitiv

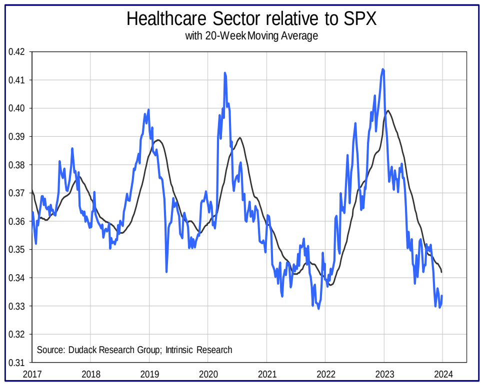
Priced as of January 2, 2024

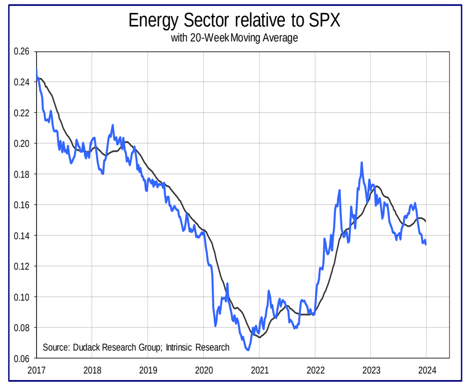
SECTOR RELATIVE PERFORMANCE – RELATIVE OVER/UNDER/ PERFORMANCE TO S&P 500

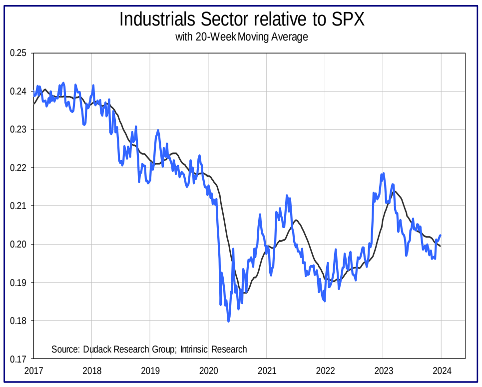
DRG Recommended Sector Weights				
Overweight		**Neutral**		**Underweight**
Consumer Discretionary Industrials Materials Financials		Healthcare Technology REITS		Energy Staples Utililties Communication Services

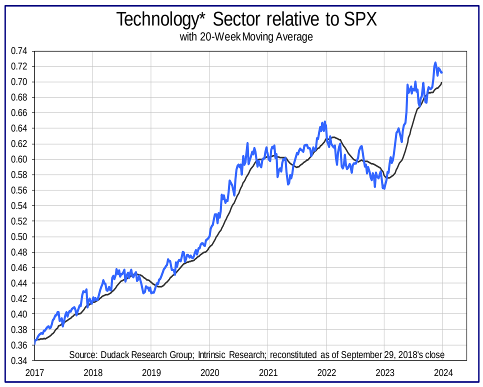
12/20/2023: Upgraded Consumer Discretionary from U to O; Materials and Financials from N to O; REITS from U to N; Downgraded Energy, Staples, and Utilities from O to D.

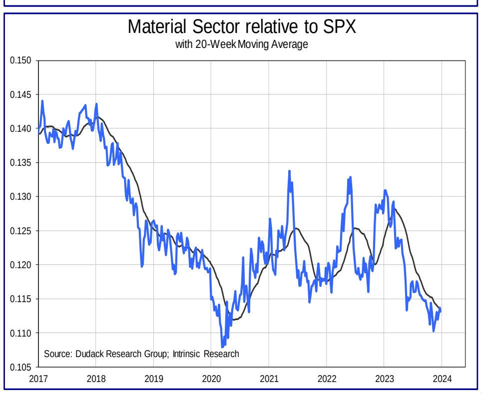


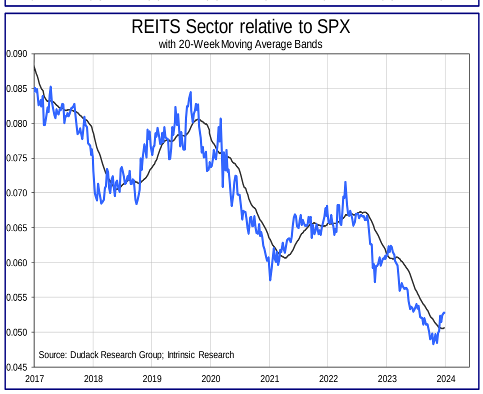


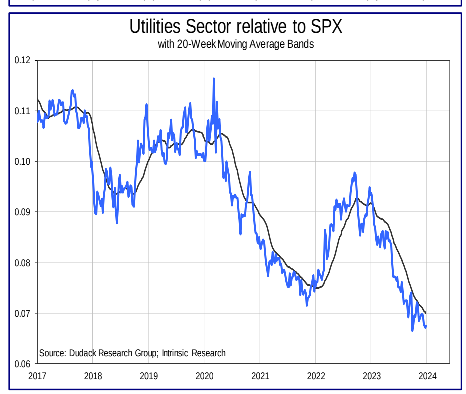


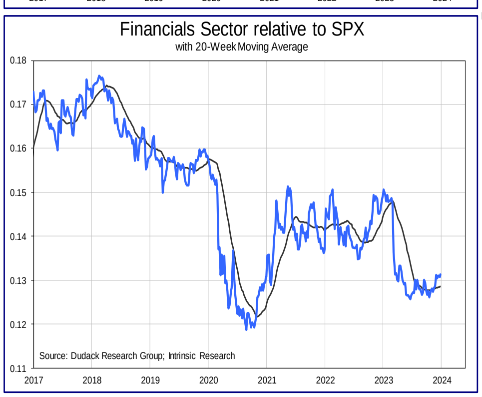






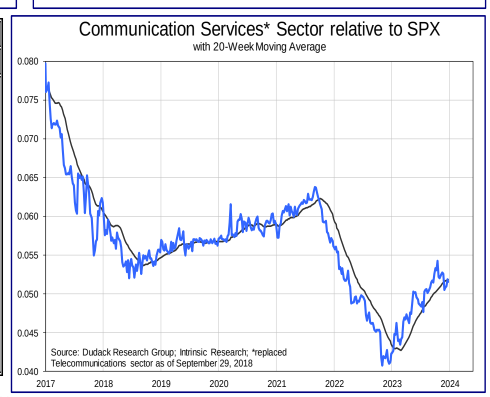






2023 Performance - Ranked	
SP500 Sector	% Change
S&P INFORMATION TECH	56.4%
S&P COMMUNICATIONS SERVICES	54.4%
S&P CONSUMER DISCRETIONARY	41.0%
S&P 500	24.2%
S&P INDUSTRIALS	16.0%
S&P MATERIALS	10.2%
S&P FINANCIAL	9.9%
S&P REITS	8.3%
S&P HEALTH CARE	0.3%
S&P CONSUMER STAPLES	-2.2%
S&P ENERGY	-4.8%
S&P UTILITIES	-10.2%

Source: Dudack 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 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 %
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	4769.83	$193.56	$213.84	$213.00	8.1%	$219.67	0.7%	22.3X	NA	NA	NA	NA
2024E	~~~~~	$220.79	$242.44	$234.00	9.9%	$243.98	11.1%	19.6X	NA	NA	NA	NA
2025E	~~~~~	NA	NA	$255.00	9.0%	$274.59	12.5%		NA	NA	NA	NA
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	$47.65	$52.25	$52.27	3.8%	$58.40	4.2%	20.4	1.6%	4.9%	$2,697.90	-2.1%
2023 4QE	4769.83	$48.92	$54.21	$53.35	5.9%	$54.69	2.9%	22.3	NA	NA	NA	NA
2024 1QE*	4742.83	$51.11	$55.92	$56.88	8.3%	$56.31	6.1%	21.8	NA	NA	NA	NA
2024 2QE	~~~~~	$53.41	$59.55	$56.12	2.3%	$59.98	10.5%	21.4	NA	NA	NA	NA
2024 3QE	~~~~~	$58.06	$63.18	$60.50	15.7%	$63.62	8.9%	20.4	NA	NA	NA	NA
2024 4QE	~~~~~	$58.21	$63.79	$60.50	13.4%	$64.33	17.6%	19.6	NA	NA	NA	NA

Source: DRG; S&P Dow Jones **quarterly EPS may not sum to official CY estimates; LSEG IBES Consensus estimates *1/2/2024

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

Other Disclosures
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