



Dudack Research Group

A Division of Wellington Shields & Co. LLC Member NYSE, FINRA & SIPC

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DJIA: 39291.97  
SPX: 5576.98  
NASDAQ: 18429.29

# US Strategy Weekly

## Liquidity versus Valuation

The S&P 500, the Nasdaq Composite index, and the Wilshire 5000 index all scored record highs this week, purportedly stirred by comments from Fed Chair Jerome Powell during his semi-annual testimony to Congress. This was despite the fact that Powell was clear during his testimony that he was not sending signals about any rate cut and that more good data was needed prior to any rate cut. Still, CME's FedWatch continued to price in 50 basis points of easing this year and a 72% chance for a 25-basis-point cut at the September meeting.

In January, the consensus was expecting eight Fed rate cuts, and this dropped to two. In short, rate cut expectations have fallen well short of earlier forecasts, and in our view, it is evident that Fed rate cuts are not a driving force of the 2024 stock market. Earnings expectations linked to AI growth have been the catalyst for a number of technology stocks, and this has kept the popular averages moving higher.

### LIQUIDITY

The second quarter earnings season begins this week, and good earnings results may be a necessary factor for further gains. Shares of The Goldman Sachs Group, Inc. (GS - \$472.83), JPMorgan Chase & Co. (JPM - \$207.63), Citigroup Inc. (C - \$66.55), and Wells Fargo & Company (WFC - \$59.88) rallied ahead of earnings releases expected from the latter three later this week. Bank stocks may have been boosted by Powell's comments to Congress indicating that regulators should seek additional feedback on the contentious "Basel III Endgame" proposal which would change risk guidelines and hike bank capital requirements. He added that a re-proposal was essential given the significant changes that would be imposed and that this would take time. Since Powell's comments were in line with what the major banks had been asking for, this may have sparked the rally. Nonetheless, gains in banking stocks are always a welcomed factor since it is a favorable sign for the economy and the stock market. But if these gains are to be sustained, earnings results need to be in line with, or better than, expectations.

We noticed that liquidity in the banking sector is at record highs, which is a bit surprising since the Fed has been shrinking its balance sheet. After the mini bank crisis in March 2023, the Federal Reserve returned to its policy of quantitative tightening and since the April 2022 peak of \$9.01 trillion, the Fed's balance sheet is down \$1.7 trillion to \$7.27 trillion. This decline includes a \$1.22 trillion decrease in US Treasury securities, a \$404 billion drop in mortgage-backed securities, and a \$115.5 billion reduction in loans. See page 3.

But despite this shrinkage in the Fed's balance sheet, liquidity in the banking sector remains healthy. Near the end of June, demand deposits, retail money market funds, and small-time deposits were at, or near, record highs. "Other liquid deposits" appear to be most sensitive to the Fed's balance sheet and have declined \$3.5 trillion since their April 2022 peak. However, total assets at all commercial banks were \$25.51 trillion at the end of June, an all-time high. See page 4. Liquidity is a necessary

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

ingredient for any bull market, and it appears that liquidity remains robust despite the Fed's tightening policies.

#### THE ECONOMY

June's employment report was reassuring for investors since it was in line with the consensus. The establishment survey reported 206,000 new jobs and the household survey showed a small 0.1 increase in the unemployment rate to 4.1%. June's total employment of 158.6 million jobs was a new record. The year-over-year growth rate eased to 1.67%, just under the long-term growth rate of 1.7%, but still healthy. Meanwhile, the household survey continues to be weaker than the establishment survey. Total employment of 161.2 million was below the record 161.9 million set in November 2023 and the year-over-year growth rate was 0.12% YOY, fractionally below May's 0.23% YOY pace. Over the last six months, the growth rate in the household survey has been trending toward zero which could be significant and a negative sign for the overall economy. Year-over-year declines in total jobs have been one of the best predictors of an economic recession, as seen in the chart on page 5. Neither survey is there yet, but upcoming job releases will be important.

The good news in June's jobs report was the steady 4% YOY increase in average hourly earnings. This means real hourly earnings grew slightly more than inflation, which is currently at 3.3%. The same was true of weekly earnings, which rose 3.7% YOY to \$1012.69. See page 6.

Last week's ISM manufacturing indices showed broad-based weakness. The ISM service indices, released Wednesday, were surprisingly soft with seven of ten indices coming in below the breakeven 50 level, and nine of ten indices declining for the month. Only the imports index rose from 42.8 to 44.0, but this was still below the 50 neutral level. Business activity was one of the weakest segments of the service industry survey, falling from 61.2 to 49.6. A key takeaway from the ISM surveys was that both employment indices were below 50 in June. Another sign of possible job weakness. See page 7.

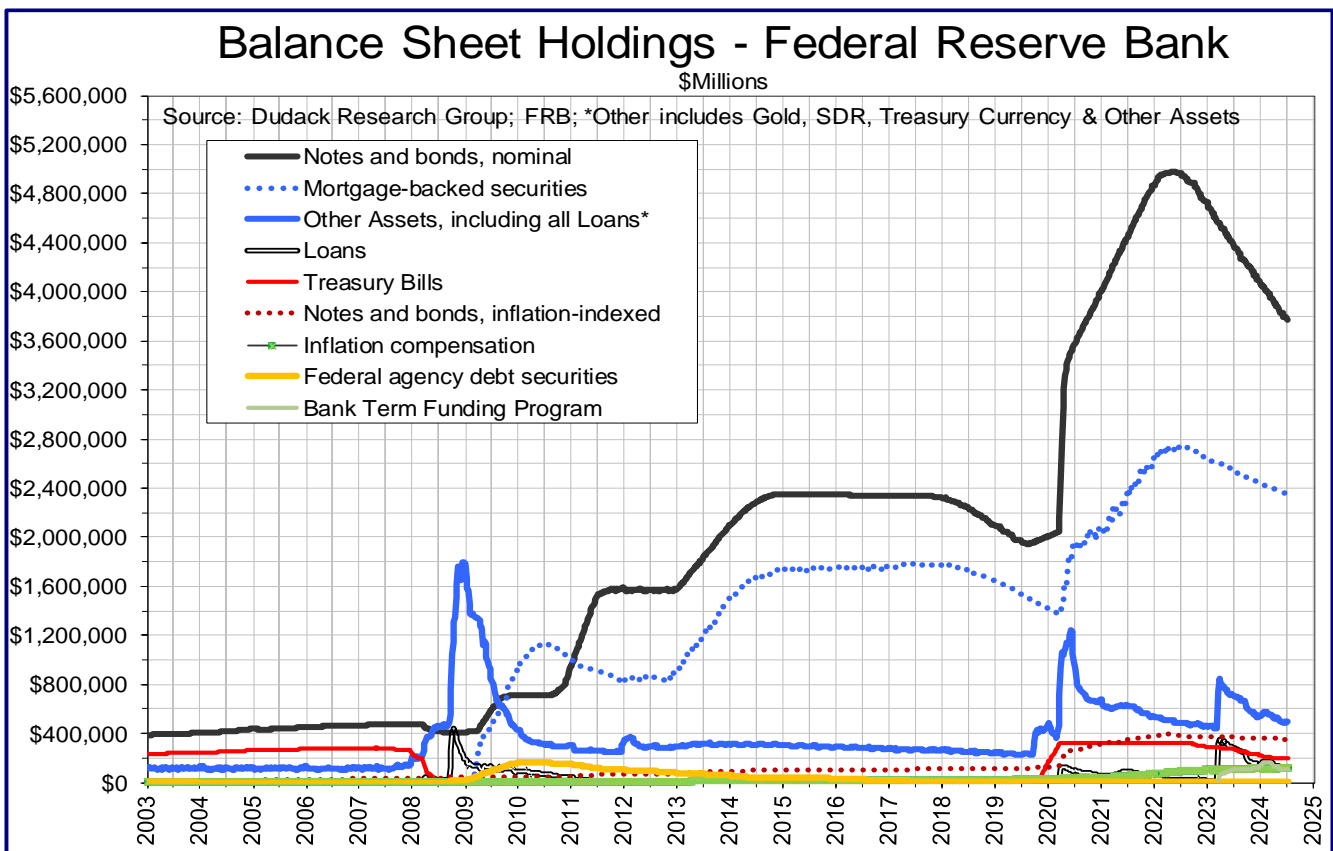
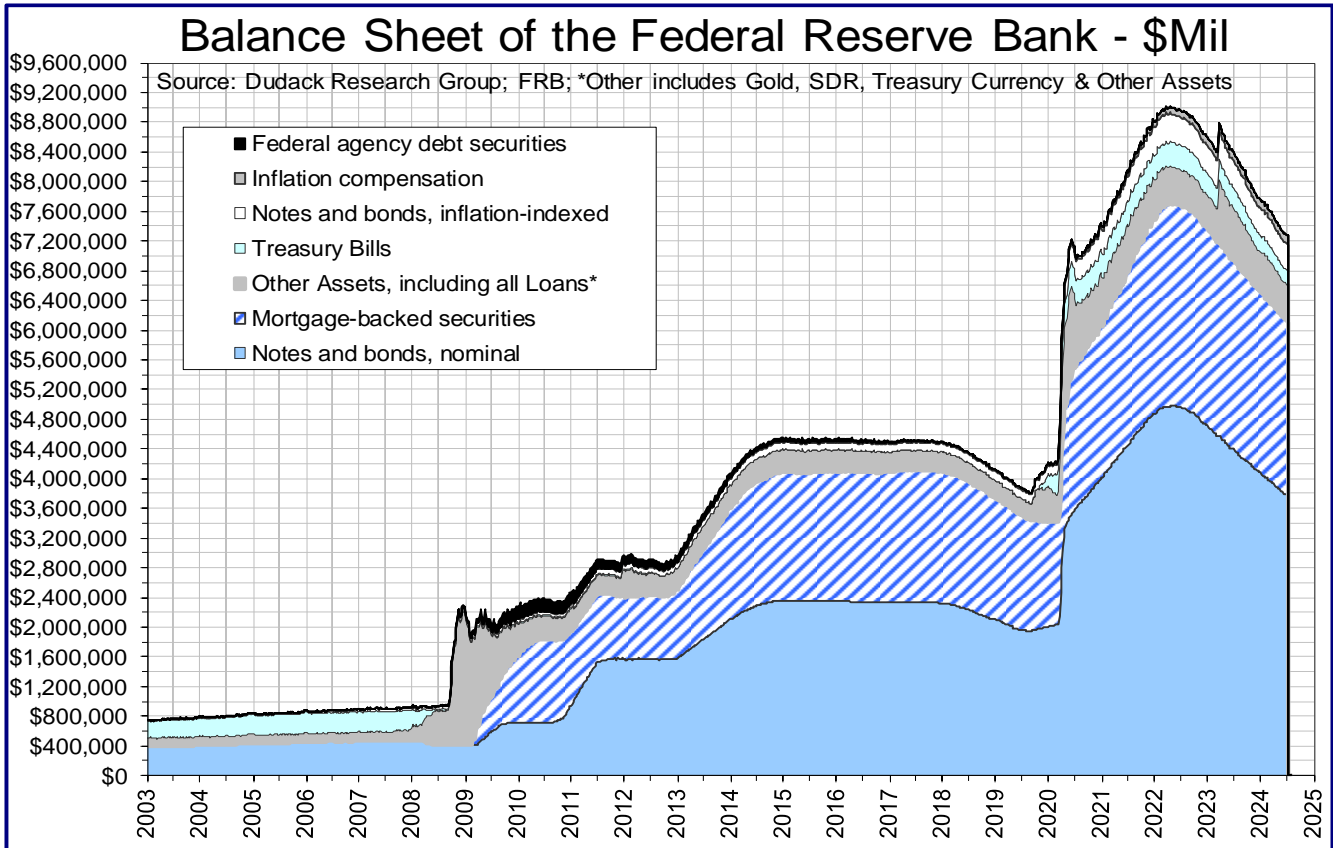
#### TECHNICALS

The Nasdaq Composite index and the S&P 500 recorded all-time highs again this week led by big-cap technology stocks. However, the Dow Jones Industrial Average is 1.8% below its record high on May 17, 2024 and the Russell 2000 index remains 16.9% below its high of 2442.74 made on November 8, 2021. The Russell is still trading below its 50-day and 100-day moving averages this week and the DJIA is trading slightly above its two moving averages. This is not a broad-based advance. See page 10.

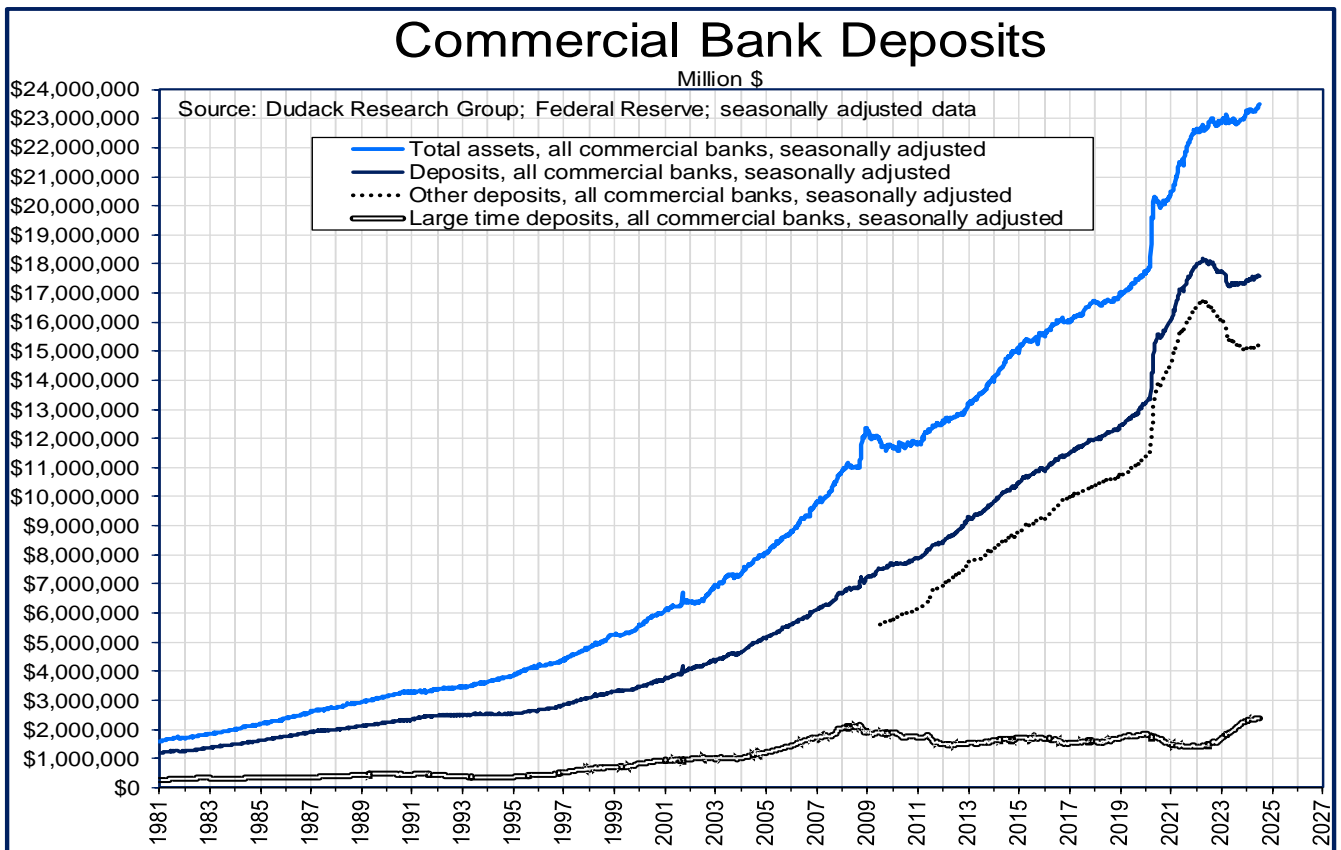
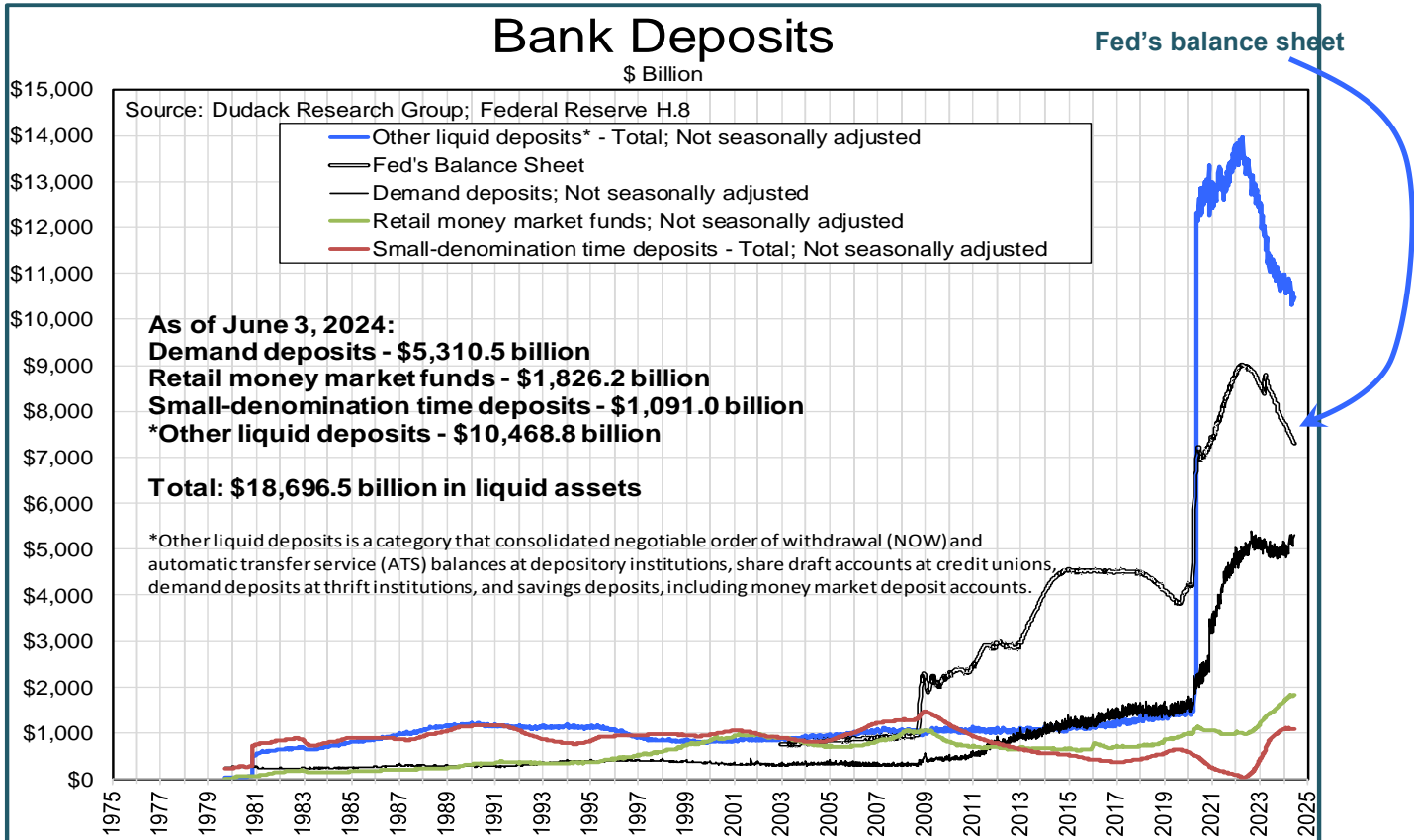
The 25-day up/down volume oscillator is minus 0.82, still in neutral territory, but retreating toward the uptrend in place in this oscillator since the October 2022 low. What this minus 0.82 reading means is that while the S&P 500 and the Nasdaq Composite index continued to score a series of all-time highs, over the last 25 trading sessions there has been slightly more volume in declining stocks than in advancing stocks. This is a bad omen for the market. Bull markets tend to stay overbought for long periods of time in this indicator – a sign of sustained buying pressure. The oscillator was last in overbought territory for four consecutive trading days between May 17 and May 22. Since a minimum of five consecutive trading days in overbought is required to confirm a new high, this indicator has not yet confirmed any of the new highs made in the S&P 500 index and Dow Jones Industrial Average since January. See page 11.

Conversely, the NYSE cumulative advance/decline line did make a new high on July 8, 2024. But while advancing stocks may define the trend of the market, advancing volume defines the strength of the trend. In short, the current rally is falling short of being confirmed. This is worth noting since at current prices the S&P 500 is trading at 25.1 times trailing and 21.3 times forward earnings. Both are extremely rich. See page 8.

After the mini bank crisis in March 2023, the Federal Reserve has been steadily shrinking its balance sheet. And from the April 2022 peak of \$9.01 trillion, the Fed's balance sheet is down \$1.7 trillion to \$7.27 trillion. This decline includes a \$1.22 trillion decrease in US Treasury securities, a \$404 billion drop in mortgage-backed securities, and a \$115.5 billion reduction in loans.



Despite this shrinkage in the Fed's balance sheet, seen below, liquidity in the banking sector remains high. In recent weeks, demand deposits, retail money market funds, and small-time deposits were at, or near, recent highs. "Other liquid deposits" appear to be most sensitive to the Fed's balance sheet and have declined by \$3.5 trillion since their April 2022 peak. Total assets at all commercial banks were \$25.51 trillion at the end of June, a record high.

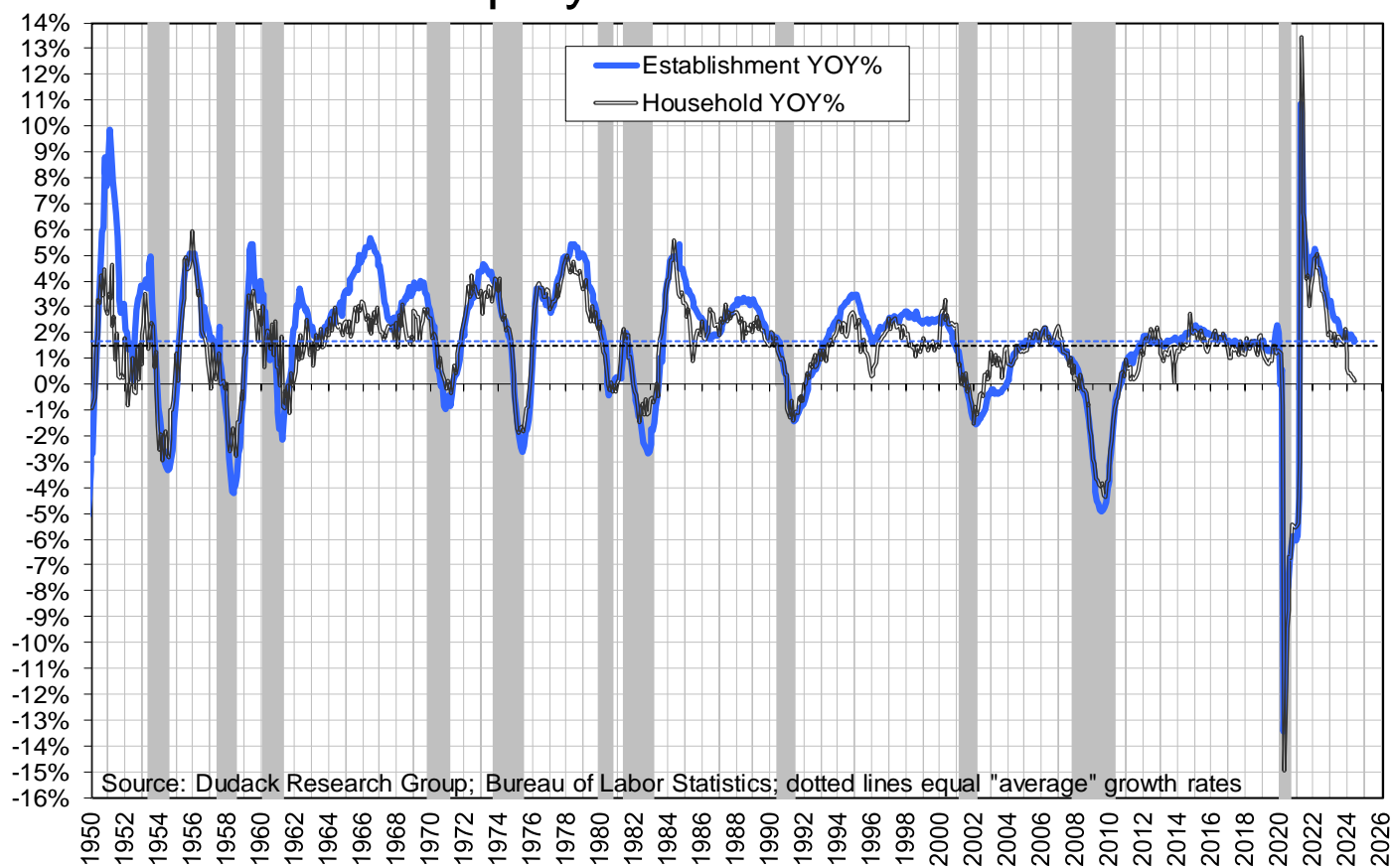


June's employment report was reassuring for investors since it showed a near-consensus increase in the establishment survey of 206,000 jobs and a small 0.1 increase in the unemployment rate to 4.1%. June's 158.6 million total jobs set a new record, while the 3-month moving average of monthly job increases fell to 177,330. The year-over-year growth rate fell to 1.67%, just under the long-term growth rate of 1.7%. The household survey continues to be weaker than the establishment survey. Total employment of 161.2 million was below the record 161.9 million set in November 2023 and the year-over-year growth rate was 0.12% YOY, down from May's 0.23% YOY. The growth rate in the household survey has been trending toward zero for the last six months, which could be significant and a negative sign for the overall economy. Year-over-year declines in total jobs have been one of the best predictors of an economic recession, as seen in the chart below. Neither survey is there yet, but upcoming job releases will be important.

| Employment Surveys (1,000s SA)                | Jun-24         | May-24         | Change     | Jun-23         | Yr/Yr        |
|---|----------------|----------------|------------|----------------|--------------|
| <b>Establishment Survey: NonFarm Payrolls</b> | <b>158,638</b> | <b>158,432</b> | <b>206</b> | <b>156,027</b> | <b>2,611</b> |
| <b>Household Survey Data (1,000s)</b>         |                |                |            |                |              |
| Employed (A)                                  | 161,199        | 161,083        | 116        | 161,004        | 195          |
| Unemployed (B)                                | 6,811          | 6,649          | 162        | 5,997          | 814          |
| Civilian labor force [A+B]                    | 168,010        | 167,732        | 278        | 167,001        | 1,009        |
| Unemployment rate [B/(A+B)]                   | 4.05%          | 3.96%          | 0.09%      | 3.6%           | 0.5%         |
| U6 Unemployment rate                          | 7.4%           | 7.4%           | 0.0%       | 6.9%           | 0.5%         |
| Civilian noninstitutional population (C)      | 268,438        | 268,248        | 190        | 266,801        | 1,637        |
| Participation rate [(A+B)/C]                  | 62.6           | 62.5           | 0.1        | 62.6           | 0            |
| Employment-population ratio [A/C]             | 60.1           | 60.1           | 0.0        | 60.3           | -0.2         |
| Not in labor force                            | 100,429        | 99,849         | 580        | 99,801         | 628          |

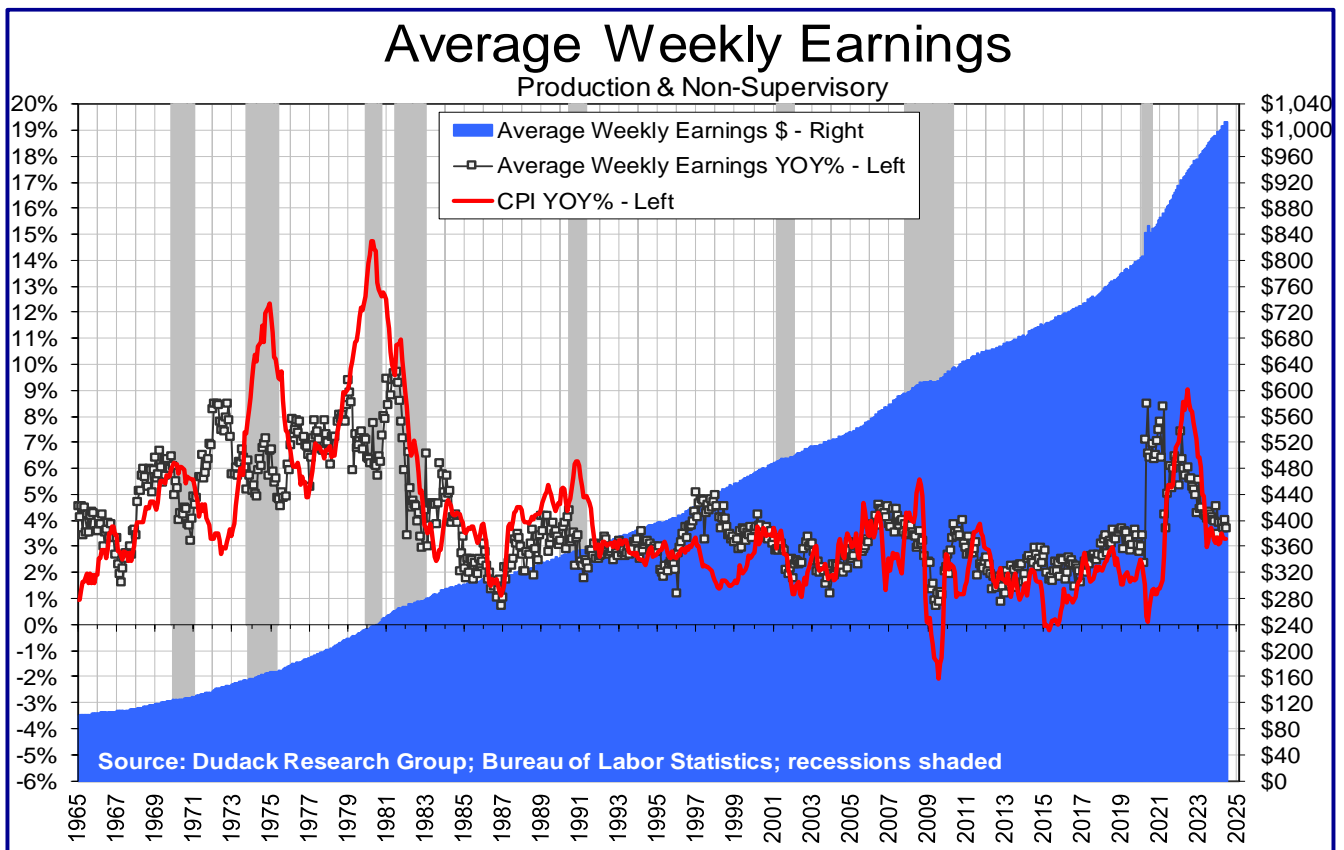
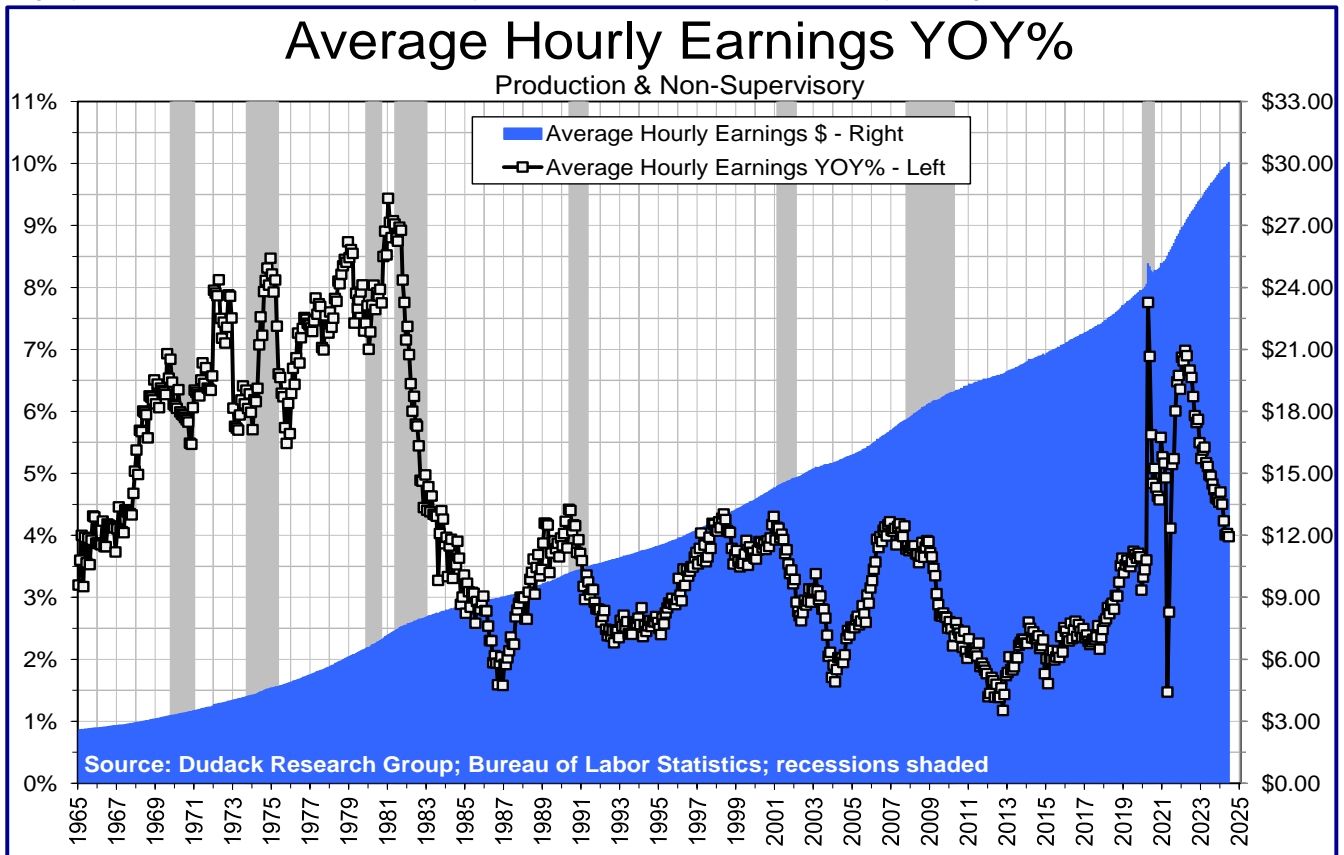
Source: Bureau of Labor Statistics

## Employment Growth YOY%



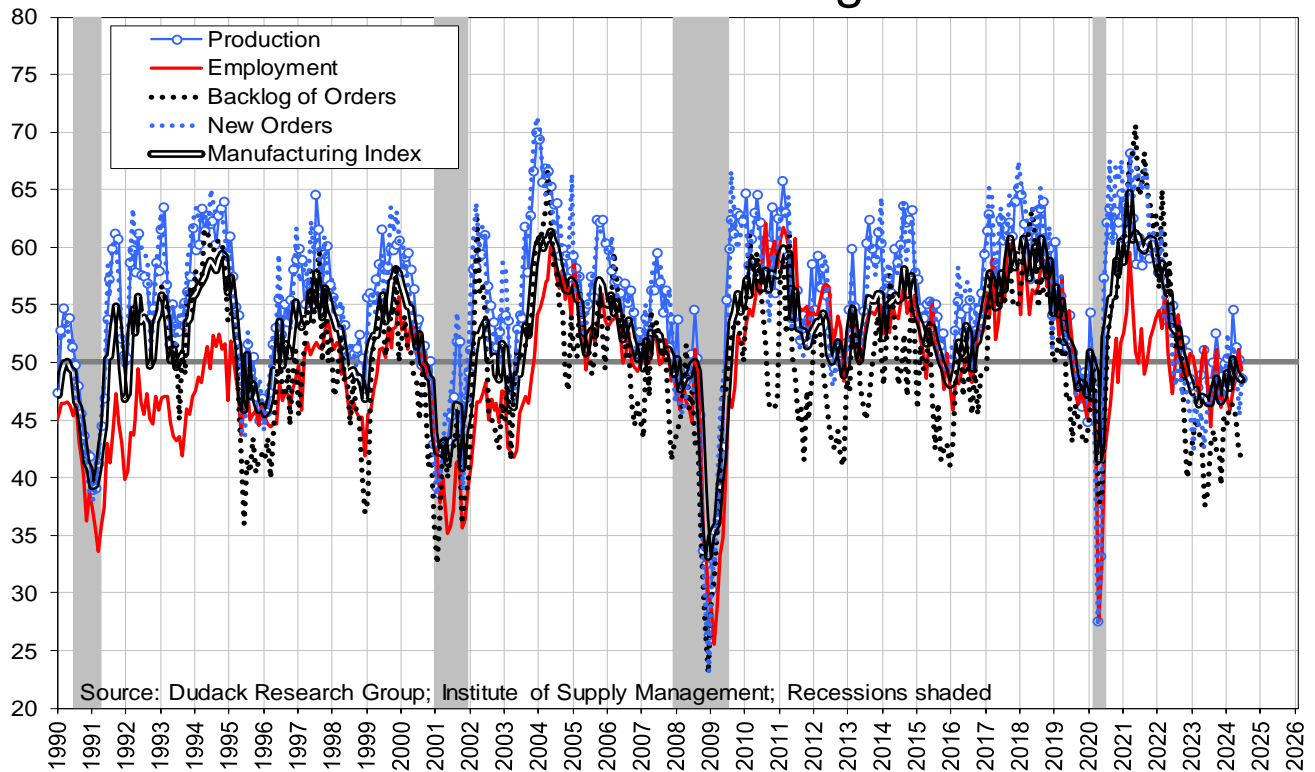


The good news in June's jobs report was the steady 4% YOY increase in average hourly earnings. This means that real hourly earnings grew slightly more than inflation, which is currently at 3.3%. The same was true of weekly earnings, which rose 3.7% YOY to \$1012.69.

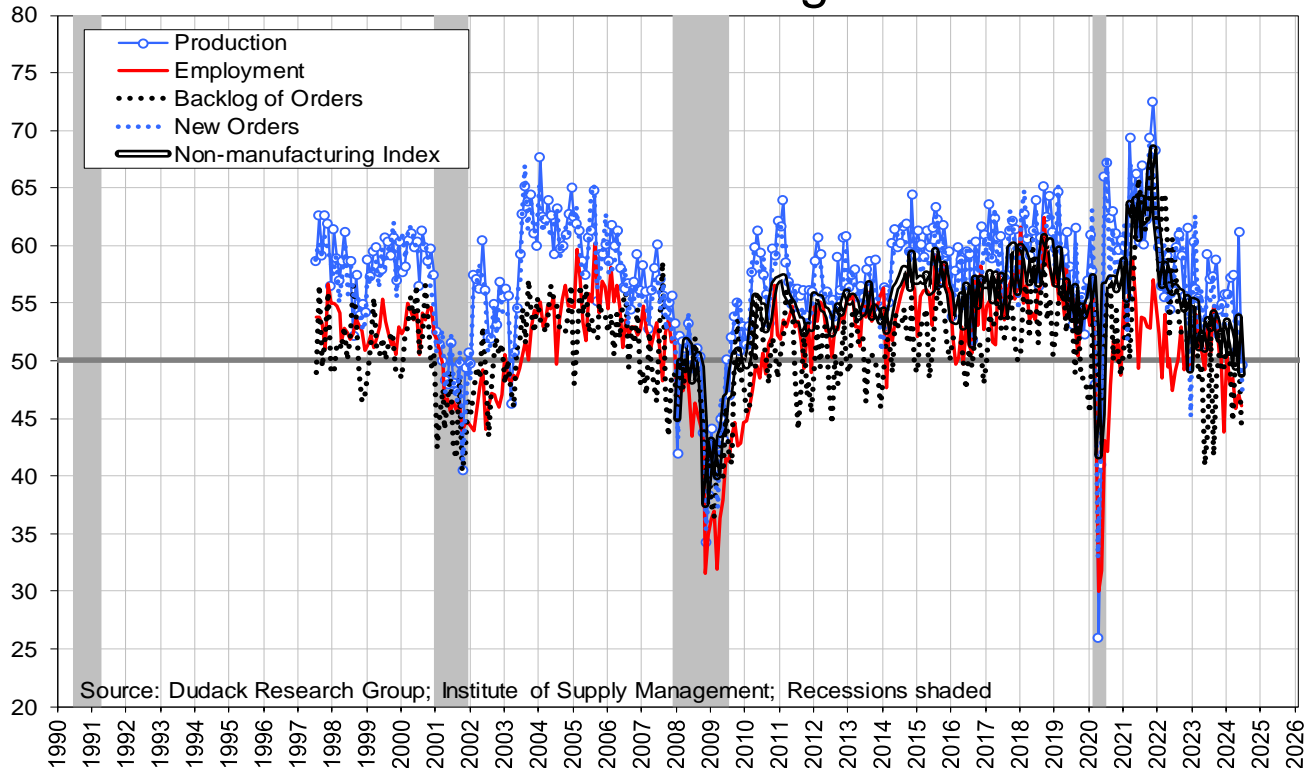


ISM manufacturing indices were released last week and were anemic across the board. The service indices, released Wednesday, were surprisingly soft with 7 of 10 indices coming in below the breakeven 50 level, and 9 of 10 indices falling for the month. Only imports rose from 42.8 to 44.0, but this was still below the 50 neutral level. Business activity was one of the weakest parts of the service industry survey, falling from 61.2 to 49.6. A key element of both surveys was that the employment index was below 50 in June.

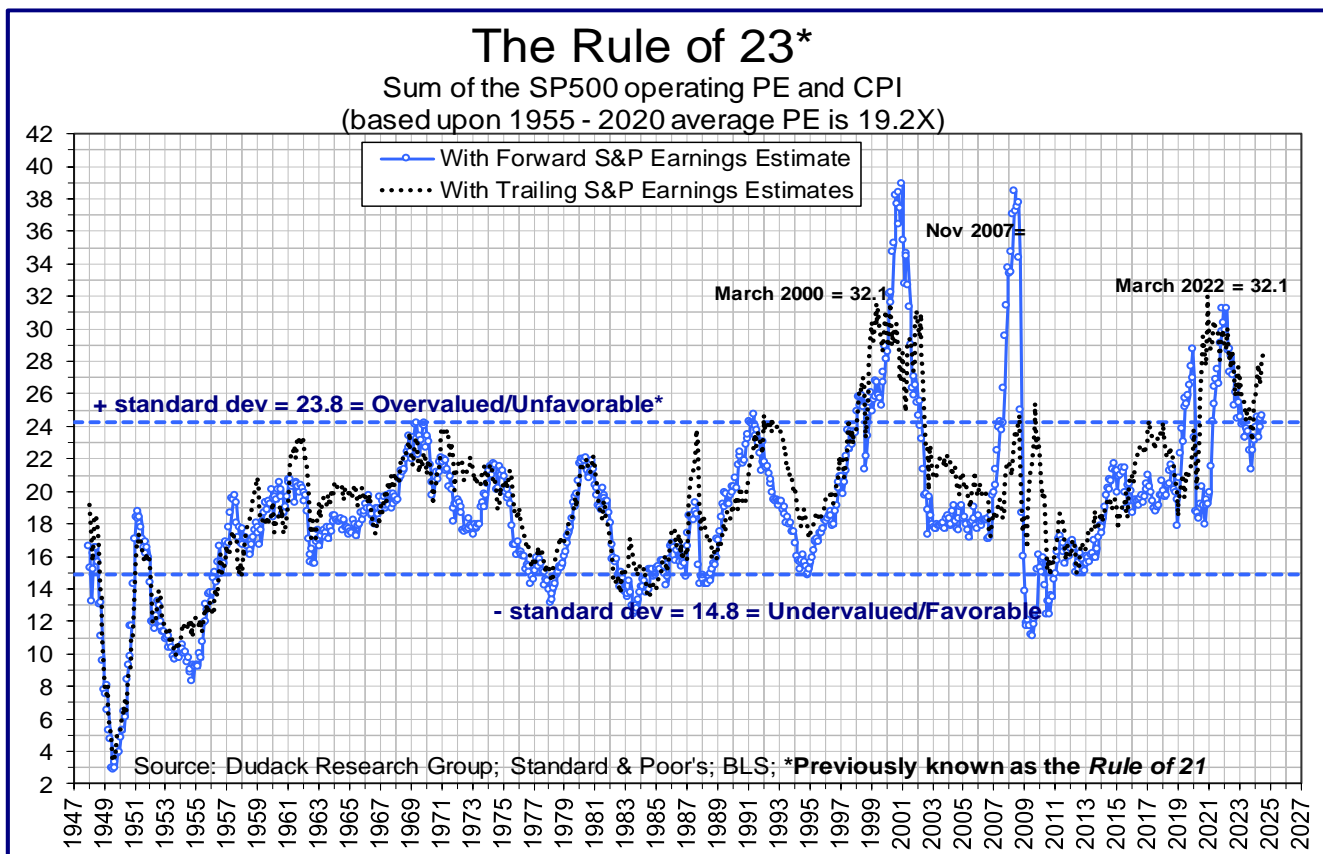
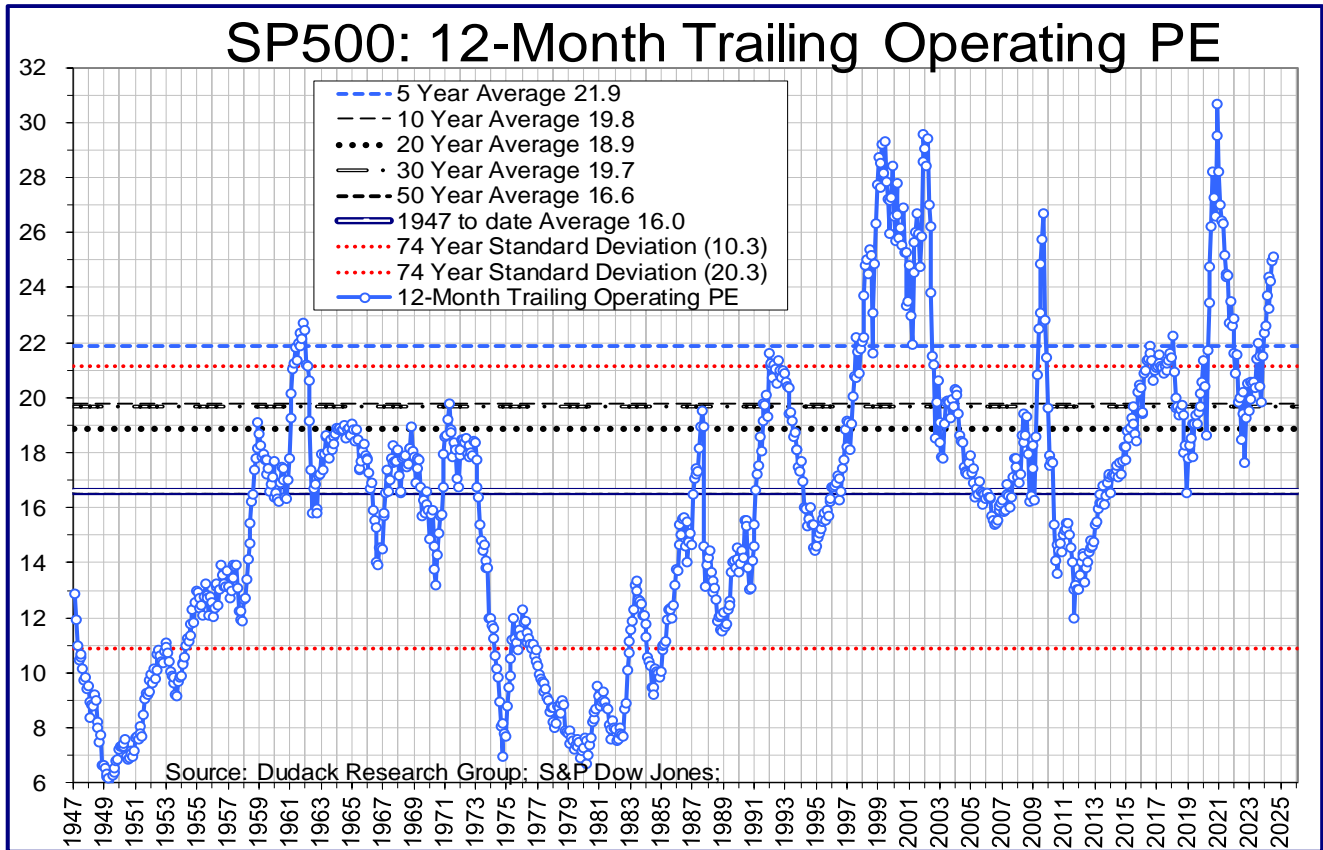
## ISM Manufacturing Indices



## ISM Non-manufacturing Indices

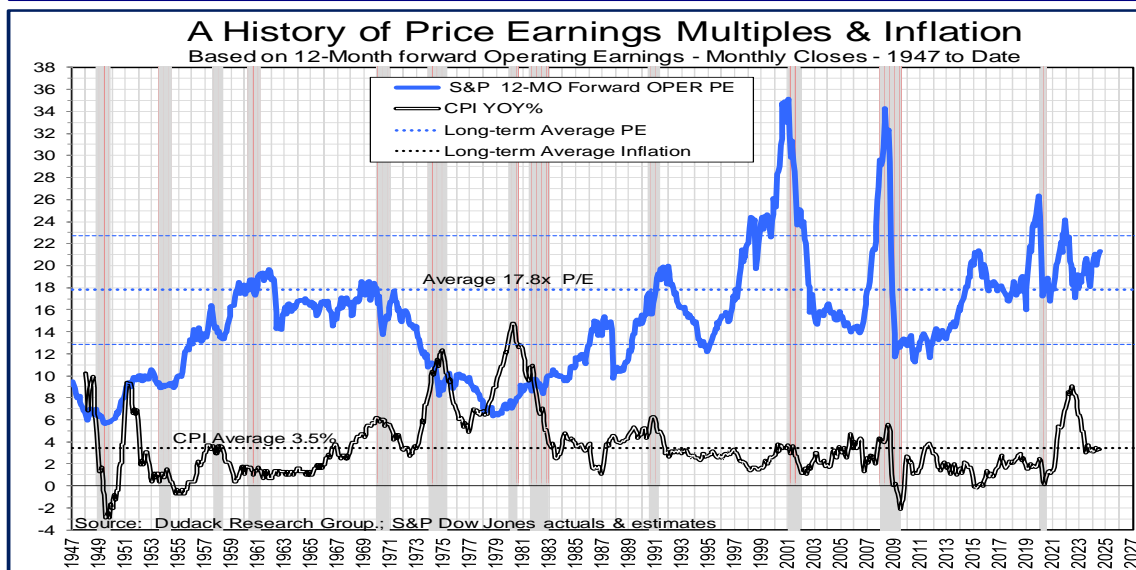
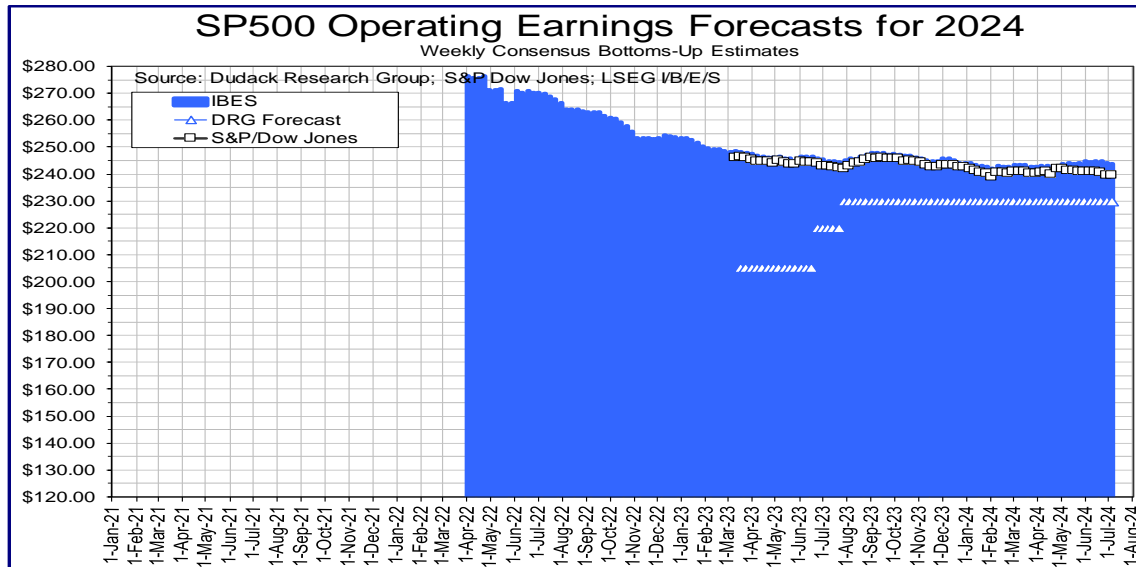
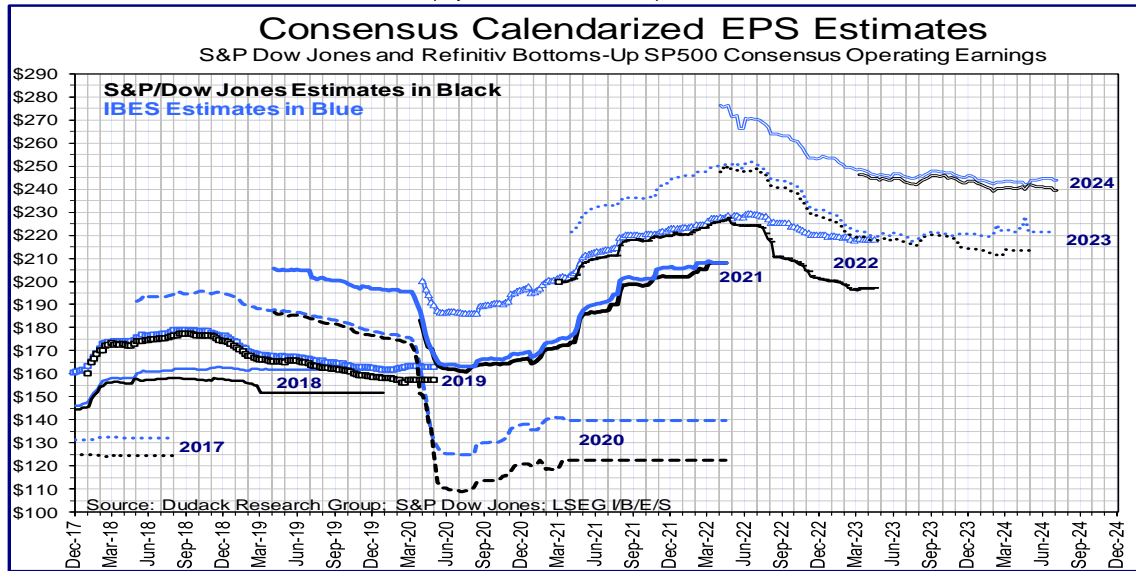


The SPX **trailing** 4-quarter operating multiple is now 25.1 times and well above all long- and short-term averages. The **12-month forward** PE multiple is 21.3 times and when added to inflation of 3.3% sums to 24.4, and above the top of the normal range of 23.8. By all measures, the equity market is at valuations seen only during the 1997-2000 bubble, the financial crisis of 2008, or the post-COVID-19 earnings slump.

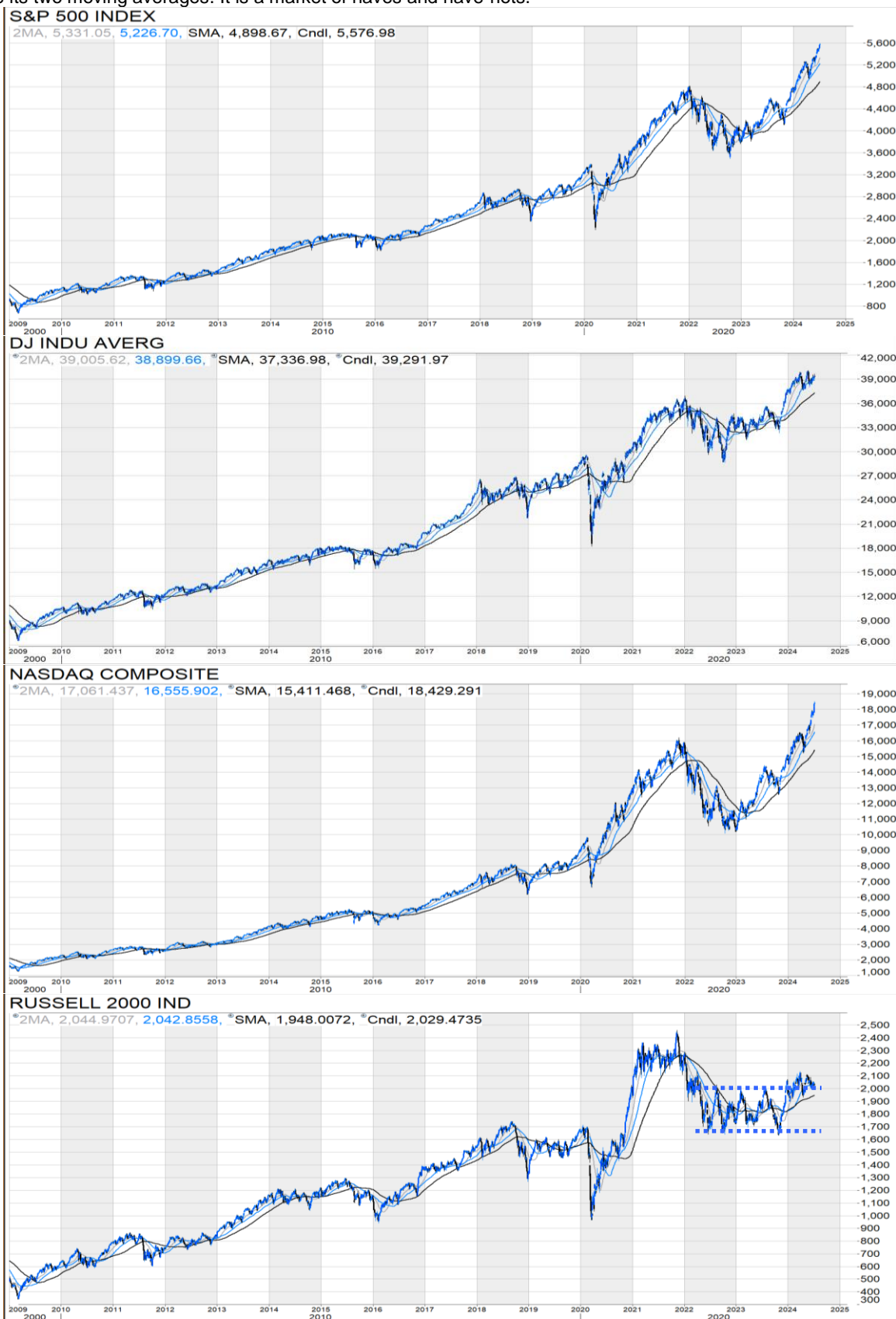




The S&P Dow Jones consensus estimate for calendar 2024 is \$239.38, down \$0.27, and the 2025 estimate is \$276.21, down \$0.08 this week, as optimism about next year's earnings continues. The LSEG IBES estimate for 2024 is \$243.81, down \$0.25 and for 2025 is \$278.48, down \$0.24. The IBES guesstimate for 2026 EPS fell for the first time it was initiated in April, down \$1.04 to \$316.18. Based upon the IBES EPS estimate for calendar 2024, equities remain overvalued with a PE of 22.9 times and inflation of 3.3%. This sum of 26.2 is above the 23.8 level that defines an overvalued equity market. Note: based upon the S&P estimate, the 2024 PE is 23.3 times.



The Nasdaq Composite index and the S&P 500 recorded all-time highs again this week led by big-cap technology stocks. The Dow Jones Industrial Average is 1.8% below its record high on May 17, 2024 and the Russell 2000 index remains 16.9% below its high of 2442.74 made on November 8, 2021. The Russell is still trading below its 50-day and 100-day moving averages this week and the DJIA is trading slightly above its two moving averages. It is a market of haves and have-nots.



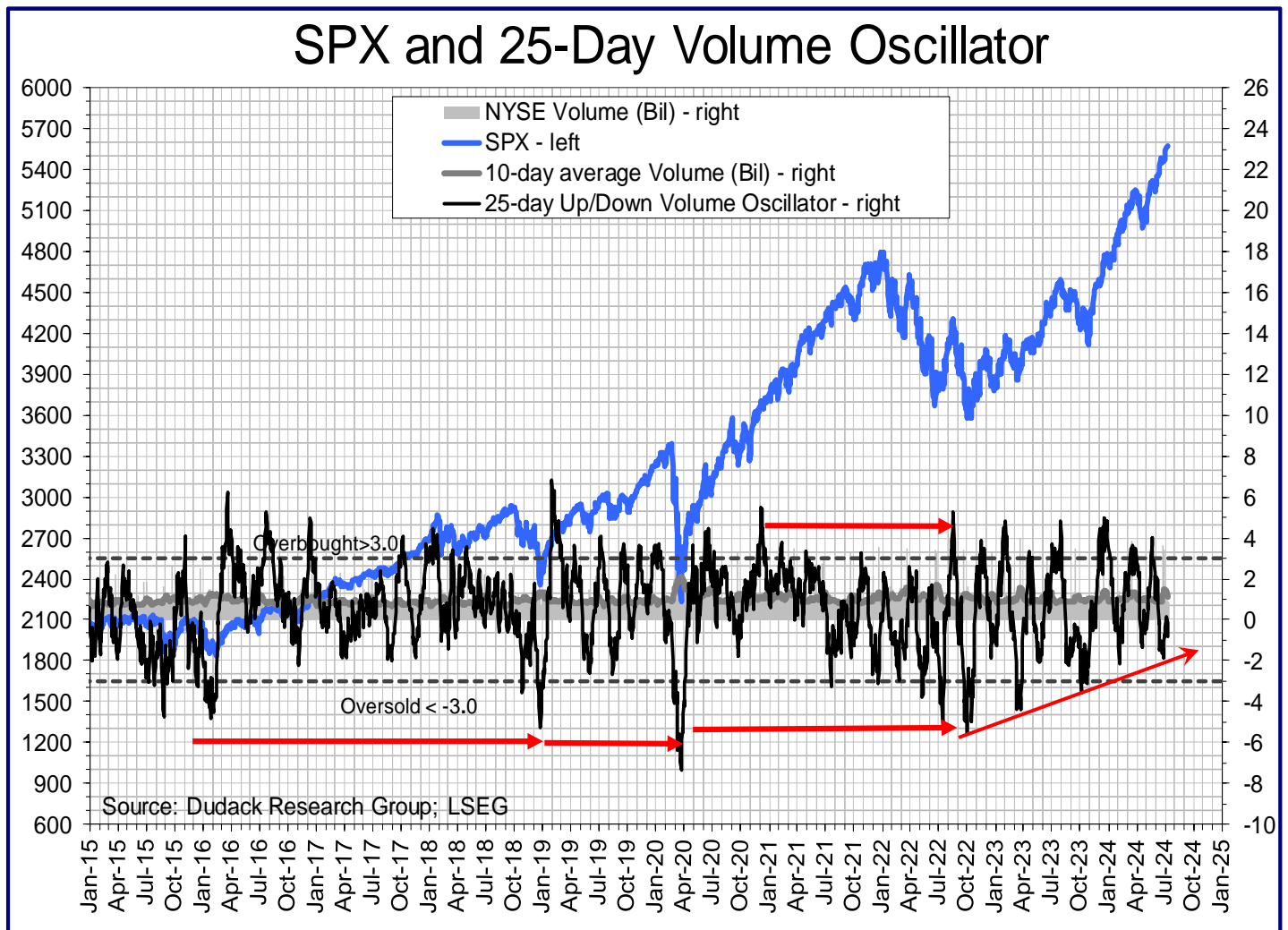
Source: Refinitiv

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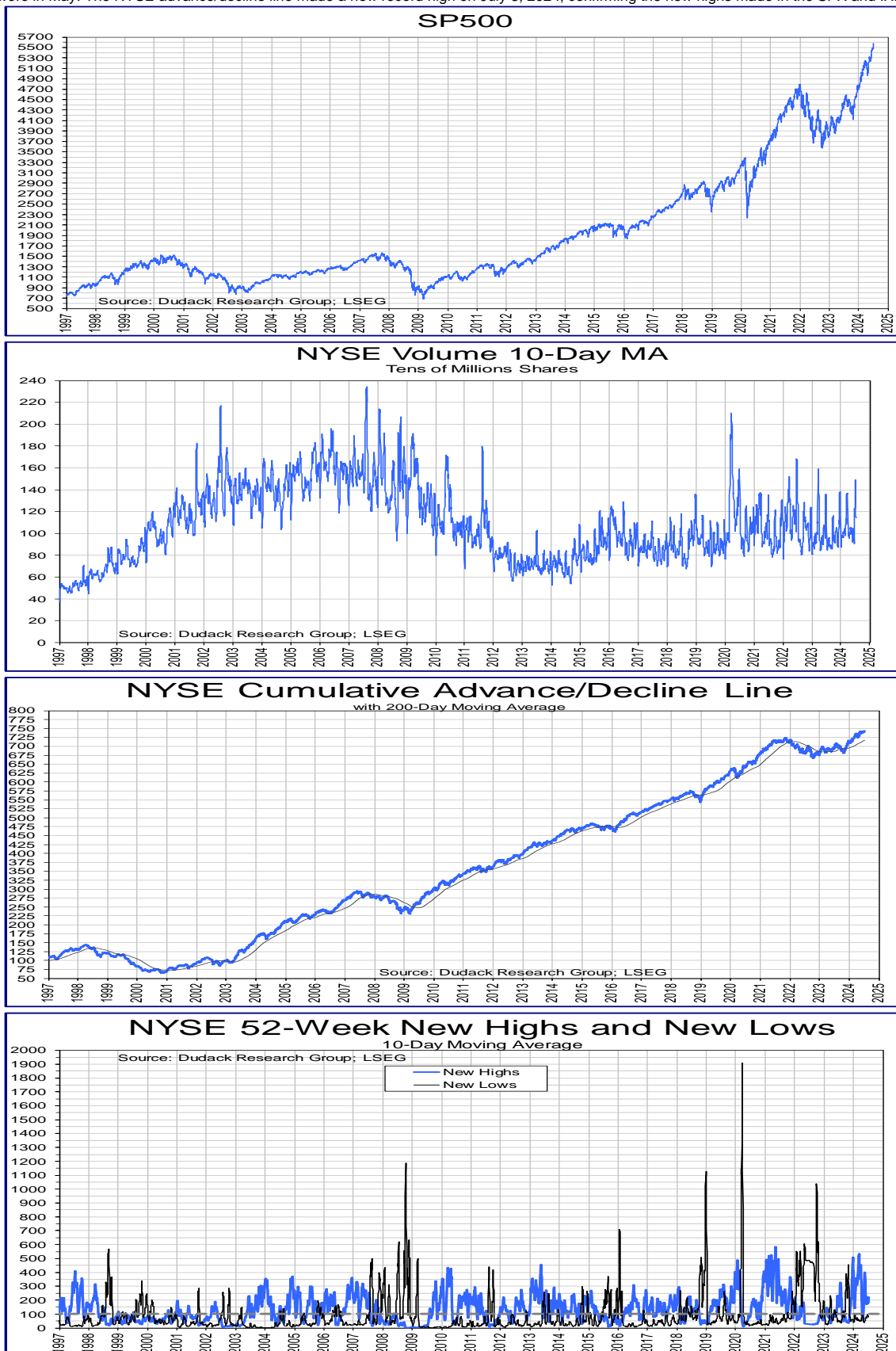
Previous overbought readings in the oscillator were seen for two consecutive days on March 13 and 14, on March 20 and 21, and for three consecutive trading days on March 27, March 28, and April 1. These overbought readings followed the string in early January when the oscillator recorded readings of 3.0 or higher during 22 of 25 consecutive trading days ending January 5. This January reading was the last time this indicator confirmed the new highs in the indices.

The NYSE volume last generated a 90% up day on December 13, 2023, but did score 90% down-volume days on April 12, February 13, and December 20, 2023. In short, it has been a strong advance in terms of points, but weak in terms of upside buying pressure.

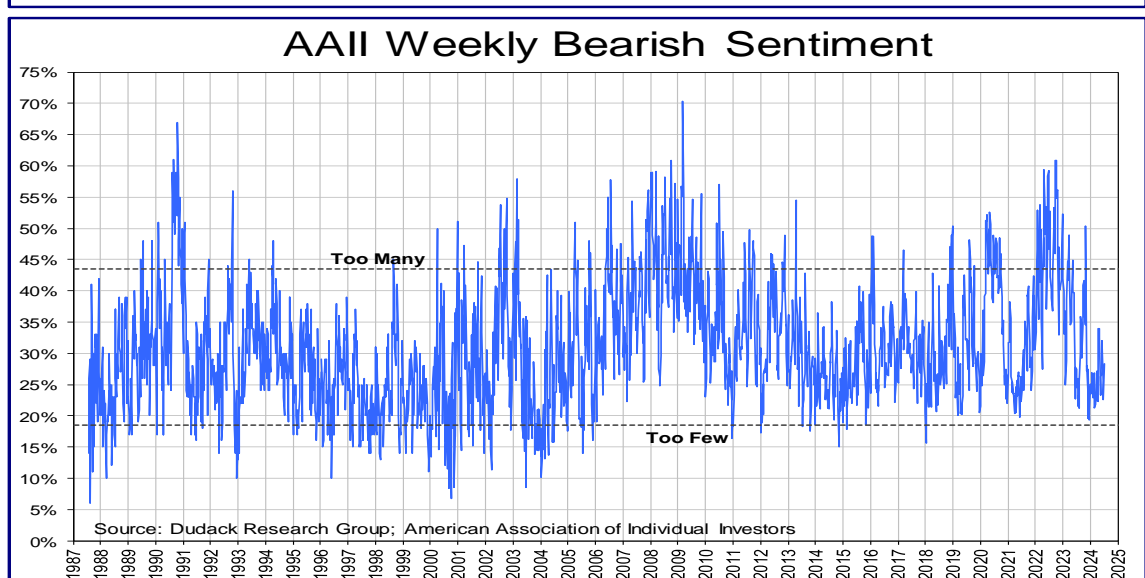
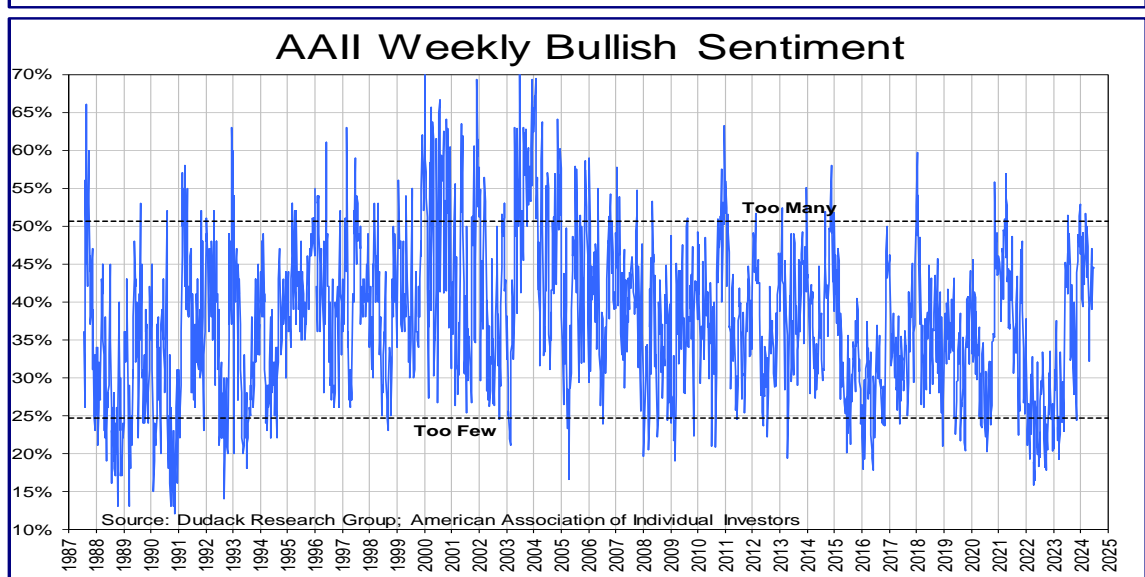
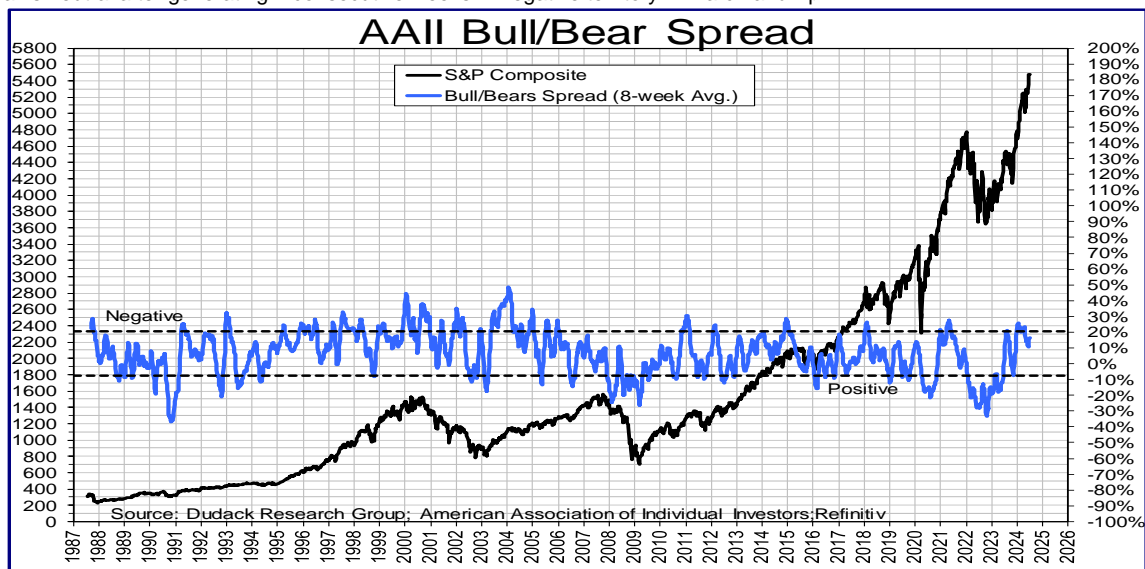
If the rally which began in October actually represents a new bull market advance, it should have also included several extreme overbought readings of 5.0 or better, which are typical of the first stage of a major advance. This has been absent and represents, to date, a lack of persistent buying pressure.



The 10-day average of daily new highs is 222 and new lows are 84. This combination of new highs above 100 and new lows below 100 is positive, but the numbers are less bullish than they were in May. The NYSE advance/decline line made a new record high on July 8, 2024, confirming the new highs made in the SPX and IXIC recently.



Last week's AAI readings showed neutral sentiment decreased while bullishness fell 2.8% to 41.7% and bearishness fell 2.2% to 26.1%. However, bullishness remains above average, and bearishness remains below the average of 31%. On December 13, 2023, bearishness was 19.6%, its lowest level since the January 3, 2018 reading of 15.6% when bullishness was also high and above the 50% benchmark at 51.3%. The 8-week bull/bear rose to 16.3% and remains neutral after generating 7 consecutive weeks in negative territory in March and April.





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

| Index/EFT                                      | Symbol      | Price           | 5-Day%       | 20-Day%     | QTD%         | YTD%         |
|--|-------------|-----------------|--------------|-------------|--------------|--------------|
| iShares Silver Trust                           | SLV         | 29.43           | 4.2%         | 5.5%        | 5.7%         | 29.2%        |
| Silver Future                                  | Slc1        | 30.77           | 4.8%         | 4.9%        | 5.3%         | 29.0%        |
| iShares Russell 1000 Growth ETF                | IWF         | 378.95          | 2.2%         | 7.9%        | 4.0%         | 25.0%        |
| Nasdaq Composite Index Tracking Stock          | ONEQ.O      | 72.55           | 2.3%         | 7.5%        | 3.7%         | 22.5%        |
| iShares MSCI Taiwan ETF                        | EWT         | 56.09           | 3.2%         | 9.6%        | 3.5%         | 21.9%        |
| Technology Select Sector SPDR                  | XLK         | 234.28          | 2.3%         | 8.7%        | 3.6%         | 21.7%        |
| <b>NASDAQ 100</b>                              | <b>NDX</b>  | <b>20453.02</b> | <b>2.2%</b>  | <b>7.6%</b> | <b>3.9%</b>  | <b>21.6%</b> |
| Communication Services Select Sector SPDR Fund | XLC         | 87.24           | 1.4%         | 3.4%        | 1.8%         | 20.1%        |
| United States Oil Fund, LP                     | USO         | 79.77           | -1.7%        | 9.2%        | 0.2%         | 19.7%        |
| <b>SP500</b>                                   | <b>.SPX</b> | <b>5576.98</b>  | <b>1.2%</b>  | <b>4.3%</b> | <b>2.1%</b>  | <b>16.9%</b> |
| iShares MSCI India ETF                         | INDA.K      | 56.85           | 1.2%         | 5.3%        | 1.9%         | 16.5%        |
| iShares Russell 1000 ETF                       | IWB         | 303.37          | 1.1%         | 3.8%        | 2.0%         | 15.7%        |
| SPDR S&P Semiconductor ETF                     | XSD         | 259.18          | 3.0%         | 6.1%        | 4.7%         | 15.3%        |
| SPDR Gold Trust                                | GLD         | 218.56          | 1.4%         | 3.3%        | 1.7%         | 14.3%        |
| Oil Future                                     | CLc1        | 81.41           | -1.7%        | 7.8%        | -0.2%        | 13.6%        |
| Financial Select Sector SPDR                   | XLF         | 41.75           | 0.2%         | 0.7%        | 1.6%         | 11.0%        |
| iShares China Large Cap ETF                    | FXI         | 26.50           | 0.3%         | 0.0%        | 2.0%         | 10.3%        |
| iShares MSCI Japan ETF                         | EWJ         | 70.00           | 1.7%         | 1.8%        | 2.6%         | 9.1%         |
| iShares MSCI Emerg Mkts ETF                    | EEM         | 43.82           | 2.3%         | 4.2%        | 2.9%         | 9.0%         |
| Utilities Select Sector SPDR                   | XLU         | 68.82           | 1.2%         | -1.6%       | 1.0%         | 8.7%         |
| iShares MSCI Malaysia ETF                      | EWM         | 22.86           | 1.2%         | -0.7%       | 1.8%         | 7.6%         |
| iShares MSCI BRIC ETF                          | BKF         | 36.59           | 1.1%         | 1.3%        | 2.0%         | 7.0%         |
| Consumer Staples Select Sector SPDR            | XLP         | 77.06           | 0.6%         | -0.8%       | 0.6%         | 7.0%         |
| iShares MSCI United Kingdom ETF                | EWU         | 35.16           | 0.8%         | -2.1%       | 0.8%         | 6.4%         |
| Vanguard FTSE All-World ex-US ETF              | VEU         | 59.69           | 1.3%         | 0.4%        | 1.8%         | 6.3%         |
| Health Care Select Sect SPDR                   | XLV         | 144.95          | 0.4%         | -1.0%       | -0.5%        | 6.3%         |
| Consumer Discretionary Select Sector SPDR      | XLY         | 190.02          | 1.8%         | 7.0%        | 4.2%         | 6.3%         |
| Industrial Select Sector SPDR                  | XLI         | 120.84          | -0.3%        | -1.2%       | -0.8%        | 6.0%         |
| Energy Select Sector SPDR                      | XLE         | 88.76           | -2.6%        | -1.4%       | -2.6%        | 5.9%         |
| iShares MSCI Singapore ETF                     | EWS         | 19.73           | 1.8%         | 1.9%        | 2.8%         | 5.5%         |
| iShares MSCI EAFE ETF                          | EFA         | 79.37           | 0.9%         | -2.3%       | 1.3%         | 5.3%         |
| iShares Russell 1000 Value ETF                 | IWD         | 173.96          | 0.0%         | -0.9%       | -0.3%        | 5.3%         |
| Gold Future                                    | GCc1        | 2860.10         | 0.2%         | 0.8%        | 0.2%         | 5.0%         |
| PowerShares Water Resources Portfolio          | PHO         | 63.83           | -0.2%        | -2.2%       | -1.7%        | 4.9%         |
| SPDR DJIA ETF                                  | DIA         | 392.94          | -0.1%        | 1.1%        | 0.5%         | 4.3%         |
| <b>DJIA</b>                                    | <b>.DJI</b> | <b>39291.97</b> | <b>-0.1%</b> | <b>1.3%</b> | <b>0.4%</b>  | <b>4.3%</b>  |
| iShares MSCI South Korea Capped ETF            | EWY         | 68.13           | 3.0%         | 7.0%        | 3.1%         | 4.0%         |
| iShares Russell 2000 Growth ETF                | IWO         | 261.74          | 0.2%         | 0.9%        | -0.3%        | 3.8%         |
| iShares MSCI Germany ETF                       | EWG         | 30.80           | 0.9%         | -3.6%       | 0.6%         | 3.7%         |
| iShares MSCI Austria Capped ETF                | EWO         | 22.31           | 0.5%         | -3.9%       | 2.1%         | 3.2%         |
| SPDR Homebuilders ETF                          | XHB         | 98.59           | 0.2%         | -3.1%       | -2.5%        | 3.1%         |
| iShares MSCI Canada ETF                        | EWC         | 37.54           | 0.6%         | 0.2%        | 1.2%         | 2.3%         |
| iShares Nasdaq Biotechnology ETF               | IBB.O       | 138.86          | 2.1%         | 1.6%        | 1.2%         | 2.2%         |
| Materials Select Sector SPDR                   | XLB         | 87.26           | 0.2%         | -2.8%       | -1.2%        | 2.0%         |
| iShares MSCI Australia ETF                     | EWA         | 24.77           | 1.4%         | 0.1%        | 1.4%         | 1.8%         |
| SPDR S&P Retail ETF                            | XRT         | 73.22           | -0.6%        | -3.7%       | -2.3%        | 1.2%         |
| SPDR S&P Bank ETF                              | KBE         | 46.22           | -1.2%        | 2.6%        | -0.4%        | 0.4%         |
| <b>iShares Russell 2000 ETF</b>                | <b>IWM</b>  | <b>201.40</b>   | <b>-0.2%</b> | <b>0.1%</b> | <b>-0.7%</b> | <b>0.3%</b>  |
| Shanghai Composite                             | .SSEC       | 2959.37         | -1.3%        | -3.0%       | -0.3%        | -0.5%        |
| iShares DJ US Oil Eqpt & Services ETF          | IEZ         | 21.46           | -2.8%        | 1.1%        | -3.6%        | -2.1%        |
| iShares iBoxx \$ Invest Grade Corp Bond        | LQD         | 107.93          | 1.1%         | 0.9%        | 0.8%         | -2.5%        |
| iShares Russell 2000 Value ETF                 | IWN         | 150.59          | -0.6%        | -0.8%       | -1.1%        | -3.1%        |
| iShares US Real Estate ETF                     | IYR         | 87.76           | 0.6%         | 1.5%        | 0.0%         | -4.0%        |
| iShares US Telecomm ETF                        | IYZ         | 21.65           | -0.5%        | 1.0%        | -0.3%        | -4.9%        |
| iShares 20+ Year Treas Bond ETF                | TLT         | 92.35           | 1.9%         | 0.9%        | 0.6%         | -6.6%        |
| iShares MSCI Mexico Capped ETF                 | EWX         | 58.98           | 4.6%         | 3.0%        | 4.2%         | -13.1%       |
| iShares MSCI Hong Kong ETF                     | EWH         | 15.07           | -1.8%        | -8.7%       | -1.5%        | -13.2%       |
| iShares MSCI Brazil Capped ETF                 | EWZ         | 28.79           | 6.0%         | 0.1%        | 5.3%         | -17.6%       |

Outperformed SP500

Underperformed SP500

Source: Dudack Research Group; Refinitiv

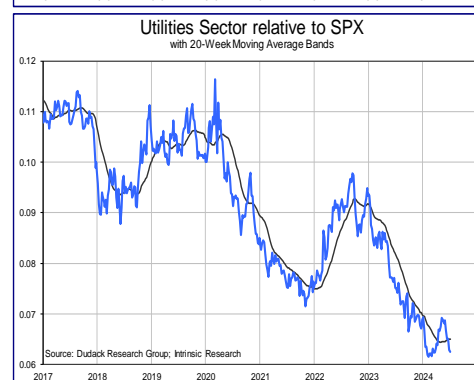
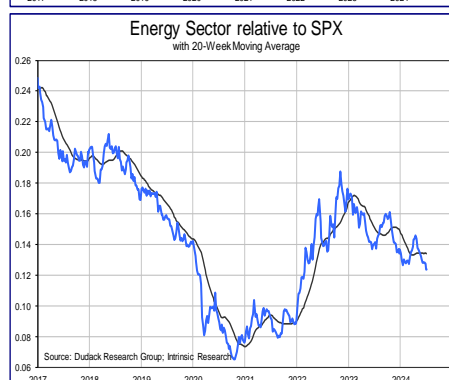
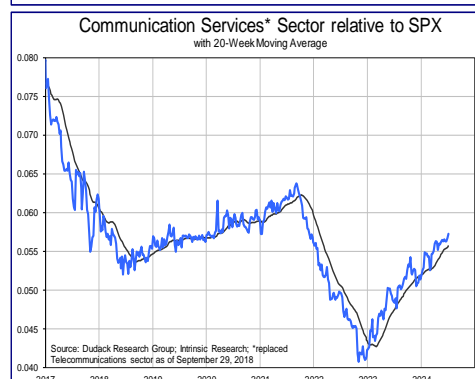
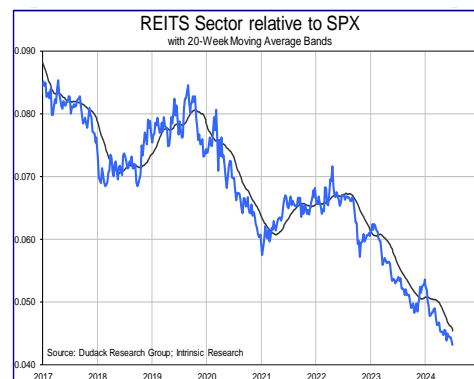
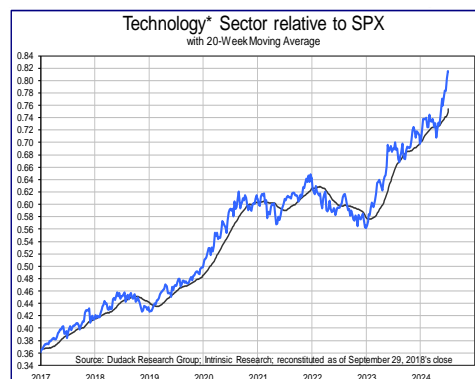
Priced as of July 9, 2024

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

## DRG Recommended Sector Weights

| Overweight   |  | Neutral  |  | Underweight                     |
|--|--|--|--|---------------------------------|
| Communication Services<br>Technology<br>Healthcare<br>Financials |  | Consumer Discretionary<br>Staples<br>Energy<br>Industrials |  | REITS<br>Materials<br>Utilities |

2/6/2024: Upgraded Communication Services from U to O; Technology & Healthcare from N to O; Downgraded Industrials & Consumer Discretionary from O to N; Materials downgraded from O to U. Staples & Energy upgraded to N.



| 2024 Performance - Ranked   |          |
|-----------------------------|----------|
| SP500 Sector                | % Change |
| S&P INFORMATION TECH        | 33.7%    |
| S&P COMMUNICATIONS SERVICES | 29.8%    |
| S&P 500                     | 16.9%    |
| S&P FINANCIAL               | 10.8%    |
| S&P CONSUMER DISCRETIONARY  | 9.4%     |
| S&P UTILITIES               | 8.6%     |
| S&P CONSUMER STAPLES        | 8.2%     |
| S&P HEALTH CARE             | 6.2%     |
| S&P ENERGY                  | 6.1%     |
| S&P INDUSTRIALS             | 6.0%     |
| S&P MATERIALS               | 1.9%     |
| S&P REITS                   | -4.2%    |

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%           | 1.6%            | \$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%           | 2.1%            | \$1,648.10                       | -0.9%  |
| 2014      | 2127.83       | \$102.31                     | \$113.02                      | \$113.01                   | 5.3%          | \$118.78                          | 8.3%                                   | 18.8X           | 2.2%           | 2.5%            | \$1,713.10                       | 3.9%   |
| 2015      | 2043.94       | \$86.53                      | \$100.45                      | \$100.45                   | -11.1%        | \$117.46                          | -0.5%                                  | 20.3X           | 2.1%           | 2.9%            | \$1,664.20                       | -2.9%  |
| 2016      | 2238.83       | \$94.55                      | \$106.26                      | \$106.26                   | -3.6%         | \$118.10                          | -0.1%                                  | 21.1X           | 1.9%           | 1.8%            | \$1,661.50                       | -0.2%  |
| 2017      | 2673.61       | \$109.88                     | \$124.51                      | \$124.51                   | 28.6%         | \$132.00                          | 11.8%                                  | 21.5X           | 1.8%           | 2.5%            | \$1,816.60                       | 9.3%   |
| 2018      | 2506.85       | \$132.39                     | \$151.60                      | \$151.60                   | 21.8%         | \$161.93                          | 22.7%                                  | 16.5X           | 1.9%           | 3.0%            | \$2,023.40                       | 11.4%  |
| 2019      | 3230.78       | \$94.55                      | \$157.12                      | \$157.12                   | 3.6%          | \$162.93                          | 0.6%                                   | 20.6X           | 1.8%           | 2.5%            | \$2,065.60                       | 2.1%   |
| 2020      | 3756.07       | \$109.88                     | \$122.38                      | \$122.38                   | -22.1%        | \$139.72                          | -14.2%                                 | 30.7X           | 1.6%           | -2.2%           | \$1,968.10                       | -4.7%  |
| 2021      | 4766.18       | \$132.39                     | \$208.17                      | \$208.17                   | 70.1%         | \$208.12                          | 49.0%                                  | 22.9X           | 1.3%           | 5.8%            | \$2,382.80                       | 21.1%  |
| 2022      | 3839.50       | \$139.47                     | \$196.95                      | \$196.95                   | -5.4%         | \$218.09                          | 4.8%                                   | 19.5X           | 1.7%           | 1.9%            | \$2,478.80                       | 4.0%   |
| 2023      | 4769.83       | \$94.14                      | \$213.53                      | \$213.53                   | 8.4%          | \$221.36                          | 1.5%                                   | 22.3X           | 1.5%           | 2.5%            | \$2,803.20                       | 4.0%   |
| 2024E     | ~~~~~         | \$197.87                     | \$239.37                      | \$234.00                   | 9.6%          | \$243.81                          | 10.1%                                  | 23.3X           | 1.4%           | NA              | NA                               | NA     |
| 2025E     | ~~~~~         | \$172.75                     | \$276.20                      | \$255.00                   | 9.0%          | \$278.48                          | 14.2%                                  | 20.2X           | 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 3Q   | 4288.05       | \$47.65                      | \$52.25                       | \$52.25                    | 3.8%          | \$58.41                           | 4.3%                                   | 20.4            | 1.6%           | 4.9%            | \$2,697.90                       | -2.1%  |
| 2023 4Q   | 4769.83       | \$47.79                      | \$53.90                       | \$53.90                    | 7.0%          | \$57.16                           | 7.5%                                   | 22.3            | 1.5%           | 3.4%            | \$2,803.20                       | 3.8%   |
| 2024 1Q   | 5254.35       | \$47.37                      | \$54.63                       | \$54.88                    | 4.5%          | \$56.56                           | 6.6%                                   | 24.4            | 1.3%           | 1.4%            | \$2,726.80                       | 5.3%   |
| 2024 2QE  | 5521.50       | \$52.46                      | \$57.99                       | \$58.12                    | 6.0%          | \$59.08                           | 8.8%                                   | 25.2            | 1.3%           | NA              | NA                               | NA     |
| 2024 3QE* | 5576.98       | \$56.19                      | \$62.30                       | \$60.50                    | 15.8%         | \$63.13                           | 8.1%                                   | 24.4            | NA             | NA              | NA                               | NA     |
| 2024 4QE  | ~~~~~         | \$58.78                      | \$64.45                       | \$60.50                    | 12.2%         | \$65.17                           | 14.0%                                  | 23.3            | NA             | NA              | NA                               | NA     |

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

\*7/9/2024

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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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